

Alabama Department of Revenue

News Release
April 6, 2001

Reminder: First Corporate Estimated Tax Payments at New Rate due April 16, 2001

Montgomery—The Alabama Department of Revenue reminds corporate taxpayers that April 16 marks the filing deadline date for the first estimated income tax payment set at the new 6.5 percent corporate income tax rate.

Alabama voters approved the 1.5 percent corporate rate increase in a statewide referendum, held March 21, 2000. The new rate applies to all corporate tax years beginning after December 31, 2000.

Corporations pay estimated tax if their Alabama income tax is expected to be greater than \$5,000 annually. The tax is paid in four installments by the 15th day of the fourth, sixth, ninth, and 12th months of the corporation's tax year—unless the 15th day falls on a Saturday, Sunday, or holiday. If this occurs, then the reporting deadline date is moved to the next business day. As a result, April 16, 2001, marks the first reporting and payment date for 2001 calendar-year corporate taxpayers.

Alabama imposes a penalty for failure to make estimated payments where 90 percent of the corporation's tax liability exceeds the estimated tax. The penalty is the lesser of (1) six percent of the difference between the tax liability reported on the return and any estimated tax paid, or (2) 90 percent of the tax liability reported on the return less any estimated payments made. This penalty is avoided when the corporate taxpayer makes estimated payments during the current year equal to the prior year's tax liability as shown on the return filed.

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Reminder: Estimated Tax Payments
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*Reminder: Individual Estimated Payments, First Installment
due April 16*

“April 16 will close out the 2000 tax year for individual filers marking the filing deadline date of Alabama’s annual individual income tax return,” said State Revenue Commissioner Michael L. Patterson. “As always, we encourage individuals to begin their tax planning and preparation for the next year as soon as possible. One of the best pieces of advice we offer to taxpayers is to practice good recordkeeping. We encourage taxpayers to keep all receipts, cancelled checks, and other related documents that substantiate the deductions claimed on annual individual income tax returns as they are subject to review by the department. Good recordkeeping practices started early in the year will help make next year’s filing easier,” said Patterson.

April 16 also marks another important date on the tax calendar for individuals—the start of the 2001 tax-filing period for individuals who are required to file quarterly estimated income tax reports and payments.

Self-employed individuals are required to report and pay estimated income tax on a quarterly basis, based on the current maximum individual rate of five percent. In addition, individuals who receive taxable income from income sources other than one’s wages or salary on which no tax has been withheld are also required to report and pay estimated tax on a quarterly basis, if the taxable income received exceeds certain amounts. For individuals filing single, the filing threshold is set at \$1,875 annually; for married filing jointly or head of family filing status, the threshold is set at \$3,750 annually. Examples of such taxable income would include interest income or capital gains distributions. The reporting and payment dates for individuals are April 15, June 15, Sept. 15, and Jan. 15 of the following year. As a result of April 15 falling on a weekend day, the deadline date for this reporting period (January, February, March 2001)

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is moved to next business day, April 16, 2001. The final return and installment payment for estimated tax is made on January 15, 2002, for the 2001 tax year.

Penalties for failure to report and pay estimated tax include a delinquent penalty of 10% of any additional taxes required to be paid or \$50, whichever is greater, and a 6% underestimation penalty.

For more information concerning an individual's estimated income tax filing and reporting responsibilities, contact the Alabama Department of Revenue, Individual and Corporate Tax Division at (334) 242-1000; corporations contact (334) 242-1200. Taxpayers having Internet access may download estimated income tax forms and instructions from the department's Web site at www.ador.state.al.us.

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