

Revenue REVIEW

1st Quarter
FY 2012
(October, November,
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A Quarterly Publication of the Alabama Department of Revenue

Bass and Coleman Receive Commissioner's Recognition Award

On Nov. 2, 2011, Commissioner Julie Magee presented the Commissioner's Recognition Award to Property Tax Division Director Bill Bass and Field Operations Supervisor Derrick Coleman for "significantly improving productivity and/or enhancing the reputation of the Department."

In a letter sent to Commissioner Magee, Emergency Management Agency Director Art Faulkner praised the department and recognized Derrick Coleman for his assistance to AEMA during the tornado outbreak which occurred April 27, 2011.

"Your staff assisted with our geospatial needs and enabled us to aid the cities and communities of Alabama devastated by the

storms," said Faulkner. "In particular, Mr. Derrick Coleman of the Property Tax Division aided AEMA by contacting revenue offices for the counties damaged by tornadoes to ask that they share parcel data with us. AEMA and FEMA used this data during the initial response stages of the disaster, as well as during the recovery process. This parcel data was also instrumental in completing a FEMA-funded project to generate historical building and district data layers for the entire state.

"Mr. Coleman was a vital asset to AEMA during our recovery efforts. His dedication enabled AEMA to better assist those devastated by the storms. Please extend our appreciation to both Derrick and his supervisor, Mr. Bill Bass."



(Left to right): Assistant Commissioner Cynthia Underwood, Property Tax Division Director Bill Bass, Commissioner Magee, Derrick Coleman, Deputy Commissioner Mike Mason.

ADOR Announces Penalty Relief Available to Certain Taxpayers

The Alabama Department of Revenue will waive penalties for taxpayers whose 2011 estimated tax payments were insufficient due to the recent “gross income regulation” rule change.

The “gross income regulation” was an amendment to three income tax regulations that require Alabama resident taxpayers to include in their Alabama gross income their distributable share of partnership, limited liability company, and s-corporation income derived from both in-state and out-of-state activities.

Prior to the administrative rule change, the existing gross income tax regulation allowed residents to apportion income from partnerships, limited liability companies, and s-corporations, and exclude non-Alabama source income from the tax base. Because the administrative rule change became effective during the 2011 tax year, the ADOR is offering relief to affected taxpayers who, after filing their 2011 annual individual income tax return, are billed for underestimation tax penalties.

Generally, the underestimation tax penalty is applied if the amount a taxpayer owes is over \$500 and the taxpayer’s pre-paid taxes do not equal at least 90 percent of the taxpayer’s current tax liability or 100 percent of the taxpayer’s prior-year tax.

Taxpayers affected by the gross income tax rule and who receive a penalty billing from the ADOR should contact the department’s Individual and Corporate Tax Division by telephone at 334.242.1011 or by email at craig.davis@revenue.alabama.gov.

Consumer Use Tax Reminder

The Alabama Department of Revenue reminds Alabamians shopping the Internet, TV home-shopping networks, or catalog sales to report and pay use tax on their purchases if no tax has been collected by the online or catalog retailer.

Shoppers owe a 4 percent state use tax on their out-of-state purchases if no tax has been collected by the out-of-state seller. Local taxes also apply if you live in a city or county that levies a local sales or use tax. If your purchase receipt shows that you have paid a sales tax to another state equal to the Alabama tax rate, you will not be taxed again.

The state use tax rate is 4 percent, the same as the state sales tax rate. As is the sales tax, the 4-percent use tax is specifically earmarked for the state’s Education Trust Fund, adding to the importance of collecting of the tax. The use tax is not a new tax; it has been a part of the Alabama tax system as long as the state sales tax. The use tax is a complementary tax to the state sales tax

and prevents Alabama merchants from being placed at an unfair competitive disadvantage to out-of-state merchants who may not be required to collect tax on sales to Alabama residents.

Items subject to use tax are the same items that would be subject to sales tax if purchased in Alabama, such as computers, books, electronic equipment, toys, games, furniture, jewelry, clothing, etc.

The use tax can be paid at the time one files his or her annual Alabama individual income tax return by entering the amount of use tax owed on a line item included on the tax return. By doing this, the taxpayer simply either increases the balance due or decreases the income tax refund by the amount of the use tax owed.

For more information concerning Alabama’s consumer use tax reporting requirements, contact the Alabama Department of Revenue Sales, Use and Business Tax Division at (334) 242-1490, or visit the department’s Web site at www.revenue.alabama.gov.

Consumer Use Tax Collections Reported on Alabama Form 40 and 40A

Tax Year	No. Returns	Collections
2000*	6,320	\$203,344
2001	6,540	\$219,276
2002	6,157	\$242,783
2003	6,447	\$271,348
2004	6,349	\$295,083
2005	6,132	\$282,142
2006	7,102	\$312,771
2007	7,457	\$348,872
2008	7,824	\$373,728
2009	10,032	\$475,504
2010	20,000	\$761,646

*First available on the 2000 tax year returns.

Immigration Law Guidance

Please refer to the following items on the ADOR web site:

ADOR Commissioner's Memo of Dec. 20, 2011

http://www.revenue.alabama.gov/documents/immigration_memo_magee_revisedinstructions_12202011.pdf

Alabama Attorney General's Guidance Letters

<http://www.ago.state.al.us/Page-Immigration>

Recertification Required in 2012 for Disability Parking Access Privileges

The Alabama Department of Revenue (ADOR) reminds individuals who currently hold five-year disability access parking placards and/or disability access license plates to renew their placards and license plates during their designated renewal month beginning in 2012.

Expiration dates are shown on the bottom of the removable windshield placard and on the month and year decals on the license plate.

State Revenue Commissioner Julie P. Magee reminds individuals that before a new license plate or placard may be issued, individuals first must renew their disability parking access privileges.

Individuals seeking to renew disability access parking privileges may self-certify on the *Application for Disability Access Parking Privileges form (MVR 32-6-230)* that they continue to meet the requirements for the five-year placard and/or license plate. The form is available at all county license plate issuing officials' offices or may be downloaded from the department's Website at <http://www.revenue.alabama.gov/motorvehicle/mvforms/MVR326230.pdf>.

Individuals seeking disability access parking privileges for the first time must obtain the signature of a licensed physician verifying that the individual qualifies for the parking credentials prior to receiving them. The *Application for Disability Access Parking Privileges form (MVR 32-6-*

230) must be completed by a licensed physician before an Alabama disability access placard and/or disability access license plate is issued in 2012.

The new five-year removable windshield placard is issued free-of-charge and will expire at the end of the individual's registration renewal month in 2017.

The registration fee for the disability access parking license plate is the same as that of a standard license plate – \$23 annually, plus a county issuance fee. The license plate is renewed annually and will be replaced by a new five-year series in 2017.

Commissioner Magee advises that federal guidelines do not require any vehicle ownership rights to obtain a disability access placard, but do require vehicle ownership rights to obtain a disability access license plate.

"A person with disabilities may obtain a maximum of two windshield placards; however, if an individual wishes to obtain a placard and a license plate, only one placard may be issued. Note there are no limits placed upon the number of disability access license plates that may be issued to an individual with disabilities, provided vehicle ownership qualifications are met. To obtain the license plate, the person with disabilities must have an ownership interest in the vehicle," explained Magee.

For more information concerning disability parking access privileges, visit ADOR's Website at <http://www.revenue.alabama.gov/motorvehicle/disabilityaccess.htm>.

University of Alabama School of Law to Offer Online Tax Training

Department revenue examiners and CPAs can now take advantage of an online program at the University of Alabama School of Law which offers select classes, a certificate program for CPAs, and an LL.M. in Taxation. According to Assistant Dean for Graduate Law Programs Daniel Powell, "We have an excellent faculty of professors and tax practitioners teaching the course live throughout the country. Using cutting-edge Internet technology, we deliver a true classroom experience to every desk. Students will be able to do the following:

- Experience real-time interaction with professors via video, audio, and text chat.
- Download course materials from our website.
- Review video of prior classes.
- Communicate through instructor-sponsored bulletin boards.
- Meet and work with other students through video and chat rooms.
- Attend class from home.

Applications are due May 1, 2012.

For information, questions, and application, contact Daniel Powell at www.alabamallm.com or call the University of Alabama School of Law at 205-348-2648.

Alabama Individual Income Tax Filing Update

The Alabama Department of Revenue offers the following tax-filing reminders and tips for the 2012 tax season.

Filing Deadline Date Same as Federal – Moved to Tuesday, April 17, 2012

Alabama taxpayers will have until Tuesday, April 17, 2012, to file their 2011 Alabama return and pay any additional Alabama tax due. The ADOR will follow the federal filing and payment deadline date for 2011 returns. The April 17, 2012, deadline will apply to the following:

- 2011 Alabama individual income tax returns
- Individual estimated tax returns and payments for the first quarter of tax year 2012 (Form 40ES)
- Any other Alabama income, corporate estimate, financial institution excise, or business privilege tax returns, administered by the ADOR having an April 15, 2012, filing and payment deadline date.

Alabama 2011 individual income tax year returns filed under extension will be due Oct. 15, 2012.

Consider E-file

More than 1.3 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. The I.R.S. recently announced that it will begin accepting e-file and Free File returns on Jan. 17, 2012.

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 or the I.R.S. site at www.irs.gov. Eligible taxpayers are encouraged to view each company's offerings to determine the one which best suits their filing situation.

Depreciation Deduction

Tax Relief, Unemployment Insurance Reauthorization and Jobs Creation Act of 2010:

Alabama will follow the increased deduction allowed under the recently-enacted Tax Relief, Unemployment Insurance Reauthorization and Jobs Creation Act of 2010, which amends Section 168(k) of the *Internal Revenue Code*. Section 168(k) provides that qualifying assets acquired after Sept. 8, 2010, through Dec. 31, 2011, will have a 100 percent bonus depreciation.

Small Business Jobs Act of 2010:

Alabama is following the increased deductions allowed by the Small Business Jobs Act of 2010, which amends Section 179 and Section 168 of the *Internal Revenue Code*.

More information regarding Alabama's treatment of depreciation is available at www.revenue.alabama.gov. See Current Issues under the Practitioner's Corner.

Small Business Health Insurance Premiums

Qualifying employers can deduct an additional 100 percent of the amount paid as health insurance premiums on qualifying employees in connection with an employer-provided health insurance plan. Qualifying employers have less than 25 employees. Qualified employees are Alabama residents who earn no more than \$50,000 of wages and report no more than \$75,000 in adjusted gross income. Income threshold is limited to \$150,000, if married filing jointly. Sole proprietors claim this deduction on the Form Schedule C under "other expenses." Pass-through-entities claim this deduction on the Alabama partnership return Schedule K. The amount is then distributed to the partners or shareholders on the Schedule K-1.

More information on the Small Business Health Insurance Premiums deduction is available at www.revenue.alabama.gov. See Current Issues under the Practitioner's Corner. The Small Business Health Care deduction is available for all tax years after Dec. 31, 2010.

Reemployment Act of 2010 (effective for tax years 2011 and 2012)

The Reemployment Act of 2010 provides an income tax deduction to employers who hire individuals collecting unemployment or whose unemployment benefits have expired. Employers will receive an income tax deduction up to 50 percent of the gross wages paid to each individual hired from these categories who remains with the employer for 12 consecutive months. The deduction is limited, depending on the wage rates paid to employees. It is effective for tax years 2011 and 2012 for employees hired during 2010 and 2011, respectively.

Homeowners Insurance Retrofitting Deduction

Homeowners who retrofit or upgrade their homes to make their residences more resistant to losses due to hurricane, tornado, or other natural disasters may claim an income tax deduction on their annual income tax returns. The deduction is limited to the lesser amount of either 50 percent of the retrofit cost or \$3,000. This deduction is available to taxpayers who itemize their deductions, as well as to those who claim the standard deduction.

Full Employment Act of 2011 (effective for tax years after Jan. 1, 2011)

The Full Employment Act of 2011 provides small business employers, having 50 or fewer employees, with a \$1,000 tax credit for each newly-created job, with a set

hourly wage of \$10 or more. The credit is available to the employer after the employee has completed 12 months of consecutive employment in the new job. It is effective for tax years beginning after Jan. 1, 2011.

Disaster Relief Payments

Alabama's tax treatment of disaster relief payments follows that of the Internal Revenue Service (IRS) treatment of qualified disaster relief payments under the Internal Revenue Code §139. Generally, such payments are not taxable as long as they are not payments received in lieu of income. *Note:* Unemployment compensation is not taxable for Alabama purposes.

Treatment of ROTH Individual Retirement Accounts

Alabama's tax treatment will follow the IRS Code provision that allows a 2010 rollover from a traditional Individual Retirement Account to a Roth Individual Retirement Account. Any gain will be equally distributed and reported over tax years 2011 and 2012.

Discontinued Mailing of Paper Returns

The ADOR will not mail individual income tax return instruction booklets this year. Forms and instruction booklets may be printed from the department's web site at www.revenue.alabama.gov. See "Forms." Tax booklets and forms are available at ADOR taxpayer service centers and at most public libraries where federal tax forms and booklets are available.

Review your return

Before mailing or electronically filing, be sure to review all the information on your return one more time. Errors will delay the processing of your return.

Consumer Use Tax

Taxpayers who purchased items online or through catalog or telephone mail-order sales during 2011 and did not pay any sales or use tax to the out-of-state retailer should report and pay the Alabama consumer use tax due when filing their 2011 Alabama returns.

Choose Your Preparer Carefully

The ADOR cautions taxpayers to be wary of claims by preparers offering larger refunds than other preparers. Take time to check out the preparer's credentials.

While most preparers provide excellent service to their clients, it is important to be aware that even if someone else prepares the return, the taxpayer is ultimately responsible for all of the information reported on his or her return. The department urges taxpayers to never sign a blank return and always review the return before signing it. Question any item shown on the return that you do not understand.

Owe Additional Taxes?

The ADOR offers taxpayers a variety of electronic payment options – from E-check to credit card payment options. More information is available at www.revenue.alabama.gov. See [Electronic Services](#).

Estimated Tax Reminder

April 17, 2012, also marks another important date on the tax calendar for individuals—the start of the 2012 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 wages or salaries 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. The estimated tax filing and payment threshold for individuals is set at \$500 in tax liability 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.

Where's My Refund?

If you file an accurate 2011 refund return, the ADOR advises that you can expect to have your refund approved by the ADOR and issued by the state within 15 weeks from the date the return is received.

To check on the processing status of your refund return, go to "Where's My Refund" at www.revenue.alabama.gov or call the Refund Hotline at 1.800.558.3912. Please allow at least four weeks after you electronically file or mail your Alabama refund return before using the automated systems.

Last year the ADOR processed over 1.8 million individual income tax returns and approved over 1.2 million individual income tax refunds for issuance to taxpayers, totaling over \$582 million.

You can receive your 2011 state refund by either paper check or direct deposit. Last year, 638,166 Alabama taxpayers opted to have their state income tax refunds direct-deposited into their accounts. Check out the benefits of direct deposit. It is an easy and secure way to receive your tax refund.

Alabama Tax Assistance

The ADOR is committed to providing quality customer service to taxpayers. Assistance is available at taxpayers' convenience through the department's Web site at www.revenue.alabama.gov or by calling 334.242.1000. The ADOR also operates nine Taxpayer Service Centers located across the state for walk-in assistance. For a listing of ADOR Taxpayer Service Center locations, visit www.revenue.alabama.gov. See [About Us](#).

IRS NEWS

OCTOBER 2011

Issue Number: IR-2011-103
Oct. 20, 2011

IRS Announces Pension Plan Limitations for 2012

WASHINGTON – The Internal Revenue Service announces cost of living adjustments affecting dollar limitations for pension plans and other retirement-related items for Tax Year 2012. In general, many of the pension plan limitations will change for 2012 because the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. However, other limitations will remain unchanged. Highlights include:

- The elective deferral (contribution) limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased from \$16,500 to \$17,000.
- The catch-up contribution limit for those aged 50 and over remains unchanged at \$5,500.
- The deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are covered by a workplace retirement plan and have modified adjusted gross incomes (AGI) between \$58,000 and \$68,000, up from \$56,000 and \$66,000 in 2011. For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range is \$92,000 to \$112,000, up from \$90,000 to \$110,000. For an IRA contributor who is

not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between \$173,000 and \$183,000, up from \$169,000 and \$179,000.

- The AGI phase-out range for taxpayers making contributions to a Roth IRA is \$173,000 to \$183,000 for married couples filing jointly, up from \$169,000 to \$179,000 in 2011. For singles and heads of household, the income phase-out range is \$110,000 to \$125,000, up from \$107,000 to \$122,000. For a married individual filing a separate return who is covered by a retirement plan at work, the phase-out range remains \$0 to \$10,000.

- The AGI limit for the saver's credit (also known as the retirement savings contributions credit) for low-and moderate-income workers is \$57,500 for married couples filing jointly, up from \$56,500 in 2011; \$43,125 for heads of household, up from \$42,375; and \$28,750 for married individuals filing separately and for singles, up from \$28,250.

Below are details on both the unchanged and adjusted limitations.

Section 415 of the Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans. Section 415(d) requires that the Commissioner annually adjust these limits for cost of living increases. Other limitations applicable to deferred compensation plans are also affected by these adjustments under Section 415. Under Section 415(d), the adjustments are to be made pursuant to adjustment procedures which are similar to those used to adjust benefit amounts under Section 215(i)(2)(A) of the Social Security Act.

The limitations that are adjusted by reference to Section 415(d) generally will change for 2012 because the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. For example, the limitation under Section 402(g)(1) on the exclusion for elective deferrals described in Section 402(g)(3) will increase from \$16,500 to \$17,000 for 2012. This limitation affects elective deferrals to Section 401(k) plans, Section 403(b) plans, and the Federal Government's Thrift Sav-

ings Plan.

Effective January 1, 2012, the limitation on the annual benefit under a defined benefit plan under section 415(b)(1)(A) is increased from \$195,000 to \$200,000.

Under section 1.415(d)-1(a)(2)(ii) of the Income Tax Regulations, the adjustment to the limitation under a defined benefit plan under section 415(b)(1)(B) is determined using a special rule. This special rule takes into account the following recent history of changes in the cost-of-living indexes: (1) the cost-of-living index for the quarter ended September 30, 2009, was less than the cost-of-living index for the quarter ended September 30, 2008; (2) the cost-of-living index for the quarter ended September 30, 2010, was greater than the cost-of-living index for the quarter ended September 30, 2009, but less than the cost-of-living index for the quarter ended September 30, 2008; and (3) the cost-of-living index for the quarter ended September 30, 2011, was greater than the cost-of-living indexes for all prior periods.

For a participant who separated from service before January 1, 2010, the limitation under a defined benefit plan under Section 415(b)(1)(B) for 2012 is computed by multiplying the participant's 2011 compensation limitation by 1.0327 in order to reflect changes in the cost-of-living index from the quarter ended September 30, 2008, to the quarter ended September 30, 2011. For a participant who separated from service during 2010 or 2011, the limitation under a defined benefit plan under Section 415(b)(1)(B) for 2012 is computed by multiplying the participant's 2011 compensation limitation by 1.0376 in order to reflect changes in the cost-of-living index from the quarter ended September 30, 2010, to the quarter ended September 30, 2011.

The limitation for defined contribution plans under Section 415(c)(1)(A) is increased in 2012 from \$49,000 to \$50,000.

The Code provides that various other dollar amounts are to be adjusted at the same time and in the same manner as the dollar limitation of Section 415(b)(1)(A). After taking into account the applicable rounding rules, the amounts for 2012 are as follows:

The limitation under Section 402(g)(1) on the exclusion for elective deferrals described in Section 402(g)(3) is increased from \$16,500 to \$17,000.

The annual compensation limit under Sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) is increased from \$245,000 to \$250,000.

The dollar limitation under Section 416(i)(1)(A)(i) concerning the definition of key employee in a top-heavy plan is increased from \$160,000 to \$165,000.

The dollar amount under Section 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5 year distribution period is increased from \$985,000 to \$1,015,000, while the dollar amount used to determine the lengthening of the 5 year distribution period is increased from \$195,000 to \$200,000.

The limitation used in the definition of highly compensated employee under Section 414(q)(1)(B) is increased from \$110,000 to \$115,000.

The dollar limitation under Section 414(v)(2)(B)(i) for catch-up contributions to an applicable employer plan other than a plan described in Section 401(k)(11) or Section 408(p) for individuals aged 50 or over remains unchanged at \$5,500. The dollar limitation under Section 414(v)(2)(B)(ii) for catch-up contributions to an applicable employer plan described in Section 401(k)(11) or Section 408(p) for individuals aged 50 or over remains unchanged at \$2,500.

The annual compensation limitation under Section 401(a)(17) for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost of living adjustments to the compensation limitation under the plan under Section 401(a)(17) to be taken into account, is increased from \$360,000 to \$375,000.

The compensation amount under Section 408(k)(2)(C) regarding simplified employee pensions (SEPs) remains unchanged at \$550.

The limitation under Section 408(p)(2)(E) regarding SIMPLE retirement accounts remains unchanged at \$11,500.

The limitation on deferrals under Sec-

tion 457(e)(15) concerning deferred compensation plans of state and local governments and tax-exempt organizations is increased from \$16,500 to \$17,000.

The compensation amounts under Section 1.61 21(f)(5)(i) of the Income Tax Regulations concerning the definition of "control employee" for fringe benefit valuation purposes is increased from \$95,000 to \$100,000. The compensation amount under Section 1.61 21(f)(5)(iii) is increased from \$195,000 to \$205,000.

The Code also provides that several pension-related amounts are to be adjusted using the cost-of-living adjustment under Section 1(f)(3). After taking the applicable rounding rules into account, the amounts for 2012 are as follows:

The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for married taxpayers filing a joint return is increased from \$34,000 to \$34,500; the limitation under Section 25B(b)(1)(B) is increased from \$36,500 to \$37,500; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D), is increased from \$56,500 to \$57,500.

The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for taxpayers filing as head of household is increased from \$25,500 to \$25,875; the limitation under Section 25B(b)(1)(B) is increased from \$27,375 to \$28,125; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D), is increased from \$42,375 to \$43,125.

The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for all other taxpayers is increased from \$17,000 to \$17,250; the limitation under Section 25B(b)(1)(B) is increased from \$18,250 to \$18,750; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D), is increased from \$28,250 to \$28,750.

The deductible amount under § 219(b)(5)(A) for an individual making qualified retirement contributions remains unchanged at \$5,000.

The applicable dollar amount under

Section 219(g)(3)(B)(i) for determining the deductible amount of an IRA contribution for taxpayers who are active participants filing a joint return or as a qualifying widow(er) is increased from \$90,000 to \$92,000. The applicable dollar amount under Section 219(g)(3)(B)(ii) for all other taxpayers (other than married taxpayers filing separate returns) is increased from \$56,000 to \$58,000. The applicable dollar amount under Section 219(g)(7)(A) for a taxpayer who is not an active participant but whose spouse is an active participant is increased from \$169,000 to \$173,000.

The adjusted gross income limitation under Section 408A(c)(3)(C)(ii)(I) for determining the maximum Roth IRA contribution for married taxpayers filing a joint return or for taxpayers filing as a qualifying widow(er) is increased from \$169,000 to \$173,000. The adjusted gross income limitation under Section 408A(c)(3)(C)(ii)(II) for all other taxpayers (other than married taxpayers filing separate returns) is increased from \$107,000 to \$110,000.

The dollar amount under Section 430(c)(7)(D)(i)(II) used to determine excess employee compensation with respect to a single-employer defined benefit pension plan for which the special election under section 430(c)(2)(D) has been made is increased from \$1,014,000 to \$1,039,000.

Issue Number: IR-2011-104
Oct. 20, 2011

In 2012, Many Tax Benefits Increase Due to Inflation Adjustments

WASHINGTON — For tax year 2012, personal exemptions and standard deductions will rise and tax brackets will widen due to inflation, according to the Internal Revenue Service.

By law, the dollar amounts for a variety of tax provisions, affecting virtually every taxpayer, must be revised each year to keep pace with inflation. **New dollar amounts affecting 2012 returns, filed by most taxpayers in early 2013**, include the following:

- The value of each personal and dependent exemption, available to most taxpayers, is \$3,800, up \$100 from 2011.

- The new standard deduction is \$11,900 for married couples filing a joint return, up \$300, \$5,950 for singles and married individuals filing separately, up \$150, and \$8,700 for heads of household, up \$200. Nearly two out of three taxpayers take the standard deduction, rather than itemizing deductions, such as mortgage interest, charitable contributions and state and local taxes.

- Tax-bracket thresholds increase for each filing status. For a married couple filing a joint return, for example, the taxable-income threshold separating the 15-percent bracket from the 25-percent bracket is \$70,700, up from \$69,000 in 2011.

Credits, deductions, and related phase outs.

- For tax year 2012, the maximum earned income tax credit (EITC) for low- and moderate- income workers and working families rises to \$5,891, up from \$5,751 in 2011. The maximum income limit for the EITC rises to \$50,270, up from \$49,078 in 2011. The credit varies by family size, filing status and other factors, with the maximum credit going to joint filers with three or more qualifying children.

- The foreign earned income deduction rises to \$95,100, an increase of \$2,200 from the maximum deduction for tax year 2011.

- The modified adjusted gross income threshold at which the lifetime learning credit begins to phase out is \$104,000 for joint filers, up from \$102,000, and \$52,000 for singles and heads of household, up from \$51,000.

- For 2012, annual deductible amounts for Medical Savings Accounts (MSAs) increased from the tax year 2011 amounts; please see the table below.

Medical Savings Accounts (MSAs)	Self-only coverage	Family coverage
Minimum annual deductible	\$2,100	\$4,200
Maximum annual deductible	\$3,150	\$6,300
Maximum annual out-of-pocket expenses	\$4,200	\$7,650

The \$2,500 maximum deduction for interest paid on student loans begins to

phase out for a married taxpayers filing a joint returns at \$125,000 and phases out completely at \$155,000, an increase of \$5,000 from the phase out limits for tax year 2011. For single taxpayers, the phase out ranges remain at the 2011 levels.

Estate and Gift

For an estate of any decedent dying during calendar year 2012, the basic exclusion from estate tax amount is \$5,120,000, up from \$5,000,000 for calendar year 2011. Also, if the executor chooses to use the special use valuation method for qualified real property, the aggregate decrease in the value of the property resulting from the choice cannot exceed \$1,040,000, up from \$1,020,000 for 2011.

The annual exclusion for gifts remains at \$13,000.

Other Items

- The monthly limit on the value of qualified transportation benefits exclusion for qualified parking provided by an employer to its employees for 2012 rises to \$240, up \$10 from the limit in 2011. However, the temporary increase in the monthly limit on the value of the qualified transportation benefits exclusion for transportation in a commuter highway vehicle and transit pass provided by an employer to its employees expires and reverts to \$125 for 2012.

- Several tax benefits are unchanged in 2012. For example, the additional standard deduction for blind people and senior citizens remains \$1,150 for married individuals and \$1,450 for singles and heads of household.

Details on these inflation adjustments can be found in Revenue Procedure 2011-52, which will be published in Internal Revenue Bulletin 2011-45 on November 7, 2011.

DECEMBER 2011

**Issue Number: IR-2011-116
Dec. 9, 2011**

IRS Announces 2012 Standard Mileage Rates, Most Rates Are the Same as in July

WASHINGTON – The Internal Revenue Service issued the 2012 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on Jan. 1, 2012, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 55.5 cents per mile for business miles driven
- 23 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

The rate for business miles driven is unchanged from the mid-year adjustment that became effective on July 1, 2011. The medical and moving rate has been reduced by 0.5 cents per mile.

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on the variable costs as determined by the same study. Independent contractor Runzheimer International conducted the study.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after claiming a Section 179 deduction for that vehicle. In addition, the business standard mileage rate cannot be used for more than four vehicles used simultaneously.

These and other requirements for a taxpayer to use a standard mileage rate to calculate the amount of a deductible business, moving, medical or charitable expense are in Rev. Proc. 2010-51.

Notice 2012-01 contains the standard mileage rates, the amount a taxpayer must use in calculating reductions to basis for depreciation taken under the business standard mileage rate, and the maximum

standard automobile cost that a taxpayer may use in computing the allowance under a fixed and variable rate plan.

Issue Number: IR-2011-117
Dec. 14, 2011

IRS Releases Guidance on Foreign Financial Asset Reporting

WASHINGTON – The Internal Revenue Service released a new information reporting form that taxpayers will use starting this coming tax filing season to report specified foreign financial assets for tax year 2011.

Form 8938 (Statement of Specified Foreign Financial Assets) will be filed by taxpayers with specific types and amounts of foreign financial assets or foreign accounts. It is important for taxpayers to determine whether they are subject to this new requirement because the law imposes significant penalties for failing to comply.

The Form 8938 filing requirement was enacted in 2010 to improve tax compliance by U.S. taxpayers with offshore financial accounts. Individuals who may have to file Form 8938 are U.S. citizens and residents, nonresidents who elect to file a joint income tax return and certain nonresidents who live in a U.S. territory.

Form 8938 is required when the total value of specified foreign assets exceeds certain thresholds. For example, a married couple living in the U.S. and filing a joint tax return would not file Form 8938 unless their total specified foreign assets exceed \$100,000 on the last day of the tax year or more than \$150,000 at any time during the tax year.

The thresholds for taxpayers who reside abroad are higher. For example in this case, a married couple residing abroad and filing a joint return would not file Form 8938 unless the value of specified foreign assets exceeds \$400,000 on the last day of the tax year or more than \$600,000 at any time during the year.

Instructions for Form 8938 explain the thresholds for reporting, what constitutes a specified foreign financial asset, how to determine the total value of relevant assets, what assets are exempted, and what infor-

mation must be provided.

Form 8938 is not required of individuals who do not have an income tax return filing requirement.

The new Form 8938 filing requirement does not replace or otherwise affect a taxpayer's obligation to file an FBAR (Report of Foreign Bank and Financial Accounts). For more go to the FBAR page on this website.

Failing to file Form 8938 when required could result in a \$10,000 penalty, with an additional penalty up to \$50,000 for continued failure to file after IRS notification. A 40 percent penalty on any understatement of tax attributable to non-disclosed assets can also be imposed. Special statute of limitation rules apply to Form 8938, which are also explained in the instructions.

Form 8938, the form's instructions, regulations implementing this new foreign asset reporting, and other information to help taxpayers determine if they are required to file Form 8938 can be found on the [FATCA page of irs.gov](http://FATCA.page.of.irs.gov).

See [TD 9567](#).

Issue Number: IR-2011-118
Dec. 15, 2011

IRS Offers Tips for Year-End Giving

WASHINGTON – Individuals and businesses making contributions to charity should keep in mind several important tax law provisions that have taken effect in recent years. Some of these changes include the following:

Special Charitable Contributions for Certain IRA Owners

This provision, currently scheduled to expire at the end of 2011, offers older owners of individual retirement accounts (IRAs) a different way to give to charity. An IRA owner, age 70½ or over, can directly transfer tax-free up to \$100,000 per year to an eligible charity. This option, created in 2006, is available for distributions from IRAs, regardless of whether the owners itemize their deductions. Distributions from employer-sponsored retirement plans, including SIMPLE IRAs and simplified employee

pension (SEP) plans, are not eligible.

To qualify, the funds must be contributed directly by the IRA trustee to the eligible charity. Amounts so transferred are not taxable and no deduction is available for the transfer.

Not all charities are eligible. For example, donor-advised funds and supporting organizations are not eligible recipients.

Amounts transferred to a charity from an IRA are counted in determining whether the owner has met the IRA's required minimum distribution. Where individuals have made nondeductible contributions to their traditional IRAs, a special rule treats transferred amounts as coming first from taxable funds, instead of proportionately from taxable and nontaxable funds, as would be the case with regular distributions. See [Publication 590, Individual Retirement Arrangements \(IRAs\)](#), for more information on [qualified charitable distributions](#).

Rules for Clothing and Household Items

To be deductible, clothing and household items donated to charity generally must be in good used condition or better. A clothing or household item for which a taxpayer claims a deduction of over \$500 does not have to meet this standard if the taxpayer includes a qualified appraisal of the item with the return. Household items include furniture, furnishings, electronics, appliances and linens.

Guidelines for Monetary Donations

To deduct any charitable donation of money, regardless of amount, a taxpayer must have a bank record or a written communication from the charity showing the name of the charity and the date and amount of the contribution. Bank records include canceled checks, bank or credit union statements, and credit card statements. Bank or credit union statements should show the name of the charity, the date, and the amount paid. Credit card statements should show the name of the charity, the date, and the transaction posting date.

Donations of money include those made in cash or by check, electronic funds

transfer, credit card and payroll deduction. For payroll deductions, the taxpayer should retain a pay stub, a Form W-2 wage statement or other document furnished by the employer showing the total amount withheld for charity, along with the pledge card showing the name of the charity.

These requirements for the deduction of monetary donations do not change the long-standing requirement that a taxpayer obtain an acknowledgment from a charity for each deductible donation (either money or property) of \$250 or more. However, one statement containing all of the required information may meet both requirements.

Reminders

To help taxpayers plan their holiday-season and year-end giving, the IRS offers the following additional reminders:

- Contributions are deductible in the year made. Thus, donations charged to a credit card before the end of 2011 count for 2011. This is true even if the credit card bill isn't paid until 2012. Also, checks count for 2011 as long as they are mailed in 2011.

- Check that the organization is qualified. Only donations to qualified organizations are tax-deductible. IRS Publication 78, searchable and available online, lists most organizations that are qualified to receive deductible contributions. It can be found at IRS.gov under Search for Charities. In addition, churches, synagogues, temples, mosques and government agencies are eligible to receive deductible donations, even if they are not listed in Publication 78.

- For individuals, only taxpayers who itemize their deductions on Form 1040 Schedule A can claim deductions for charitable contributions. This deduction is not available to individuals who choose the standard deduction, including anyone who files a short form (Form 1040A or 1040EZ). A taxpayer will have a tax savings only if the total itemized deductions (mortgage interest, charitable contributions, state and local taxes, etc.) exceed the standard deduction. Use the 2011 Form 1040 Schedule A to determine whether itemizing is better than claiming the standard deduction.

- For all donations of property, including clothing and household items, get

from the charity, if possible, a receipt that includes the name of the charity, date of the contribution, and a reasonably-detailed description of the donated property. If a donation is left at a charity's unattended drop site, keep a written record of the donation that includes this information, as well as the fair market value of the property at the time of the donation and the method used to determine that value. Additional rules apply for a contribution of \$250 or more.

- The deduction for a motor vehicle, boat or airplane donated to charity is usually limited to the gross proceeds from its sale. This rule applies if the claimed value is more than \$500. Form 1098-C, or a similar statement, must be provided to the donor by the organization and attached to the donor's tax return.

- If the amount of a taxpayer's deduction for all noncash contributions is over \$500, a properly-completed Form 8283 must be submitted with the tax return.

- And, as always it's important to keep good records and receipts.

IRS.gov has Additional information on charitable giving including:

- [Charities & Non-Profits](#)
- [Publication 526, Charitable](#)

Contributions.

- On-line mini-course, Can I Deduct My Charitable Contributions?

JANUARY 2012

Issue Number: IR-2012-3

Jan. 5, 2012

More Innocent Spouses Qualify for Relief Under New IRS Guidelines

IRS YouTube Video: Innocent Spouse:
[English](#) | [Spanish](#) | [ASL](#)

Podcast: Innocent Spouse

WASHINGTON – The Internal Revenue Service has released new proposed guidelines designed to provide relief to more innocent spouses requesting equitable relief from income tax liability.

A Notice proposing a new revenue procedure, posted on IRS.gov, revises the threshold requirements for requesting equitable relief and revises the factors used by

the IRS in evaluating these requests. The factors have been revised to ensure that requests for innocent spouse relief are granted under section 6015(f) when the facts and circumstances warrant and that, when appropriate, requests are granted in the initial stage of the administrative process. The new guidelines are available immediately and will remain available until the finalized revenue procedure is published. The IRS will immediately begin using these new guidelines when evaluating equitable relief requests.

“The IRS is significantly changing the way we determine innocent spouse relief,” said IRS Commissioner Doug Shulman. “These improvements should dramatically enhance our process to make it fairer for victimized taxpayers facing difficult situations.”

This is the second major change made to the innocent spouse program. In July, the IRS extended help to more innocent spouses by eliminating the two-year time limit that previously applied to requests seeking equitable relief.

The IRS invites public comment on the proposed revenue procedure. There are three ways to submit comments.

- E-mail to:

Notice.Comments@irs.counsel.treas.gov. Include “Notice 2012-8” in the subject line.

- Mail to: Internal Revenue Service, CC:PA:LPD:PR (Notice 2012-8), Room 5203, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044.

- Hand deliver to: CC:PA:LPD:PR (Notice 2012-8), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW, Washington, DC, between 8 a.m. and 4 p.m., Monday through Friday.

The deadline is Feb. 21, 2012.

Issue Number: IR-2012-4

Jan. 6, 2012

IRS Releases New Tax Gap Estimates; Compliance Rates Remain Statistically Unchanged From Previous Study

The Internal Revenue Service released a new set of tax gap estimates for tax year 2006. The tax gap is defined as the amount of tax liability faced by taxpayers that is not

paid on time.

The new tax gap estimate represents the first full update of the report in five years, and it shows the nation's compliance rate is essentially unchanged from the last review covering tax year 2001.

The tax gap statistic is a helpful guide to the scale of tax compliance and to the persisting sources of low compliance, but it is not an adequate guide to year-to-year changes in IRS programs or to year-to-year returns on IRS service and enforcement initiatives.

The following table summarizes the new estimates being released today, as compared to the 2001 estimates, along with the total tax liabilities in each year.

	Tax Year 2001 (billions)	Tax Year 2006 (billions)
Total Tax Liabilities	\$2,112	\$2,660
Gross Tax Gap	\$345	\$450
	(83.7% compliance)	(83.1% compliance)
Enforcement and Late Payments	\$55	\$65
Net Tax Gap	\$290	\$385
	(86.3% compliance)	(85.5% compliance)

The voluntary compliance rate – the percentage of total tax revenues paid on a timely basis – for tax year 2006 is estimated to be 83.1 percent. The voluntary compliance rate for 2006 is statistically unchanged from the most recent prior estimate of 83.7 percent calculated for tax year 2001.

On a relative basis, the tax gap is largely in line with the growth in total tax liabilities. In addition, some growth in the tax gap estimate is attributed to better data and improved estimation methods. For example, the IRS developed a new econometric model for estimating the tax gap attributable to small corporations which was then applied to newer operational data. Also, large corporation tax gap estimates for 2006 are based on improved statistical methods and updated data. Finally, the data related to individual income taxpayers continues to improve based on improved estimation techniques and newer data.

The tax gap can be divided into three components: non-filing, underreporting and underpayment.

As was the case in 2001, the underre-

porting of income remained the biggest contributing factor to the tax gap in 2006. Under-reporting across taxpayer categories accounted for an estimated \$376 billion of the gross tax gap in 2006, up from \$285 billion in 2001. Tax non-filing accounted for \$28 billion in 2006, up from \$27 billion in 2001. Underpayment of tax increased to \$46 billion, up from \$33 billion in the previous study.

Overall, compliance is highest where there is third-party information reporting and/or withholding. For example, most wages and salaries are reported by employers to the IRS on Forms W-2 and are subject to withholding. As a result, a net of only 1 percent of wage and salary income was misreported. But amounts subject to little or no information reporting had a 56 percent net misreporting rate in 2006.

Issue Number: IR-2012-5
Jan. 9, 2012

IRS Offshore Programs Produce \$4.4 Billion to Date for Nation's Taxpayers; Offshore Voluntary Disclosure Program Reopens

The Internal Revenue Service re-opened the offshore voluntary disclosure program to help people hiding offshore accounts get current with their taxes and announced the collection of more than \$4.4 billion so far from the two previous international programs.

The IRS reopened the Offshore Voluntary Disclosure Program (OVDP) following continued strong interest from taxpayers and tax practitioners after the closure of the 2011 and 2009 programs. The third offshore program comes as the IRS continues working on a wide range of international tax issues and follows ongoing efforts with the Justice Department to pursue criminal prosecution of international tax evasion. This program will be open for an indefinite period until otherwise announced.

“Our focus on offshore tax evasion continues to produce strong, substantial results for the nation's taxpayers,” said IRS Commissioner Doug Shulman. “We have billions of dollars in hand from our previous efforts, and we have more people wanting

to come in and get right with the government. This new program makes good sense for taxpayers still hiding assets overseas and for the nation's tax system.”

The program is similar to the 2011 program in many ways, but with a few key differences. Unlike last year, there is no set deadline for people to apply. However, the terms of the program could change at any time going forward. For example, the IRS may increase penalties in the program for all or some taxpayers or defined classes of taxpayers – or decide to end the program entirely at any point.

“As we've said all along, people need to come in and get right with us before we find you,” Shulman said. “We are following more leads and the risk for people who do not come in continues to increase.”

The third offshore effort comes as Shulman also announced today the IRS has collected \$3.4 billion so far from people who participated in the 2009 offshore program, reflecting closures of about 95 percent of the cases from the 2009 program. On top of that, the IRS has collected an additional \$1 billion from up front payments required under the 2011 program. That number will grow as the IRS processes the 2011 cases.

In all, the IRS has seen 33,000 voluntary disclosures from the 2009 and 2011 offshore initiatives. Since the 2011 program closed last September, hundreds of taxpayers have come forward to make voluntary disclosures. Those who have come in since the 2011 program closed last year will be able to be treated under the provisions of the new OVDP program.

The overall penalty structure for the new program is the same for 2011, except for taxpayers in the highest penalty category.

For the new program, the penalty framework requires individuals to pay a penalty of 27.5 percent of the highest aggregate balance in foreign bank accounts/entities or value of foreign assets during the eight full tax years prior to the disclosure. That is up from 25 percent in the 2011 program. Some taxpayers will be eligible for 5 or 12.5 percent penalties; these remain the same in the new program

as in 2011.

Participants must file all original and amended tax returns and include payment for back-taxes and interest for up to eight years as well as paying accuracy-related and/or delinquency penalties.

Participants face a 27.5 percent penalty, but taxpayers in limited situations can qualify for a 5 percent penalty. Smaller offshore accounts will face a 12.5 percent penalty. People whose offshore accounts or assets did not surpass \$75,000 in any calendar year covered by the new OVDP will qualify for this lower rate. As under the prior programs, taxpayers who feel that the penalty is disproportionate may opt instead to be examined.

The IRS recognizes that its success in offshore enforcement and in the disclosure programs has raised awareness related to tax filing obligations. This includes awareness by dual citizens and others who may be delinquent in filing, but owe no U.S. tax. The IRS is currently developing procedures by which these taxpayers may come into compliance with U.S. tax law. The IRS is also committed to educating all taxpayers so that they understand their U.S. tax responsibilities.

More details will be available within the next month on IRS.gov. In addition, the IRS will be updating key Frequently Asked Questions and providing additional specifics on the offshore program.

IRS and Alabama Securities Commission Warn of Common Scams

AL/TN-2011-53AL, Dec. 15, 2011

MONTGOMERY – Internal Revenue Service (IRS) spokesman Dan Boone and Alabama Securities Commission (ASC) Director Joseph P. Borg warn Alabamians not to be taken in by scammers during the holidays and pretax season.

Borg said, "Citizens should use the vast array of IRS and ASC resources to protect themselves and learn how to make informed financial decisions. With tax rebates and refunds on the way, large numbers of baby boomers retiring, and people desperate to make higher returns on life savings—it's time to proceed with caution!"

"Scammers often use official-looking e-

mails," Boone said. "But we've also had reports this year of tax scammers using the mail, going door-to-door, and even using the good names of local churches, attempting to trick people into filing false tax refund claims or giving out their personal information."

Boone also cautioned people to choose tax preparers carefully in the 2012 filing season, reminding filers they are signing their tax return under penalties of perjury no matter who prepares the return.

Borg and Boone both advised remembering the old saying, "If it sounds too good to be true, it probably is."

Also they noted, "With identity theft on the rise, people must be vigilant in protecting their personal information on paper, cell phones and computers."

State and IRS officials warned Alabamians to be on the lookout for the following scams or unsuitable investment products and check things out before trusting anyone with your life savings:

1. Check to see if your investment professional and the investment product offered is properly licensed/registered.

Before you invest call the Alabama Securities Commission (1-800-222-1253) and give them information about your investment professional and products being offered. ASC will then run a free background check for you and provide information concerning prior convictions, negative business activities, and verify legal licensing and registration.

2. Affinity Fraud.

Con artists frequently target members of closely knit religious, political, or ethnic groups. Their pitch is essentially, "since I am like you and believe like you, you can believe in me and in what I say." When an investment is presented in this context, the potential investor should be extremely wary. This pitch seeks to substitute an emotional appeal for careful analysis and critical thought. Alabamians lost millions of dollars to affinity fraud during the past ten years. One congregation lost their building to foreclosure due to a scam implemented by church members.

3. Are variable and equity-in-

dexed annuities suitable for you?

The returns on these products are tied to the performance of investments in the stock market. Variable annuities have steadily gained popularity based upon their tax-deferred potential investment growth over the long term, typically ten years or longer. While they can be appropriate investment vehicles for some, variable annuities may not be suitable for older investors with short-term financial goals or who may require quick access to their money due to financial emergencies. A more complex investment option is the equity-indexed annuity, whose relative success is tied directly to the overall performance of a particular group of stocks. This instrument may be unsuitable for some retirees; it technically is classified as an insurance product and is not subject to the same rigorous oversight and regulation as most investment products. Potential investors need to understand the risk of investment products, possible high surrender penalties for early withdrawals, possible tax consequences, and potential of exposure to excessive market fluctuations. Be aware that agents may be motivated to promote and sell these products due to high sales commissions.

4. Self-Directed Pension Plans.

Many types of securities fraud require the victim to remove funds from legitimate investments such as stock brokerage accounts, mutual funds, insurance policies, deferred compensation plans and mutual funds so that they can be invested in a worthless scam. This scam may begin with advice to convert an employer-sponsored pension into a self-directed pension plan. While these plans may serve legitimate investment purposes, all too often they only serve to benefit the scam artist.

5. Pump and Dump Schemes.

Unethical broker-dealers frequently "pump" up the value of low-priced securities traded on the NASDAQ "pink sheets" and then "dump" the stock after naïve investors have purchased the stock at inflated prices. The balloon breaks when the promoters no longer maintain the myth that there is value in the shares and investors are left holding worthless shares. These schemes frequently

appear through unsolicited e-mail messages. [Hundreds of millions of dollars have been lost by U.S. citizens in penny stock, micro cap and related pump and dump scams and Alabamians have lost millions of dollars.]

6. Phishing scams. Protect your personal information and your money! Scammers sometimes pose as IRS representatives. But the IRS will not contact you about your taxes by e-mail. All unsolicited e-mail claiming to be from the IRS should be reported to phishing@irs.gov. If the IRS needs to contact you, most often you will get an official notice in the mail. If someone claiming to be an IRS employee calls or comes to your home or business, be careful. IRS callers should provide their name and employee ID number. IRS visitors should have an official government badge or ID. If you have any doubt whether any type of contact from the IRS is authentic, don't hesitate to decline giving out any information, then call the IRS at 1-800-829-1040 to confirm that it's really from the IRS.

7. Return Preparer Fraud: Most tax preparers are honest, but dishonest preparers usually try to attract clients by promising big refunds. Walk away if they suggest that you borrow dependents, claim false tax deductions or credits, or put anything you know is incorrect on your tax return. Remember, you are responsible for the accuracy of your tax return and are signing it under penalties of perjury!

8. "Free Money" Claims: Flyers and advertisements for free money from the IRS, suggesting that the taxpayer can claim government money with little or no documentation, have been appearing in communities around the country, including some in Alabama. Promoters are sometimes targeting church congregations, exploiting their good intentions and credibility. These schemes also often spread by word of mouth among unsuspecting and well-intentioned people telling their friends and relatives. Frequently these scams target taxpayers who normally do not have a filing requirement, such as retirees, and involve claims for nonexistent Social Security rebates.

Administrative Rules

Effective Dec. 8, 2011:

Amended:

- 810-6-5-.26 Utility Privilege or License Tax
- 810-6-5-.26.01 Mobile Communication Services Tax
- 810-6-5-.26.02 Utility Tax Direct Pay Permit
- 810-6-5-.27.01 Nursing Facility Tax

Effective Dec. 21, 2011:

Repealed:

- 810-11-1-.01 Papers
- 810-11-1-.02 Applications for Permit
- 810-11-1-.03 Separate Permits
- 810-11-1-.04 Expiration of Licenses
- 810-11-1-.05 Inspector's Duties
- 810-11-1-.06 Good Order
- 810-11-1-.07 Encroachment of Dates
- 810-11-1-.08 Application Forms
- 810-11-1-.09 Betting
- 810-11-1-.10 Announcements
- 810-11-1-.11 Sham Exhibitions
- 810-11-1-.12 Passes
- 810-11-1-.13 Revocation of Licenses
- 810-11-1-.14 Physicians
- 810-11-1-.16 Admission of Press Representatives to Weighing In
- 810-11-1-.17 Drinks Not to be Sold in Bottles
- 810-11-1-.18 Contestant's Injuries
- 810-11-1-.19 Collusive Contests
- 810-11-1-.20 Pass Out Checks

- 810-11-1-.21 Ticket Sellers
- 810-11-1-.22 Participants' Representative
- 810-11-1-.23 Prompt Appearance of Contestants in Ring
- 810-11-1-.24 Contestants, How Often May Compete
- 810-11-1-.25 Use of Grease, etc.
- 810-11-1-.26 Correct Names
- 810-11-1-.27 Licenses, Cost
- 810-11-1-.28 Contracts
- 810-11-1-.29 Length of Boxing Program
- 810-11-1-.30 Officials
- 810-11-1-.31 Referee
- 810-11-1-.32 Judges
- 810-11-1-.34 Timekeeper
- 810-11-1-.35 Announcer
- 810-11-1-.36 Inspector at Ring
- 810-11-1-.37 Seconds
- 810-11-1-.38 Contestants
- 810-11-1-.39 Bandages
- 810-11-1-.40 Shoes
- 810-11-1-.41 Down
- 810-11-1-.42 Major Fouls
- 810-11-1-.43 Minor Fouls
- 810-11-1-.44 Number and Duration of Rounds
- 810-11-1-.46 Difference in Weight
- 810-11-1-.47 Stopping a Match or Exhibition
- 810-11-1-.51 Seating of Patrons

(Continued on Page 14)

9. Hiding Income Offshore: The IRS aggressively pursues taxpayers involved in abusive offshore transactions and the promoters who facilitate or enable these schemes. Taxpayers have tried to avoid or evade U.S. income tax by hiding income in offshore banks and brokerage accounts, or by using offshore debit cards, credit cards, wire transfers, foreign trusts, employee-leasing schemes, private annuities or life insurance plans. Don't be tricked by those who try to convince you it's legal to hide income from the IRS.

10. Frivolous Arguments: Promoters of these schemes make outlandish

claims about people being able to legally quit filing and paying taxes. Read "The Truth About Frivolous Arguments" at www.irs.gov to get the truth. People who have fallen for these schemes often end up financially devastated when they are penalized or even prosecuted for failing to file and pay taxes that were legally due. Report suspected tax fraud to the IRS using Form 3949-A, Information Referral, available at IRS.gov or by calling 1-800-829-3676.

For more about common tax scams, check out the "Dirty Dozen Tax Scams for 2011" at IRS.gov.

- 810-11-1-.52 Decisions
 810-11-1-.53 Weights and Classes
 810-11-1-.54 Weighing Time
 810-11-1-.55 Ring Equipment
 810-11-1-.56 Height of Ring
 810-11-1-.57 Ring, Obstructions
 810-11-1-.58 Buckets, Bottles and Fans
 810-11-1-.59 Gloves
 810-11-1-.60 Police
 810-11-1-.61 Officials Must Not be Interested
 810-11-1-.62 Rest Period
 810-11-1-.63 Age Limit
 810-11-1-.64 Penalties
 810-11-1-.65 Suspensions
 810-11-1-.66 Fines
 810-11-1-.67 Admission Fees
 810-11-2-.01 Papers-Wrestling
 810-11-2-.02 Officials
 810-11-2-.03 Application for Permit
 810-11-2-.04 Expiration of Permit
 810-11-2-.05 Expiration of Licenses
 810-11-2-.06 Inspector's Duties
 810-11-2-.07 Good Order
 810-11-2-.08 Encroachment of Dates
 810-11-2-.09 Application Forms
 810-11-2-.10 Betting
 810-11-2-.11 Announcements
 810-11-2-.12 Sham Exhibitions
 810-11-2-.12.01 Collusive Contests
 810-11-2-.13 Passes
 810-11-2-.14 Revocation of Licenses
 810-11-2-.15 Medical Examination
 810-11-2-.15.01 Drinks Not to be Sold in Bottles
 810-11-2-.16 Failure to Appear
 810-11-2-.17 Licenses Not Accepted as Passes
 810-11-2-.18 Tickets
 810-11-2-.19 Pass Out Checks
 810-11-2-.20 Ticket Sellers
 810-11-2-.21 Participants' Representative
 810-11-2-.22 Prompt Appearance of Contestants in Ring
 810-11-2-.23 Use of Grease, etc.
 810-11-2-.24 Correct Names
 810-11-2-.25 Licenses, Cost
 810-11-2-.27 Substitutions
 810-11-2-.29 Inspector in Charge
 810-11-2-.30 Decisions
 810-11-2-.31 Weights and Classes
 810-11-2-.32 Weighing Time
 810-11-2-.33 Separate Permits
 810-11-2-.34 Referee
 810-11-2-.35 Scales
 810-11-2-.36 Announcer
 810-11-2-.37 Seconds
 810-11-2-.38 Championship Passes
 810-11-2-.39 Time Limit on Length of Matches
 810-11-2-.40 Final Decision of the Referee, When Made
 810-11-2-.41 Costumes
 810-11-2-.42 Ring
 810-11-2-.43 Improper Holds, Grips, etc.
 810-11-2-.44 Falls and Decisions
 810-11-2-.45 Physical Fitness
 810-11-2-.46 Contestants in All Matches Must be Properly Trained and in Fit Physical Condition to Wrestle at Their Best
 810-11-2-.47 Age
 810-11-2-.48 Quitting or Conceding Defeat
 810-11-2-.49 Referee's Discretion to Stop the Bout
 810-11-2-.49.01 Stopping a Match or Exhibition
 810-11-2-.50 Charging of Time upon Stopping a Bout
 810-11-2-.51 Hygiene
 810-11-2-.52 Separate Licenses
 810-11-2-.53 Premature Announcements
 810-11-2-.54 Duties of the Commission
 810-11-2-.55 Suspensions
 810-11-2-.56 Fines
 810-11-2-.57 Admission Fees
 810-11-2-.58 Police
 810-11-2-.59 Admission of Press Representatives to Weighing In
 810-11-3-.01 Application for License to Box, Wrestle, or Participate Directly in Either Sport in Any Way on a Professional Basis
 810-11-3-.02 Application for Permit to Hold Boxing or Wrestling Contest
- Effective Dec. 23, 2011:**
Adopted:
 810-5-75-.68 Title Procedure – Exemptions from Titling
- Amended:**
 810-5-75-.57 Application for Salvage Certificate of Title – Application for Certificate of Title for a Stolen Unrecovered Vehicle
- 810-5-75-.48 Title Procedures – Defining “Junk,” “Parts Only,” and “Scrap” Vehicles and Requiring Notice
 810-8-5-.06 Evidence of Liability Insurance for Motor Vehicle Dealers, Motor Vehicle Reconditioners, Motor Vehicle Rebuilders, or Motor Vehicle Wholesalers, Licensed under Act Number 539
- Repealed:**
 810-5-75-.07 Title Procedure – Request for Change of Address Only on a Certificate of Title
 810-5-75-.26.01 Title Procedure – Motor Vehicles Exempt from Titling in Other States
 810-5-75-.37 Application for Certificate of Title – Seller's Signature Requirements
 810-5-75-.44 Assignment/Reassignment of Salvage Certificate of Title
 810-5-75-.46.01 Assignment of Certificate of Title – Transferor's Signature Requirements
- Effective Jan. 10, 2012:**
Amended:
 810-5-1-.211 Motor Vehicle Registration Delinquency Penalty and Interest Charges
 810-5-1-.244 Proration of Motor Vehicle Registration Fees
 810-5-1-.468 Refunds of Motor Vehicle Registration Fees
 810-6-5-.13 Persons, Firms, and Corporations Subject to Lodgings Tax
- Repealed:**
 810-5-1-.227.03 Dealer/Manufacturer License Plate Violations, Penalties
 810-5-1-.482 Classification Codes for License Plates
- Effective Jan. 11, 2012:**
Adopted:
 810-7-1-.22 Procedures Pertaining to Manufacturers of Tobacco Products Relating to Commercial Cigarette-making or Rolling Machines
- Effective Jan. 18, 2012:**
Amended:
 810-5-75-.14 Involuntary Transfer by Operation of Law

Tax Calendar

Required Monthly Returns Tax Activity

10th • Medicaid-related tax return and payment due for nursing facilities.

- Tobacco use tax return and payment due.

15th • Gasoline information return due from carriers, transporters, and warehouses.

- Lubricating oils information return due from carriers, transporters, and warehouses.
- Motor carrier mileage tax return and payment due.
- Oil and gas production tax and privilege tax return and payment due two months following month of production.
- Withholding return and payment due from those employers required to remit on a monthly basis

20th • Aviation fuel tax return and payment due.

- Coal severance tax return and payment due.
- Coal transporters' and purchasers' returns due.
- Contractors' gross receipts tax return and payment due.
- Gasoline tax return and payment due.
- Iron ore severance tax return and payment due.
- Local solid minerals tax returns and payments due.
- Lodgings tax return and payment due.
- Lubricating oils tax return and payment due.
- Medicaid tax return and payment due from pharmaceutical service providers.
- Mobile telecommunications service tax return and payment due.
- Motor fuel tax return and payment due.
- Pari-mutuel pool tax return and payment due.
- Rental or leasing tax return and payment due.
- Sales tax (state and local) return and payment due.
- Scrap Tire Environmental Fee due.
- Tobacco tax (state and county) return and payment due.
- Underground and aboveground storage tank trust fund charge due.
- Uniform Natural Minerals tax return and payment due.
- Use tax return and payment due.
- Utility gross receipts tax return and payment due.

30th • Hazardous waste fee return and payment due.

Last day of month • State horse wagering fee return and payment due.

Quarterly/Annual Tax Activity

(April-June 2012)

April

- 1** • Annual Dry Cleaning Trust Fund Fee return and payment due by wholesalers of dry cleaning agents.
- Quarterly Dry Cleaning Trust Fund Fee return and payment due.
 - Utility license (2.2%) third quarterly payment due.

15 • First installment of estimated personal income tax due.

- Financial institutions' excise tax return and payment due.
- Business privilege tax return (Form PSA) due for limited liability entities.
- First installment of estimated corporate income tax due (for calendar-year taxpayers).

NOTE: Other fiscal-period taxpayers pay their corporate estimated tax on the 15th day of the fourth, sixth, ninth and twelfth months of their tax year and file their return on the 15th day of the third month following the close of their tax year.

- Partnership income tax return due.
- Personal income tax return and payment due.

20 • Quarterly sales tax return and payment due.

- Quarterly use tax return and payment due.
- Quarterly rental or leasing tax return and payment due.
- Quarterly Solid Waste Disposal Fee return and payment due.

30 • Quarterly forest products' severance tax return and payment due.

- Quarterly withholding return and payment due from employer.
- Quarterly payroll fee and return due.
- Quarterly IFTA tax return and payment due.

May

10 • Quarterly NPM certification and bank verification due.

15 • Quarterly insurance premiums tax return and payment due.

June

15 • Second installment of estimated corporate income tax due (for calendar-year taxpayers).

- Second installment of estimated personal income tax due.

Farmers' Fuel Tax Refund Deadline April 2

The Alabama Department of Revenue (ADOR) reminds Alabama farmers that April 2, 2012, is the deadline date for filing their 2011 state fuel tax refund claims with the ADOR.

The refund claims are based on portions of the state excise tax paid by farmers on gasoline and "clear" motor fuel used in tractors or any auxiliary engines attached to tractors during 2011 for agricultural purposes. The refund rate is 11 cents per gallon for gasoline and "clear" motor fuel.

The refund provision also allows Alabama farmers transporting biomass to electricity-generating facilities to receive a fuel tax refund up to \$1,000.

Farmers who have previously filed refund claims with the ADOR were mailed forms in January. Any individual qualifying for a refund may obtain a claim form by writing to the following address: Alabama Department of Revenue, Sales, Use and Business Tax Division, Motor Fuels Section, Post Office Box 327540, Montgomery, AL

36132-7540, or telephone (334) 242-9608.

For more information on the fuel tax refund, farmers may contact the depart-

ment's Motor Fuels Section at (334) 242-9608, or email Steve.Dubose@revenue.alabama.gov.

Statement of Gross Tax Collections

Through End of 1st Quarter FY 2012 (Oct., Nov., Dec. 2011)

	FYTD 2011-12	FYTD 2010-11	% Change
Business Privilege Tax	11,279,957.54	10,730,667.59	5.12
Gasoline	98,258,998.39	101,477,258.57	(3.17)
Income Tax-Corporate	92,869,984.48	83,450,561.32	11.29
Income Tax-Individual	757,005,403.12	743,321,733.84	1.84
Income Tax (Total)	849,875,387.60	826,772,295.16	2.79
Motor Fuels	33,633,974.08	32,705,874.12	2.84
Oil & Gas Privilege (8%)	21,963,262.03	19,676,495.61	11.62
Oil & Gas Production (2%)	7,549,408.80	8,287,375.49	(8.90)
Sales	493,567,239.84	473,700,801.37	4.19
Use Tax	68,224,221.05	64,832,104.61	5.23
Utility Gross Receipts	101,668,571.38	99,539,142.50	2.14
SUBTOTAL	1,686,021,020.71	1,637,722,015.02	2.95
SUBTOTAL (OTHER TAXES)	425,143,376.19	423,033,145.72	0.50
TOTAL (ALL TAXES)	2,111,164,396.90	2,060,755,160.74	2.45

Interest Rates Remain the Same for First Quarter of 2012

Interest rates for the calendar quarter beginning Jan. 1, 2012, remain at three (3) percent, according to Internal Revenue Bulletin No. 2011-52, dated Dec. 27, 2011.

Under Sect. 40-1-44, *Code of Alabama 1975*, the Department of Revenue will calculate interest on underpayments and overpayments (where applicable) at this same annual rate (3%); however, land sold by the state for taxes, shall be calculated at 12% in accordance with Sect. 40-5-9. (Historical rates shown right.)

Interest Rates By Calendar Quarter

(Established by: 26 USCA §6621; §40-1-44, *Code of Alabama 1975*)

	1ST QTR	2ND QTR	3RD QTR	4TH QTR
2001	9%	8%	7%	7%
2002	6%	6%	6%	6%
2003	5%	5%	5%	4%
2004	4%	5%	4%	5%
2005	5%	6%	6%	7%
2006	7%	7%	8%	8%
2007	8%	8%	8%	8%
2008	7%	6%	5%	6%
2009	5%	4%	4%	4%
2010	4%	4%	4%	4%
2011	3%	4%	4%	3%
2012	3%			