

# Alabama Department of Revenue

News Release

Jan. 12, 2009

## Ready for 2009? *Alabama Individual Income Tax Update*

*Montgomery*—As W-2s, 1099s, and other financial statements are being distributed this month, the Alabama Department of Revenue offers the following tax-filing updates and reminders.

### ***What's New This Year?***

#### ***New deduction for Education Savings Programs***

Alabama taxpayers may deduct up to \$5,000 per year or \$10,000 if joint filers, for contributions made after Dec. 31, 2007, to the Alabama Prepaid Affordable College Tuition Program (PACT) or the Alabama College Education Savings Program.

#### ***Nonresidents' Sale or Transfer of Alabama Real Property/Associated Tangible Personal Property***

After Aug. 1, 2008, any sale or transfer of real property and associated tangible personal property in Alabama by nonresidents is subject to Alabama income tax at a withholding rate of 3 to 4 percent of the purchase price of the property or of the nonresident seller's gain. The nonresident seller is required to file an Alabama income tax return due to the sale of the Alabama property and attach Form WNR—Withholding on Sales or Transfers of Real Property and Associated Tangible Personal Property by Nonresidents to the seller's Alabama income tax return to claim credit for the tax paid on the sale of the property.

#### ***Automatic Filing Extensions***

Alabama individual and business income taxpayers are no longer required to file an Alabama extension form if they find they cannot meet their annual return filing deadlines. Taxpayers will be given an automatic single six-month extension to file. No filing extension form will be required. The automatic extension only applies to a filing extension; no extensions are granted for payment. **ALL TAX PAYMENTS ARE DUE BY THE ORIGINAL DUE DATE OF THE RETURN.**

#### ***Form 40X No Longer Required if Filing an Amended Tax Year 2008 Return***

Taxpayers filing an AMENDED 2008 tax year return will not use a Form 40X to amend their 2008 return. To file an amended 2008 return, taxpayers will file another 2008 return and simply check the box on the front of the tax form indicating it is an amended return. Taxpayers filing tax year 2007 and prior year amended returns will be required to file the Form 40X.

### ***Important Reminders***

#### ***Federal Stimulus Payments***

Federal stimulus payments received during 2008 are excluded from Alabama income tax. Taxpayers do not report the amount of their federal stimulus payments on their STATE tax returns.

### ***Small Business Expensing***

Alabama income tax laws will not follow changes implemented by the 2008 federal Economic Stimulus Act. Adjustments must be made on the Alabama income tax return for differences in depreciation allowed by Alabama and the amount claimed for federal purposes since Alabama will not allow the bonus depreciation and the increased Section 179 limitations. Alabama will continue to be tied to the federal depreciation rules without consideration of the changes implemented by the Economic Stimulus Act of 2008.

### ***Mortgage Forgiveness Debt Relief Act of 2007***

Alabama Code Section 40-18-14(h) and (i) directly tie Alabama to Internal Revenue Code Sections 108 and 121. Taxpayers can exclude up to \$2 million of debt forgiven on their principal residence. The limit is \$1 million for a married person filing a separate return. This provision applies to debt forgiven in 2007, 2008 or 2009. Debt reduced through mortgage restructuring, as well as mortgage debt forgiven in connection with a foreclosure qualify, for this relief. (See IRS FS-2008-1, January 2008, at [www.irs.gov](http://www.irs.gov) for more information.)

***Federal Deduction for Educator Expenses:*** Alabama does **not** allow a state tax deduction for educators' qualified out-of-pocket expenses for books and classroom supplies.

### ***E-file—It's easy, quick and guarantees a quicker refund.***

More than 1 million Alabamians electronically filed their tax returns last year. E-file is a safe, secure method of filing one's tax return and guarantees a quicker turnaround time on refund processing than traditional paper returns. Further, taxpayers who meet certain eligibility requirements may be able to e-file their state and federal returns free-of-charge. For more information concerning eligibility requirements and a listing of online service providers offering free filing programs, visit the department's Web site at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) or the I.R.S. site at [www.irs.gov](http://www.irs.gov).

### ***Electronic Opt Out Form***

The Electronic Opt Out (EOO) form is a form requirement that applies to taxpayers whose returns are prepared by a paid preparer using electronic software to complete the return, but who choose to file a paper return in place of an electronic return. The EOO form must be signed by the taxpayer and attached to the paper return when filed.

### ***Electronic Payment Options***

Taxpayers have a variety of electronic payment options from which to choose: E-check, ACH debit, credit card, or direct debit.

### ***FORM 40V—Payment Voucher***

Taxpayers who pay additional tax due by check or money order should complete a FORM 40V and include it along with their checks or money orders. (Taxpayers should **not** complete a FORM 40V if they pay their taxes electronically or by credit card.) The Form 40V will be used by the department to identify the taxpayer's payment by check or money order, apply it, and match it to the taxpayer's return for processing.

### ***Direct Deposit***

Taxpayers due a refund may have their refunds direct deposited into their checking or savings accounts. Direct deposit is available to taxpayers filing refund electronic and computer-generated returns.

**Consumer Use Tax Reporting Line Item:** Taxpayers who purchased items online or through catalog or mail-order or sales during 2008 and did not pay any sales or use tax to the out-of-state retailer are able to report and pay the Alabama consumer use tax due when filing their 2008 tax year returns. The consumer use tax line item was first offered on the 2000 Alabama return.

-30-

---

**Media contact for more information:**

ADOR Media Affairs Office: Carla A. Snellgrove or Carolyn Blackstock: (334) 242-1390;  
FAX: (334) 242-0550; WEB site address: [www.revenue.alabama.gov](http://www.revenue.alabama.gov)