

Revenue REVIEW

2nd Quarter
FY 2013
(January, February,
March 2013)

A Quarterly Publication of the Alabama Department of Revenue

Julie P. Magee Named Vice-Chair Multistate Tax Commission

The Multistate Tax Commission (MTC) has named Alabama Commissioner of Revenue Julie P. Magee to the post of vice-chair, effective Jan. 31, 2013.

Magee will assume her duties as vice-chair immediately and will be confirmed at the next meeting of the Executive Committee, according to MTC Chair Cory Fong, North Dakota Revenue Commissioner.

Magee, who was elected MTC treasurer in 2011, was named vice-chair by Chairman Fong, filling the vacancy created when Missouri Revenue Director Alana Barragan-Scott accepted a new appointment by Missouri Gov. Jay Nixon.

The Multistate Tax Commission is an intergovernmental state tax agency that works on behalf of states aiding in the administration of tax laws that apply to multistate and multinational enterprises. The commission, which was created by the Multistate Tax Compact in 1967, is charged with the following:

- Facilitating the proper determination of state and local tax liability of multistate taxpayers, including the equitable apportionment of tax bases and settlement of apportionment disputes;
- Promoting uniformity or compatibility in significant components of tax systems;
- Facilitating taxpayer convenience and compliance in the filing of tax returns and in other phases of tax administration;
- Avoiding duplicative taxation.

"I am very honored to serve as vice-chair," said Magee. "Alabama's participation in MTC activities has been extremely beneficial to our state over the years. MTC's Joint Audit Program and the National

Nexus Program have produced significant revenue collections for Alabama. In addition, the support and legal briefs provided by the legal staff of the MTC have been of paramount importance to the successful defense of various tax cases

involving multijurisdictional tax issues," Magee added.

Alabama joined the MTC in 1994. Forty-seven states and the District of Columbia are currently members of the MTC.

AATA Recognizes Brenda Coone with Special Award

Motor Vehicle Division Director Brenda Coone received a special tribute at this year's Association of Alabama Tax Administrators Mid-winter Conference, held at Montgomery's Renaissance Hotel.

Rep. John Merrill made a special presentation, a resolution honoring Coone's 25-year career with the department and her contributions to the administration of all state laws, rules and regulations assigned to the Motor Vehicle Division.



Shown here with Brenda and her award are (l to r) Rep. John Merrill and Danny Coone, Brenda's husband.



Gov. Robert Bentley (at podium) held a press conference Wed., Feb. 20, 2013, to highlight the Sales Tax Holiday for Storm Preparedness Items. In attendance were (left to right): Jon Mason, Serve Alabama: The Governor's Office of Faith-based and Volunteer Service; Jim Stefkovich, National Weather Service; Sen. Greg Reed, Rep. Bill Pool, bill sponsors; Alabama Revenue Commissioner Julie Magee, Rick Brown, Alabama Retail Association; Alabama Emergency Management Agency Director Art Faulkner. (Photo credit: Jamie Martin, Governor's Office)

IRS NEWS

Revised IR-2013-4
Jan. 11, 2013

Annual Inflation Adjustments for 2013

WASHINGTON — The Internal Revenue Service announced annual inflation adjustments for tax year 2013, including the tax rate schedules, and other tax changes from the recently passed American Taxpayer Relief Act of 2012.

The tax items for 2013 of greatest interest to most taxpayers include the following changes.

Beginning in tax year 2013 (generally for tax returns filed in 2014), a new tax rate of 39.6 percent has been added for individuals whose income exceeds \$400,000 (\$450,000 for married taxpayers filing a joint return). The other marginal rates — 10, 15, 25, 28, 33 and 35 percent — remain the same as in prior years. The guidance contains the taxable income thresholds for each of the marginal rates.

The standard deduction rises to \$6,100 (\$12,200 for married couples filing jointly), up from \$5,950 (\$11,900 for married couples filing jointly) for tax year 2012.

The American Taxpayer Relief Act of 2012 added a limitation for itemized deductions claimed on 2013 returns of individuals with incomes of \$250,000 or more (\$300,000 for married couples filing jointly).

The personal exemption rises to \$3,900, up from the 2012 exemption of \$3,800. However beginning in 2013, the exemption is subject to a phase-out that begins with adjusted gross incomes of \$250,000 (\$300,000 for married couples filing jointly). It phases out completely at \$372,500 (\$422,500 for married couples filing jointly).

The Alternative Minimum Tax exemption amount for tax year 2013 is

\$51,900 (\$80,800, for married couples filing jointly), set by the American Taxpayer Relief Act of 2012, which indexes future amounts for inflation. The 2012 exemption amount was \$50,600 (\$78,750 for married couples filing jointly).

The maximum Earned Income Credit amount is \$6,044 for taxpayers filing jointly who have 3 or more qualifying children, up from a total of \$5,891 for tax year 2012.

Estates of decedents who die during 2013 have a basic exclusion amount of \$5,250,000, up from a total of \$5,120,000 for estates of decedents who died in 2012.

For tax year 2013, the monthly limitation regarding the aggregate fringe benefit exclusion amount for transit passes and transportation in a commuter highway vehicle is \$245, up from \$240 for tax year 2012 (the legislation provided a retroactive increase from the \$125 limit that had been in place).

Details on these inflation adjustments and others are contained in [Revenue Procedure 2013-15](#), published in [Internal Revenue Bulletin 2013-5](#) on Jan. 28, 2013. Other inflation adjusted items were published in October 2012 in [Revenue Procedure 2012-41](#).

IR-2013-5
Jan. 15, 2013

IRS Announces Simplified Option for Claiming Home Office Deduction Starting This Year; Eligible Home-Based Businesses May Deduct up to \$1,500; Saves Taxpayers 1.6 Million Hours A Year

WASHINGTON — The Internal

Revenue Service announced a simplified option that many owners of home-based businesses and some home-based workers may use to figure their deductions for the business use of their homes.

In tax year 2010, the most recent year for which figures are available, nearly 3.4 million taxpayers claimed deductions for business use of a home (commonly referred to as the home office deduction).

The new optional deduction, capped at \$1,500 per year based on \$5 a square foot for up to 300 square feet, will reduce the paperwork and recordkeeping burden on small businesses by an estimated 1.6 million hours annually.

"This is a common-sense rule to provide taxpayers an easier way to calculate and claim the home office deduction," said Acting IRS Commissioner Steven T. Miller. "The IRS continues to look for similar ways to combat complexity and encourages people to look at this option as they consider tax planning in 2013."

The new option provides eligible taxpayers an easier path to claiming the home office deduction. Currently, they are generally required to fill out a 43-line form (Form 8829) often with complex calculations of allocated expenses, depreciation and carryovers of unused deductions. Taxpayers claiming the optional deduction will complete a significantly simplified form.

Though homeowners using the new option cannot depreciate the portion of their home used in a trade or business, they can claim allowable mortgage interest, real estate taxes and casualty losses on the home as itemized deductions on Schedule A. These deductions need not be allocated between personal and business use, as is required under the regular method.

Business expenses unrelated to the home, such as advertising, supplies and wages paid to employees are still fully deductible.

Current restrictions on the home office deduction, such as the requirement

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Debbie Hornsby Named Director of Information Technology Division



Debbie Hornsby

Effective April 1, Debbie Hornsby, formerly with the Alabama Department of Transportation, was named director of Revenue's Information Technology Division.

Her career in state government spans some 29 years of IT experience, all within the state merit system. While pursuing her degree in Information Systems from Auburn University Montgomery, she worked as an hourly laborer at DOT. After obtaining her undergraduate degree, she worked as a Programmer Trainee and Programmer for the State Personnel Department (SPD).

In 1988, she left the SPD and returned to Transportation, working as a Programmer Analyst I in the Computer Services Bureau. There she performed

analysis and design for a variety of computer applications/systems. She eventually moved into a supervisory position with the Customer Support Group, responsible for the centralized procurement and distribution of all computer hardware and software utilized by DOT.

For the last four years and 10 months, Ms. Hornsby served as one of three Computer Services' Assistant Bureau Chiefs, where she was responsible for managing the four application development sections of the department.

In addition to her undergraduate degree, she holds a master's degree in Information Systems from Auburn University Montgomery.

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that a home office must be used regularly and exclusively for business and the limit tied to the income derived from the particular business, still apply under the new option.

The new simplified option is available starting with the 2013 return most taxpayers file early in 2014. Further details on the new option can be found in Revenue Procedure 2013-13, posted on IRS.gov. Revenue Procedure 2013-13 is effective for taxable years beginning on or after January 1, 2013, and the IRS welcomes public comment on this new option to improve it for tax year 2014 and later years. There are three ways to submit comments.

E-mail to:

Notice.Comments@irs.counsel.treas.gov.
Include "Rev. Proc. 2013-13" in the subject line.

Mail to: Internal Revenue Service,
CC:PA:LPD:PR (Rev. Proc. 2013-13),
Room 5203, P.O. Box 7604, Ben Franklin
Station, Washington, DC 20044.

Hand deliver to: CC:PA:LPD:PR (Rev. Proc. 2013-13), 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 for comment is April 15, 2013.

Issue Number: IR-2013-23

Feb. 27, 2013

IRS Expands Voluntary Worker Classification Settlement Program; Relief From Past Payroll Taxes Available to More Employers Who Reclassify Their Workers As Employees

WASHINGTON — The Internal Revenue Service has expanded its Voluntary Classification Settlement

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Administrative Rules

Effective Feb. 14, 2013

Amended:

- 810-5-1-.237 Mandatory Liability Insurance (MLI) Registration Reinstatement Procedures
- 810-5-8-.10 Mandatory Liability (MLI) Procedures for Random Sampling, Questionnaire Form, and Notice of Suspension
- 810-5-75-.52 Designated Agent—Dealer, Financial Institution, Pawnshop and Insurance Company Appointments

Repealed:

- 810-14-1-.23 Refunds of Motor Vehicle Registration Fees

Effective Feb. 21, 2013

Amended:

- 810-3-27-.09 Alabama Requirements for Mandatory E-File and Application of Two-Dimensional (2-D) Barcode on Original Individual Income Tax Returns
- 810-3-28.05 Requirements for Electronic Filing Software
- 810-3-28-06 Acceptance into the Alabama Electronic Filing Program, Monitoring, and Revocation of Acceptance into the Program
- 810-3-28-.07 Alabama Requirements for Mandatory E-file of Original Partnership/Limited Liability Company Income Tax Returns
- 810-3-39-.10 Requirements for Electronic Filing Software
- 810-3-39-.11 Acceptance into the Alabama Electronic Filing Program, Monitoring, and Revocation of Acceptance into the Program
- 810-3-39-.12 Alabama Requirements for Mandatory E-file of Original Corporate Income Tax

Magee Honored by Alabama Independent Insurance Agents, Inc.



Commissioner Julie Magee is recognized by (left) Geoff Plott and (right) Rux Bentley.

State Revenue Commissioner Julie Magee received a special award from the Alabama Independent Insurance Agents at their annual legislative conference held March 14 at the Embassy Suites.

The award reads, “Trusted Choice, Independent Insurance Agent.

The Alabama Independent Insurance Agents, Inc. Present This Award in Grateful Appreciation to Julie P.

Magee for Her Many Contributions in Both Time and Assistance to the Insurance Industry in the State of Alabama. Presented this Fourteenth Day of March, Two Thousand Thirteen.

Independent Agents Geoff Plott (Tuscaloosa) and Rux Bentley (Columbiana) presented Magee with the award. All three are members of the Alabama Affordable Homeowners Insurance Commission.

Effective March 29, 2013:

Adopted:

- 810-7-1-.25 Electronic Filing of Monthly Wholesaler Reports, Schedule D Reports, Manufacturer Reports, Manufacturer Certifications, and Any Other Tobacco Returns/Reports

Effective April 9, 2013:

Adopted:

- 810-27-1-4-.17.01 Sales Factor: Sourcing sales derived from services rendered to individual and unrelated business customers

Meetings and Seminars

One Spot System Demo

Several individuals with principal roles in the implementation of the state's new One Spot (Optional Network Election for



ADOR Deputy Commissioner Curtis Stewart responds to a question.

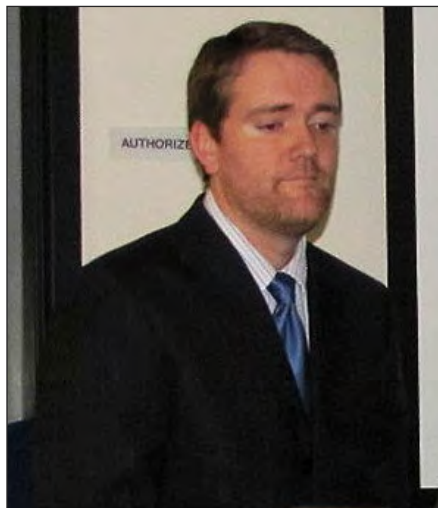
Single Point Online Transaction) system were on hand recently to give a demo to local government officials.

The system is scheduled to go online



Sales and Use Tax's Wanda Robbins, of Sales and Use Tax's Special Projects Unit, walks viewers through return and payment export files.

in October of this year.



Nathan Scafe, of FAST Enterprises, opens the demo with the sign-in process for My Alabama Taxes.

ADOR Reps Attend Alabama Licensing Officials Conference

Employees from the Motor Vehicle, Sales and Use Tax, Business and License Tax, and Property Tax divisions represented the department at this year's Alabama Licensing Officials Conference. Held January 16-17 at the Marriott Legends Capitol Hill in Prattville, the conference covered various topics affecting local licensing officials, including the state's new mandatory liability insurance law. Other topics were motor vehicle updates, legislative and regulatory review, motor vehicle property tax, sales tax and privilege tax.

Kudos to the following employees who presented information in these areas and represented the department: Motor Vehicle: Director Brenda Coone, Assistant Director Jay Starling, Sherry Helms, Don Clemons, Lisa Blankenship; Sales and Use Tax: Vince Arnold, Tawanna Small; Business and License Tax: Shantel Stroud, Angela Shivers; Property Tax: Monica Vaughn.

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Program (VCSP) paving the way for more taxpayers to take advantage of this low-cost option for achieving certainty under the law by reclassifying their workers as employees for future tax periods.

The IRS is modifying several eligibility requirements thus making it possible for many more interested employers, especially larger ones, to apply for this program. Thus far, nearly 1,000 employers have applied for the VCSP which provides partial relief from federal payroll taxes for eligible employers who are treating their workers or a class or group of workers as independent contractors or other nonemployees and now want to treat them as employees. Businesses, tax-exempt organizations and government entities may qualify.

Under the revamped program, employers under IRS audit, other than an employment tax audit, can qualify for the VCSP. Furthermore, employers accepted into the program will no longer be subject to a special six-year statute of limitations, rather than the usual three years that normally applies to payroll taxes. These and other permanent modifications to the program are described in [Announcement 2012-45](#) and in [questions and answers](#), posted on IRS.gov.

Normally, employers are barred from the VCSP if they failed to file required Forms 1099 with respect to workers they are seeking to reclassify for the past three years. However, for the next few months, until June 30, 2013, the IRS is waiving this eligibility requirement. Details on this temporary change are in [Announcement 2012-46](#).

To be eligible for the VCSP, an employer must currently be treating the workers as nonemployees; consistently have treated the workers in the past as nonemployees, including having filed any required Forms 1099; and not currently be under audit on payroll tax issues by the IRS. In addition, the employer cannot currently be under audit by the

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Interest Rates Remain the Same for 2nd Quarter of 2013

Interest rates for the calendar quarter beginning April 1, 2013, will remain at three (3) percent, according to Internal Revenue Bulletin No. 2013-13, dated March 25, 2013.

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%	3%	3%	3%
2013	3%	3%		

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Department of Labor or a state agency concerning the classification of these workers or contesting the classification of the workers in court.

Interested employers can apply for the program by filing Form 8952, Application for Voluntary Classification Settlement Program, at least 60 days before they want to begin treating the workers as employees.

Employers accepted into the program will generally pay an amount effectively equaling just over one percent of the wages paid to the reclassified workers for the past year. No interest or penalties will be due, and the employers will not be audited on payroll taxes related to these workers for prior years.

Employers applying for the temporary relief program available for those who failed to file Forms 1099 will pay a slightly higher amount, plus some penalties, and will need to file any unfiled Forms 1099 for the workers they are seeking to reclassify.

More information is available on IRS.gov, keyword "VCSP."

Statement of Gross Tax Collections

Through End of 2nd Quarter FY 2013
(January, February, March 2013)

	FYTD 2012-13	FYTD 2011-12	% Change
Business Privilege Tax	\$ 83,606,009.11	\$ 82,379,624.07	1.49
Gasoline	192,762,635.28	194,731,552.60	(1.01)
Income Tax-Corporate	207,438,812.48	185,273,579.30	11.96
Income Tax-Individual	1,699,744,166.61	1,623,184,764.77	4.72
Income Tax (Total)	1,907,182,979.09	1,808,458,344.07	5.46
Motor Fuels	65,672,101.57	64,107,350.18	2.44
Oil & Gas Privilege (8%)	43,225,574.54	44,256,312.19	(2.33)
Oil & Gas Production (2%)	13,946,531.56	14,975,521.69	(6.87)
Sales	991,907,441.92	985,453,169.00	0.65
Use Tax	156,783,322.35	140,137,017.31	11.88
Utility Gross Receipts	197,230,662.41	192,028,901.20	2.71
SUBTOTAL	\$3,652,317,257.83	\$3,526,527,792.31	3.57
SUBTOTAL (OTHER TAXES)	\$ 901,237,425.79	\$ 883,912,285.03	1.96
TOTAL (ALL TAXES)	\$4,553,554,683.62	\$4,410,440,077.34	3.24

Tax Calendar

Required Monthly Returns Tax Activity

- 10** • Tobacco use tax return and payment due.
• Monthly Jenkins Act Report
- 15** • Motor carrier mileage tax return and payment due.
• Oil and gas production tax and privilege tax return and payment due the second month following the month of production.
• Withholding return and payment due from those employers required to remit on a monthly basis.
- 20** • Coal severance tax return and payment due.
• Coal transporters' and purchasers' returns due.
• Contractors gross receipts tax return and payment due.
• Iron ore severance tax return and payment due.
• Local solid minerals tax returns and payments due.
• Lodgings tax (state and local) return and payment due.
• Lubricating oils tax return and payment due.
• Medicaid-related tax return and payment due for nursing facilities.
• Medicaid tax return and payment due from pharmaceutical service providers.
• Mobile Telecommunication services tax return and payment due.
• Pari-mutuel pool tax return and payment due.
• Prepaid Wireless 9-1-1 Charge return and payment due.
• Rental or leasing tax (state and local) return and payment due.
• Sales tax (state and local) return and payment due.
• Schedule D (NPM Cigarette Activity) report due.
• Tobacco tax (state and county) return, reports and payment due.
• Underground and aboveground storage tank trust fund charge due.
• Uniform Natural Minerals Tax return and payment due.
• Scrap Tire Environmental Fee return and payment due.
• Use tax (state and local) return and payment due.
• Utility gross receipts tax return and payment due.
- 22** • Blender return and payment due.
• Exporter return due.
• Importer return due.
• Supplier/Permissive Supplier return and payment due.
- 30** • Hazardous waste fee return and payment due.
- Last day of month • State horse wagering fee return and payment due.
• Terminal Operator return due.
• Transporter return due.

Quarterly/Annual Tax Activity

(June, July, August and September 2013)

June

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

July

- 1** • Quarterly Dry Cleaning Trust Fund Fee return and payment due.
• Utility License (2.2%) fourth quarterly payment due.
- 10** • Quarterly Hospital Assessment for Medicaid Tax 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.

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- 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.

Aug.

- 10** • Quarterly NPM certification and bank verification due.

Sept.

- 15** • Third installment of estimated corporate income tax due (for calendar-year taxpayers).
• Third installment of estimated personal income tax due.
- 25** • Hydroelectric gross receipts' return and payment due.