

Revenue REVIEW

1st Quarter
FY 2015
(October, November,
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A Quarterly Publication of the Alabama Department of Revenue

Magee Tapped for Alabama Small Business Advisory Committee

State Revenue Commissioner Julie Magee, in her continuing role as a supporter of the state's business community, was tapped in October 2014 to serve on the Alabama Small Business Advisory Committee.

Magee joins 11 other business dignitaries who will serve in an advisory capacity to the Alabama Small Business Commission. Created by Gov. Robert Bentley in September, the commission will

formulate policy, support innovation, discuss issues relevant to the economic growth of small businesses, and promote policies to aid new business start-ups and the expansion of existing businesses.

Atlas Alabama, a new website where entrepreneurs and small business owners can access comprehensive information on doing business in the state, represents the Alabama Small Business Commission and the Advisory Committee.



Front Row (left to right) Jerry Mitchell, President and CEO, Alabama State Black Chamber of Commerce; Rosemary Elebash, Chair of the Alabama Small Business Commission and Advisory Committee, State Director, NFIB; Gov. Robert Bentley; Ken Smith, Executive Director, Alabama League of Municipalities; Julie Magee, Alabama Commissioner of Revenue; Jeremy Arthur, IOM — President and CEO, Chamber of Commerce Association of Alabama; back row (left to right) Greg Barker, SVP, Marketing and Economic Development, Alabama Power Company; Mark Heinrich, PhD, Chancellor, Alabama Community College System; Jim Searcy, Executive Director, Economic Development Association of Alabama; Fitzgerald Washington, Alabama Department of Labor Commissioner; not pictured: Greg Canfield, Secretary, Alabama Department of Commerce; Sonny Brasfield, Executive Director, Association of County Commissions of Alabama.

ADOR Hires New Governmental Relations Manager

Arleen Alexander was hired as Revenue's new governmental relations manager, effective Nov. 3, 2014.

The department has recently launched many significant projects requiring much integration between the state and its peers in local governmental offices. This collaboration, according to State Revenue Commissioner Julie Magee, is vital to the business community and will help promote economic development through the state.

"Over the past few years, I have been very proud of the way the department and local governments have collaborated in order to bring more, streamlined processes that make it easier on businesses in our state," said Commissioner Magee. "However, I feel we can do a better job of ensuring concerns are heard and needs are met. Hiring Ms. Alexander and charging her with this responsibility is going to help us bring about an even better level of service for the local governments as well as the business community."

Alexander's role will be to facilitate conversation between the state and all local revenue, property tax, probate judges and license commission offices to ensure the department is providing the best possible service and resources for the local governments. Some of these projects will include:

- One Spot – a streamlined process for sales tax returns and payments
- www.AtlasAlabama.gov – a portal to help business owners open, expand or close a business
- OPPAL – a new online filing system for business property tax returns and payments

Alexander received her Bachelor of Arts in Political Science and Economics from Auburn University and went on to complete her Masters of Business Administration at Louisiana State University. Alexander has a strong background in government affairs, communications, fundraising and association member services. She is a certified association executive (CAE), and with more than 23 years of experience she will be a positive asset to the department.



Arleen Alexander

New Security Measures in Place to Prevent Identity Theft and Tax Return Fraud

State Revenue Commissioner Julie P. Magee announced new efforts the Alabama Department of Revenue is taking to protect taxpayers against identity theft and return fraud.

"In the past, our primary responsibility was to efficiently process tax returns and refunds. Now, due to alarming frequency of identity theft, we must first confirm the identity of the person filing the return," said Commissioner Magee. "It is our duty to protect our citizens from criminals who use stolen information to file fraudulent returns."

When the department receives a return, it will be processed using new tools intended to detect possible fraud. "We will employ new technology and processes to confirm the identity of the person filing an income tax return in our state," said Commissioner Magee.

Some people will receive a letter from the Alabama Department of Revenue asking them to complete a short confirmation quiz used to confirm identity. The request does not mean the individual is suspected of identity theft or has done anything wrong. The request is to confirm the person's identity has not been stolen and used to file a false return.

Once the quiz has been completed, the return will be processed. The quiz can be taken online or by phone. In 2013, identity theft was the top consumer concern, and protecting Alabamians has become a major priority for the state.

State Revenue Commissioner Julie P. Magee Announces Conviction in Tax Evasion/State Ethics Violation Case

State Revenue Commissioner Julie P. Magee announced the conviction and sentencing of **Shirley Jean Walters**, on charges of state income tax evasion and a state ethics violation for using her position for personal gain. Walters was a Personnel Assistant employed by the Alabama Department of Corrections until she resigned in 2014 after her indictment. She previously served as a payroll clerk at Tutwiler Prison in Wetumpka.

Walters' pleas of guilty to the two felony counts were accepted by Montgomery Presiding Circuit Court Judge Charles Price and the convictions were adjudicated on Sept. 12, 2014. She was convicted on one count of state income evasion under Section 40-29-110, *Code of Alabama 1975* for tax year 2008, and on one count of using her position as a public employee to obtain personal gain in violation of the state ethics laws, Section 36-25-5(a), *Code of Alabama 1975*.

Walters used her position to change her Alabama income tax withholding status to "exempt" or "zero withholding" for her state wages in the state payroll and personnel computer system, the Government Human Resources System (GHRS). She was able to avoid having income tax withheld from bi-monthly state paychecks. Since she did not file state income tax returns and had zero withholding, she paid virtually no Alabama income tax.

Walters was sentenced on Oct. 10, 2014 by Judge Price to serve 46 months in the penitentiary, suspended, with supervised probation. She was also ordered to pay restitution in the amount of \$11,631.51, plus interest and penalties for the tax years involved.

"It is a crime to falsely claim exemption from state income tax withholding or to fraudulently exaggerate exemptions on income withholding tax forms or payroll records," said Commissioner Magee.

When combined with failing to file a tax return and/or to pay income taxes it is a felony. Ms. Walters was in a special position of trust as a Personnel Assistant and violated that trust for her own personal gain. This is yet another in many cases we

have pursued for income tax evasion perpetrated in this manner. We expect more investigations and prosecutions of employees in both the private and public sector in the coming months for similar crimes."

Miles Tapped as Public Information Manager

Frank Miles was hired as public information manager for the Alabama Department of Revenue (ADOR), effective Dec. 1, 2014. Miles will head the newly formed Communications/Publications Section within the Office of the Commissioner.

"The Alabama Department of Revenue has been very active in recent years enhancing the services we provide to taxpayers, as well as improving and streamlining processes," said Commissioner Magee. "That's why I'm excited to have Frank and his team in place to help us do a better job of informing the citizens, businesses and local governments of Alabama that the Department of Revenue is good government serving a great state."

The ADOR Communications/Publications Section will continue to work with media to announce important news and features

regarding the work of the department, as well as enhance other existing channels and develop new ways to communicate with the communities the department serves.

Miles brings 14 years of media, public information and marketing experience to ADOR. He received his Bachelor of Science in broadcast journalism from Troy University before working as a photojournalist for WHOA and WSFA. He then spent his first stint in state service in the Communications and Information Division at the Alabama Department of Economic and Community Affairs. Most recently, Miles served as communications manager at Auburn University at Montgomery. Miles is a member of the Public Relations Council of Alabama and the Southern Public Relations Federation.



Frank Miles

Alabama Department of Revenue Warns Taxpayers of Phone Scam

The Alabama Department of Revenue has been made aware of a scam targeting Alabama taxpayers. Someone claiming to be an employee of the Department of Revenue is making phone calls telling taxpayers they need to pay an amount due immediately.

According to Julie Magee, Commissioner of Revenue, this is a scam and not originating out of the Alabama Department of Revenue. The fraudulent phone calls have an area code from New York State. Please be aware of any phone calls coming from 607-767-7109 or 607-767-7132. Taxpayers should not comply or give out any personal information if called from these numbers. The Alabama Department of Revenue typically communicates to taxpayers through written correspondence.

The department requests anyone receiving suspicious phone calls like this to contact the department at (334) 242-3012.

Department Warns Taxpayer of Phishing Attempts

The Alabama Department of Revenue has received several tips from taxpayers who received automated calls informing them that the department is about to sue them, and that they should call 206-201-2445.

This phone number is in no way affiliated with the Alabama Department of Revenue. Any legitimate employee calling from the ADOR will not ask for a social security number or bank account information. No taxpayer will be informed about any litigation over the phone.

If you receive a similar call, please notify The Internal Revenue Service online at <http://www.irs.gov/uac/Report-Phishing>. If you have been a victim of any cybercrime, visit <https://www.victimvoice.org/> for helpful tips and resources.

Consumer Use Tax Due on Online Purchases

The Alabama Department of Revenue reminds Alabamians who shop 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 they live in a city or county that levies a local sales or use tax. If their purchase receipt shows that they have paid a sales tax to another state equal to the Alabama tax rate, they will not be taxed again.

The state use tax rate is 4 percent, the same as the state sales tax rate. Like the sales tax, the use tax is primarily earmarked for the state's Education Trust Fund. 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 online or catalog 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.

Alabama taxpayers can pay their use tax at the time they file their Alabama individual income tax return by entering the amount of use tax owed on a line item included on the Alabama individual income tax return. By doing this, the taxpayer simply either increases their balance due or decreases their 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 and Use Tax Division at 334-242-1490 or visit the department's website at <http://revenue.alabama.gov>.

Administrative Rules

Effective Dec. 1, 2014:

Adopted:

810-8-1-.02 Application of Excise Tax on Blendstocks

Amended:

810-5-12-.01 Application for New and Used Motor Vehicle Dealer, Motor Vehicle Wholesaler, and Motor Vehicle Re-builder Licenses and Renewals-Application for Off-site Sales Event

810-5-12-.02 Surety Bond Form for New and Used Motor Vehicle Dealers, Motor Vehicle Wholesalers, and Motor Vehicle Rebuilders

810-5-12-.03 Bond Claim for New Motor Vehicle Dealers, Motor Vehicle Wholesalers, Used Motor Vehicle Dealers, and Motor Vehicle Rebuilders

810-8-1-.25.02 Permit to Pay Lubricating Oil Tax Directly to the Department of Revenue

Repealed:

810-5-75-.52 Designated Agent Appointments

Effective Dec. 4, 2014:

Amended:

810-5-75-.34 Title Obtained under Surety Bond

810-6-3-.37.03 Exemption for Certain Items Furnished to Medicaid Recipients

810-6-5-.09 Leasing and Rental of Tangible Personal Property

810-6-1-.52 Direct Mail Advertising, Printer's Liability

810-6-1-.60 Opticians, Optometrists, and Ophthalmologists

810-6-5-.29 Oxygen and Durable Medical Equipment Dispensed to Medicare Recipients by Participating Providers

810-4-1-.07 Motor Bus Passenger Carrier Vehicles

2015 Sales Tax Holiday for Severe Weather Preparedness Items

Alabama's fourth Sales Tax Holiday for Severe Weather Preparedness items will begin Friday, Feb. 20 and end at midnight, on Sunday, Feb. 22.

Alabamians are encouraged to stock up on supplies for protecting their homes or businesses during the state's tornado and hurricane seasons.

A provision in the Severe Weather Preparedness Sales Tax Holiday allows counties and municipalities to join the state and remove their own local sales and use taxes from the same items during the same weekend (Reference Act 2012-256).

The listing of local governments participating is available at <http://revenue.alabama.gov/salestax/WPholiday.cfm>.

Interest Rates Remained the Same for First Quarter of 2015

Interest rates for the calendar quarter which began Oct. 1, 2014, remained at three (3) percent, according to Internal Revenue Bulletin No. 2014-86, dated Sept. 3, 2014.

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.)

Statement of Gross Tax Collections

Through End of 1st Quarter FY 2015
(October, November, December 2014)

	FYTD 2014-15	FYTD 2013-14	% Change
Business Privilege Tax	\$ 16,201,194.15	\$ 9,656,684.37	67.77
Gasoline	101,874,640.20	99,904,094.51	1.97
Income Tax-Corporate	176,185,372.09	93,870,687.68	87.69
Income Tax-Individual	847,663,818.64	811,396,158.41	4.47
Income Tax (Total)	1,023,849,190.73	905,266,846.09	13.10
Motor Fuels	36,252,730.88	35,054,151.60	3.42
Oil & Gas Privilege (8%)	18,770,933.47	22,864,729.53	(17.90)
Oil & Gas Production (2%)	5,745,286.55	6,427,562.07	(10.61)
Sales	530,275,679.01	517,698,175.42	2.43
Use Tax	81,614,615.21	77,479,004.62	5.34
Utility Gross Receipts	97,261,730.08	92,494,988.25	5.15
SUBTOTAL	1,911,846,000.28	1,766,846,236.46	8.21
SUBTOTAL (OTHER TAXES)	453,236,590.40	437,043,030.22	3.71
TOTAL (ALL TAXES)	\$2,365,082,590.68	\$2,203,889,266.68	7.31

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%	3%	3%	3%
2013	3%	3%	3%	3%
2014	3%	3%	3%	3%
2015	3%			

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

(March and April 2015)

March

- 1**
- Freight line equipment return due.
 - Public utility property tax return delinquent after this date.

- 15**
- Corporate income tax return and information return due (for calendar-year taxpayers).
 - Business Privilege Tax return.

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.

- 10**
- Quarterly Hospital Assessment for Medicaid Tax due.

- 15**
- Annual NPM payment due into escrow.
 - Estimated personal income tax and first installment due.
 - Financial institutions' excise tax return and payment due.
 - Business Privilege tax return 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**
- Annual TPM certification due.
 - Annual NPM certification and bank verification due.
 - Quarterly forest products' severance tax return and payment due.
 - Quarterly NPM payment due into escrow.
 - Quarterly withholding return and payment due from employer.
 - Quarterly IFTA tax return and payment due.
 - Quarterly Construction Employer Fee due.