

ALABAMA DEPARTMENT OF REVENUE
BUSINESS & LICENSE TAX DIVISION

Uniform Natural Minerals Tax Rule

810-8-7-.07 Application of the Tax.

(1) **MANUFACTURED OR PROCESSED SEVERED MATERIALS:** Severed materials are subject to the severance tax if used by the operator, producer or purchaser in a manufacturing process to produce a product which is later sold by the operator, producer or purchaser as tangible personal property. A producer/first purchaser must measure or otherwise calculate the tons of each severed natural mineral contained in the sold product and report that amount on the severance tax return.

(2) **MATERIALS SOLD FOR USE OUTSIDE THE STATE:**

(a) Materials sold to a purchaser for use outside the State must be reported by the producer on the monthly severance tax return.

(b) If such materials are not transported on the public roads in the State, the producer may subtract the quantities of such materials from the total sales amounts shown on the monthly tax return in calculating the taxable quantities.

(c) Materials must be loaded into a non-highway conveyance (i.e. barge or train car) at the producer's site to qualify for the exemption with the exception of quarries or mines that are contiguous to or overlap the State line when materials are not transported on the public roads in Alabama. If the materials are transported any distance on the public roads in the State, the tax is due and no exemption may be claimed.

(d) The producer must maintain records documenting the method of transportation of all materials for which an exemption is claimed.

(e) Such materials are subject to audit verification.

(3) **MATERIALS STOCKPILED BY THE PRODUCER:**

(a) Materials which are moved from one place to another on the same site or transported to another site owned by the same operator or producer are not subject to the severance tax while in the possession of the producer.

(b) The materials become subject to the severance tax and must be reported on the monthly tax returns at the time the products are sold, delivered or transferred to a purchaser.

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810-8-7-.07 Application of the Tax. (Cont'd)

(4) **MATERIALS USED BY THE PRODUCER/PURCHASER:**

(a) Severed materials which are used by the producer/first purchaser and never transferred or sold, as tangible personal property, are not subject to the severance tax; including severed materials which are used by the producer to perform a furnish-and-install contract.

(b) Materials not from a commercial quarry, such as from a borrow pit, which are both, severed and used by a producer, operator, or any other person for fill, are not subject to the severance tax. The severance tax is due if any severed products are sold by the producer and used for fill by a purchaser.

(5) **MATERIALS TRANSFERRED WITHOUT SALE:**

(a) Severed materials which are donated or otherwise transferred without sale, in a bona fide transaction, to an unrelated person for no consideration, are not subject to the severance tax.

(b) Materials which are transferred for any consideration or economic benefit, such as in a barter transaction, are deemed to be sold for severance tax purposes.

(c) Materials transferred from a producer to a related person, such as a parent, subsidiary or sister company, are deemed to be sold at the time of the transfer.

(6) **COMMINGLED MATERIALS:**

(a) If natural minerals severed from more than one county are commingled at one site, the tax shall be allocated to the individual counties using the first-in, first-out (FIFO) accounting method.

(b) Severed materials which are sold from the site must be allocated between counties in the same order that the materials are received at the site.

(c) Producers/first purchasers receiving exempt product must keep records to show the amount of natural minerals stockpiled by county, the withdrawal date by county, and the amount of taxes paid by county.

(Sections 40-2A-7(a)(5) and 40-13-55, Code of Alabama 1975, effective January 11, 2013)