

Revenue REVIEW

3rd Quarter
FY 2012
(April, May June 2012)

A Quarterly Publication of the Alabama Department of Revenue

Commissioner Magee Elected to FTA Board of Trustees

Alabama State Revenue Commissioner Julie P. Magee was elected to the Federation of Tax Administrators' Board of Trustees during the board's annual



Commissioner Julie Magee

meeting held in Washington, D.C.

"I am humbled by the confidence my colleagues across the country have placed

in me by their nomination and election of me to the board," said Magee. "I am honored to represent and serve Alabama on this prestigious board."

The Federation of Tax Administrators (FTA), organized in 1937, serves the principal tax collection agencies of the 50 states, the District of Columbia, and the city of New York. The work of the FTA is directed and governed by an 18-member board of trustees, composed of tax administrators representing all regions of the country.

Commissioner Magee joins Kentucky State Revenue Commissioner Thomas Miller and Georgia State Revenue Commissioner Doug MacGinnitie as representatives of the Southeast Region.

Commissioner Magee was appointed to the post of Alabama Commissioner of Revenue by Gov. Robert Bentley in January 2011, and since that time has been named to various state commissions and task forces.

Her appointment to the FTA Board of Trustees is a two-year appointment and will run through June 2014.

- Suggesting improvements, simplifications, and clarifications to the state and local tax law, rules and tax process.

- Meeting and collaborating with the Multistate Tax Commission, Federation of Tax Administrators, Committee on State Taxation, Tax Executives Institute, National Tax Association, American Bar Association,



Joe Garrett

and IRS.

- Working on joint projects and responding to guidelines from the Multistate Tax Commission on state tax nexus.

- Developing products and services to assist members in tax practice and communicating with them, including through periodic articles in *The Tax Adviser*."

Commenting on Garrett's new role, Deputy Commissioner of Revenue Mike Mason said, "Joe's expertise will be a valuable resource to the TRP. He has a national reputation that is based upon his numerous speaking engagements at the

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Garrett to Serve on AICPA Panel

Joe Garrett, Tax Policy Administrator for the department, was invited to serve on the State and Local Taxation Technical Resource Panel (TRP) of the American Institute of CPAs. Garrett's service on this panel will complement its mission: to identify issues and develop policy on important state and local tax matters.

He will be the only state representative on the panel. All of the other members

represent national accounting firms. Alabama has the unique distinction of being the only state from which a representative was asked to serve on the committee.

According to the AICPA Tax Division handbook, the objectives of the SALT TRP are:

- "Monitoring legislative and regulatory activity in all state and local taxing jurisdictions.

Mike Mason Receives National Tax Leadership Award

Michael E. Mason, Deputy Revenue Commissioner for the Alabama Department of Revenue, was awarded the Wade Anderson Memorial Medal for Leadership in Interstate Tax Cooperation at the annual meeting of the Multistate Tax Commission in Grand Rapids, Michigan, on August 1, 2012.

The Wade Anderson Medal is awarded jointly by the Multistate Tax Commission (MTC) and the Federation of Tax Administrators (FTA). The award presentation alternates between the MTC annual meeting and the FTA annual meeting. Mason is the ninth recipient of the medal and the first from a southern state.

Mason began his 38-year career with the Alabama Department of Revenue as a revenue field examiner. He became Deputy Revenue Commissioner after serving more than a dozen years as the head of what is now called the Tax Policy and Research Division.

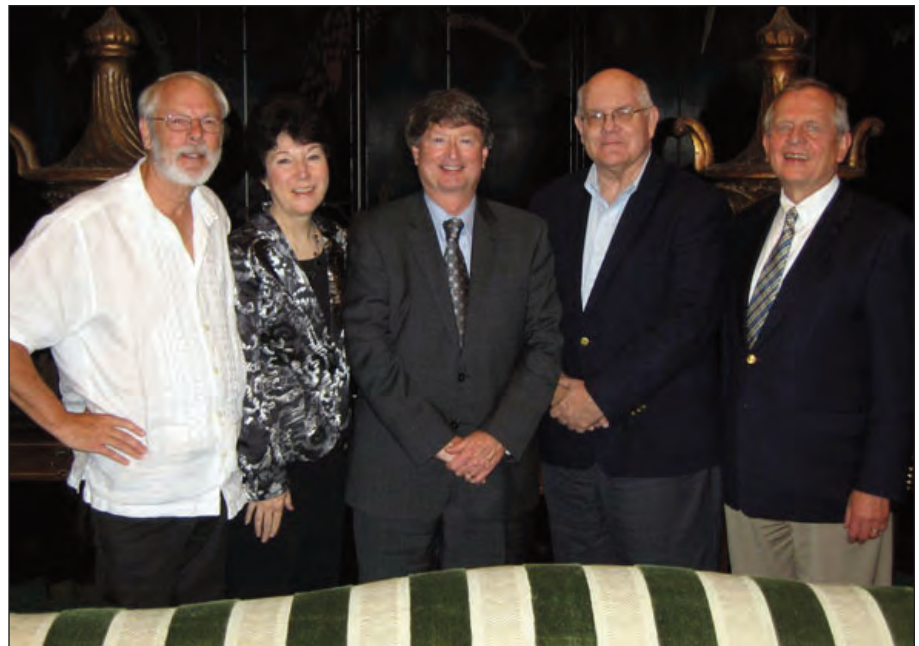
Mason's enthusiasm for making tax administration better for the state, the country, the taxpayers, and the administrators is exemplified in the many areas and activities in which he is involved, including —

- Serving as Alabama's representative to the MTC's Uniformity and Nexus Committees, as well as the Executive Committee in absence of the Commissioner.
- Serving for the past eight years on the AICPA's (American Institute of Certified Public Accountants) State and Local Tax Committee, providing a state governmental perspective to the committee serving a valuable liaison function between the AICPA and the MTC.
- Awarded the Outstanding Alabama CPA in Governmental Service Award.
- Serving on Discussions Panels at the Paul J. Hartman State & Local Tax Forum

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Alabama Deputy Commissioner of Revenue Mike Mason offers remarks upon acceptance of the Wade Anderson Memorial Medal. With him are Nancy Prosser, Tax Policy Administrator for Texas, and Joe Huddleston, Executive Director, Multistate Tax Commission.



Alabama Department of Revenue Deputy Commissioner Mike Mason (ctr), this year's recipient of the Wade Anderson Award, is joined by previous years' recipients: (left to right) Ben Miller (2005), Elizabeth Harchenko (2004), Bruce Johnson (2006), and Dan Bucks (2007).

Revenue Joins Anti-corruption Task Force

Revenue is one of nine state agencies partnering to combat public corruption with the formation of Attorney General Luther Strange's Special Prosecutions Alliance. A new Special Prosecutions Division within the Attorney General's Office will be led by Special Prosecutor Matt Hart. Consisting of investigators and prosecutors, the division will guide the alliance in achieving its stated

mission: "To deter corruption and related crimes and increase confidence in government by effectively and efficiently investigating and prosecuting significant criminal violations of the public trust."

Other participating agencies include the Department of Examiners of Public Accounts, the Ethics Commission, Department of Public Safety, Insurance Department, Office of Prosecution Services,

Alabama Securities Commission, Department of Economic and Community Affairs, and the Criminal Justice Information Center.

State Revenue Commissioner Julie Magee attended an April press conference held by Attorney General Luther Strange, where he introduced agency heads and gave an overview of the alliance's goals.



Attorney General Luther Strange briefs reporters on the goals of his newly-formed Anti-corruption unit, the Special Prosecutions Alliance. Listening behind the podium are (shown left) ADECA Director Jim Byard, ADOR Commissioner Julie Magee, Ethics Commissioner Jim Sumner, Public Safety Director Hugh McCall, Securities Commission Director Joseph Borg.

Mason Receives Award

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and published in State Tax Notes.

- Participation in Alabama's Streamlined Sales Tax Project, where he provided guidance in the drafting of the 2011 legislation which created Alabama's Streamlined Sales and Use Tax Commission. This commission is composed of members of the business community, local government representatives, and representatives from the Department of Revenue.

- Conceived the legislation creating Optional Network Election for Single Point Online Transactions (ONE SPOT). He worked with business community, local government partners, etc. to streamline business processes to significantly reduce the administrative burden on businesses with locations or other physical presence in multiple cities and counties within the state.

Commenting on the honor, Mason said, "Tax Administrators have a supreme responsibility to administer tax laws in an equitable and professional manner. Wade

Anderson epitomized those attributes. It was my singular privilege to have had the opportunity to have worked with Wade. He was a person you could always go to with a difficult problem and receive an insightful answer from a different perspective.

"I also have had the honor to have worked with past award winners Dan Bucks, Ben Miller, Bruce Johnson, Elizabeth Harchenko, and Joe Thomas. I learned much from this outstanding group who served in key roles with the Multistate Tax

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ADOR Reps Attend AATA Conference

Representatives from the department's Property Tax and Motor Vehicle divisions attended the Association of Alabama Tax Administrators (AATA) 2012 Summer Conference.

"Topics of discussion were law changes made during the 2012 regular legislative session, motor vehicle division administrative rule changes, the division's iTunes app, and the various resolutions the division will be implementing," said Brenda Coone, Motor Vehicle Division Director.

"The Motor Vehicle Division will be assuming the administration of the dealer license law, so there was quite a bit of discussion held regarding this topic," she continued. "Question- and-answer sessions were held with licensing

officials and their staff. The group was engaging and very attentive."

According to Will Martin, Property Tax Division Valuation and Standards Supervisor, "Property Tax topics of discussion were 2012 Legislative update, the Homeowner's and Storm Victim's Protection Act of 2011, and Boards of Equalization from an Official's Point of View.

"Major changes were made during the last legislative session relating to the requirements for qualifying for various homestead exemptions. This topic generated much interest and discussion among the attendees. The Property Tax Division will be promulgating rules for the implementation of these changes, as well as designing a form to be used by the local assessing officials."

Mason Receives Award

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Commission. I also treasure my relationships with the outstanding personnel of the Multistate Tax Commission and the hard-working state representatives on the committees. Executive Director of the MTC, Joe Huddleston, is a particular joy to work with and the MTC staff is second to none.

"The relationships I developed with members on the American Institute of CPAs State Tax Committee were truly gratifying. It is also heartwarming that they are continuing the work of this committee with another state representative – none other than our own Joe Garrett.

"A special thanks goes out to Commissioner Magee for allowing me the latitude to be involved in these myriad of activities (not to mention nominating me for this award)."

About the award. The medal honors Wade Anderson, who spent 30 years in a variety of positions with the Texas Comptroller of Public Accounts and also served several more years as a tax attorney in the private sector. He was a founding member of the Border States Caucus of tax agencies in states along the U.S.-Mexico border and served as member of the boards of the Federation of Tax Administrators and the Multistate Tax Commission. In 1992 he was the winner of the FTA Award for Outstanding Service and Leadership. The Wade Anderson Memorial Medal was established after his death in 2003 to commemorate his tireless and creative efforts to promote interstate cooperation among tax agencies and between tax administrators and taxpayers. The award is to be given annually to an individual who best exemplifies his commitment to interstate cooperation to promote fairness, simplicity and consistency in state tax administration.

Medal winners are chosen by representatives of the FTA Board of Trustees and the MTC Executive Committee, selected from nominations submitted by state tax agency employees.



Motor Vehicle Division Director Brenda Coone (ctr) is joined by Assistant Directors Mike Gamble (left) and Jay Starling (right) at the AATA Summer Conference.

Alabama Tobacco Tax Returns Go “Paperless”

Alabama tobacco tax return filers joined the ranks of other business taxpayers in the way they file their monthly tax returns.

Effective July 1, 2012, business taxpayers filing the *Monthly State Tobacco Tax Return by Tobacco Distributors* (Form TOB:OTP) and the *Monthly County Tobacco Tax Return* (TOB:TTCO-A) are required to file their returns electronically.

Returns may be filed using the department’s free online filing system, My Alabama Taxes or MAT. Tax payments may also be made electronically using the MAT system. There are no filing or transaction fees that must be paid before a return is electronically filed or a tax payment is transmitted.

“The ADOR has worked diligently to expand its electronic filing platforms to include all taxpayers and tax types. The cost-saving advantages, as well as the filing and payment convenience and ease which electronic filing offers, benefit both the taxpayer and the department,” said State Revenue Commissioner Julie P. Magee. “We are very proud that our electronic filing

program now includes tobacco tax.”

In February, the ADOR notified all Alabama tobacco distributors of the availability of the electronic filing program and the department’s plans to move exclusively to an electronic filing program, effective July 1, 2012.

The first state return and state-administered local tobacco tax returns required to be filed under the MAT system were the June 2012 returns

due July 20, 2012.

The ADOR processes over 170 state tobacco tax returns and 105 local state-administered tobacco tax returns each month.

For more information concerning tobacco tax return filings using the department’s My Alabama Taxes (MAT) system, taxpayers should contact the Tobacco Tax Section at 334.242.9627.

Administrative Rules

Effective June 8, 2012:

Repealed:

810-5-8-.05 Information to be Shown on Insurance Cards

810-5-1-.489 Memorandum of Understanding between the Alabama Department of Corrections and the Alabama Department of Revenue

Adopted:

810-5-8-.05 Evidence of Insurance Requirements

810-4-5-.01 Implementation of Homeowners and Storm Victims Protection Act—Single Family Dwelling

810-4-5-.02 Implementation of the Homeowners and Storm Victims Protection Act—Fully-Developed Lots

Effective June 12, 2012:

Repealed:

810-5-1-.227.04 Memorandum of Understanding between the Department of Human Resources and the Alabama Department of Revenue

Effective Aug. 1, 2012:

Repealed:

810-8-5-.13 Internet-Based Electronic Motor Vehicle Dealer Application and Payment of Fees

810-5-1-.488 Memorandum of Understanding between the Finance Department and the Alabama Department of Revenue

810-5-1-.227.06 Memorandum of Understanding between the Alabama Emergency Management Agency and the Department of Revenue

Adopted:

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

810-5-75-.66 Title Procedure: Cancellation of Manufactured Home Certificate of Origin or Certificate of Title

Amended:

810-5-75-.40 Requirements for Names and Signatures on Title Applications, Title Assignments and Motor Vehicle Registrations.

Effective Aug. 3, 2012:

Amended:

810-5-75-.63 Powers of Attorney: Guidelines for Use

Repealed:

810-8-1-.02 Fuel and Mileage Reporting in a Lessee-Lessor Arrangement will be the Responsibility of the Lessor

Effective Aug. 24, 2012:

Adopted:

810-6-2-.90.01 Seller’s Responsibility to Collect and Pay State Sales Tax and Seller’s Use Tax

Garrett on AICPA Panel

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NYU Tax Conference and the Hartman Tax Forum. He is a member of the Litigation Committee and the Uniformity Committee of the MTC (Multistate Tax Commission). The MTC has also asked him to participate in many of their special projects.”

Garrett presently serves as a legal and policy advisor to Alabama Revenue Commissioner Julie Magee. In this capacity, his primary responsibility is to help shape the department’s legislative, regulatory, audit and litigation functions.

“Joe has been a great asset to me, and I am sure his service to the TRP will be well-received,” said Magee.

Real-time Insurance Verification Available January 2013

In January, county license plate issuing officials will have access to a new online insurance verification system developed by the Alabama Department of Revenue (ADOR) that will allow them, as well as Alabama law enforcement, to immediately verify the insurance status of a vehicle at any point in time.

“By working with the insurance community, other Alabama agencies, and county governments, we have delivered a web service system that will accomplish real time insurance verification. The system, the Online Insurance Verification System or OIVS, is needed to meet the new requirements of Alabama’s mandatory liability insurance law that will become effective Jan. 1, 2013,” said State Revenue Commissioner Julie P. Magee.

The new requirements of the law, Act 2011-688, mandate that the ADOR have an online system in place by Jan. 1, 2013, that can verify evidence of a vehicle owner’s liability insurance coverage. Under the new requirements, a vehicle owner will not be allowed to register his or her vehicle or renew a registration unless the insurance status of the vehicle can be verified using OIVS or unless the vehicle owner can provide proof of insurance to the license plate issuing official at the time of registration or registration renewal.

Proof of insurance documents include the vehicle owner’s insurance card, current declaration page of the owner’s liability insurance policy, or other such documents substantiating liability insurance coverage. Electronic versions of proof documents may also be accepted by county license plate issuing officials in completing vehicle registration transactions. Emails sent by the owner’s insurer, computer printouts from an owner’s insurer, electronic images provided by an owner’s insurer on the vehicle owner’s cellular phone, lap top, or other portable electronic device meet the evidence of insurance requirements, according to the ADOR. (*Reference:*

Administrative Rule 810-5-8-.05, Evidence of Insurance Requirements, effective June 8, 2012.)

Ten Alabama counties are currently piloting the department’s Online Insurance Verification System (OIVS) before its statewide launch in 2013. The 10 Alabama counties participating in the pilot project are Covington, Elmore, Henry, Houston, Jefferson, Limestone, Mobile, Shelby, Tuscaloosa and Winston.

“Alabama averages over 4 million vehicle registrations each year which are subject to the mandatory liability insurance requirements, and this system will give both state and local motor vehicle administrators and law enforcement the ability to fulfill the

requirements of Alabama’s mandatory liability insurance law,” added Magee.

“Various studies have indicated there is a valid concern among motorists nationwide that many of the drivers on the road are uninsured. This poses a huge risk to other drivers who are following the law. This new system should also greatly reduce the risk of the drivers dropping insurance coverage once they have registered their vehicles,” added Magee.

According to the Insurance Research Council, Alabama’s uninsured motorist rate is estimated to be 22 percent, ranking Alabama sixth among states having the highest percentage of uninsured drivers nationwide.

More Taxes Added to ADOR’s Electronic Filing Lineup

In June, the ADOR notified business taxpayers of its plans to move various severance-related and fee-related business taxes to its electronic filing platform. Effective Sept. 1, 2012, business taxpayers filing the following taxes will be required to electronically file these returns by accessing the Department of Revenue’s internet portal called My Alabama Taxes, or MAT:

- Coal Severance Tax
- Forest Severance Tax
- Iron Ore Tax
- Local Solid Mineral Tax (Coosa and Jackson Counties)
- Alabama Uniform Severance Tax
- Dog Track Pari-Mutuel Pool Tax
- State Horse Wagering Fee
- Hazardous Waste Fee
- Solid Waste Fee

In addition to online filing and payment, MAT offers taxpayers a convenient and secure way to interact with the ADOR to access a variety of online services. In MAT, taxpayers can quickly and easily view related ADOR taxpayer correspondence, manage one’s account, and conduct other common transactions with the ADOR such as name and address changes.

MAT also provides taxpayers with access to instructional videos on MAT’s home page, <https://myalabamataxes.alabama.gov/>, as well as a “Help” link to review “Frequently Asked Questions.”

For more information, taxpayers may contact the department’s Business and License Tax Division/Severance and License Tax Section at (334) 353-7827.

ADOR Reps Attend Airbus News Event

Alabama Revenue Commissioner Julie Magee, along with Revenue Planning and Tax Analysis Officers Angela Till and Kelly Graham, attended the Airbus news conference in Mobile July 6.

Held at the Arthur R. Outlaw Mobile

Convention Center, the news conference hosted local, state and national leaders who heard Airbus' plans to build a \$600 million aircraft assembly plant at Mobile's Brookley Aeroplex.



(Left to right) ADOR Commissioner Julie Magee; Revenue Planning and Tax Analysis Officers Angela Till and Kelly Graham, ADOR Economic Development Office; Alabama Department of Commerce Secretary Greg Canfield.

IRS NEWS

Issue Number: IR-2012-54
May 22, 2012

IRS Announces 43 Small Offices to Close, Others to be Consolidated; Agency Sheds More than One Million Square Feet of Office Space

WASHINGTON — The Internal Revenue Service announced a sweeping office space and rent reduction initiative that over the next 2 years will close 43 smaller offices and reduce space in many larger facilities. These measures will save more than 40 million in taxpayer dollars. Coupled with space reductions last year, the initiative will slash total IRS office space by more than one million square feet.

“Given today’s tight budget environment, we have to be willing to make the tough but responsible calls to save taxpayer dollars,” said IRS Commissioner Doug Shulman. “Cutting and consolidating our real estate is a responsible way we can save money. It’s an important addition to our growing portfolio of cost-saving measures.”

To ensure that the agency uses rental space as efficiently and effectively as possible, the IRS will:

Close 43 smaller offices. These are offices without taxpayer assistance centers and currently have fewer than 25 employees.

Consolidate multiple offices within the same commuting area.

Explore innovative ways to do more with existing space, such as desk sharing and increased telecommuting.

None of the offices being closed under this initiative are walk-in taxpayer assistance centers. Because of the nature of the work performed in these offices, the IRS anticipates minimal taxpayer impact as a result of these closures.

This cost-cutting initiative is projected to save \$17.2 million in annual rental costs in fiscal 2012 and \$23.5 million in fiscal 2013.

These are permanent reductions in space and rent so these savings will be realized in future years as well.

The initiative will cut space by 715,000 square feet in fiscal 2012 and 230,000 square feet in fiscal 2013. This is on top of a 105,000-square-foot reduction in fiscal 2011.

The IRS has more than 650 offices around the country. Today's initiative supplements space saving projects over the past seven years that are now yielding \$70 million annually in rental savings. This is part of a broader Administration effort which has cut government real estate costs by over \$1.5 billion and is on track to exceed the President's directive to save \$3 billion by the end of the year.

Issue Number: IR-2012-58
May 25, 2012

Spring 2012 Statistics of Income Bulletin Now Available

WASHINGTON — The Internal Revenue Service announced that the spring 2012 issue of the Statistics of Income Bulletin is available to the general public. This issue features information on high-income individual income tax returns filed for tax year 2009.

Taxpayers filed more than 3.9 million returns with adjusted gross incomes of \$200,000 or more. These high-income returns represent almost 2.8 percent of all returns filed for 2009.

The Statistics of Income (SOI) Division produces the SOI Bulletin on a quarterly basis. Articles included in the publication provide the most recent data available from various tax and information returns filed by U.S. taxpayers. This issue of the SOI Bulletin also includes articles on the following:

Noncash charitable contributions. For tax year 2009, 21.9 million individual taxpayers who itemized deductions reported \$31.8 billion in deductions for noncash charitable contributions

Individual retirement arrangements (IRAs). At the end of tax year 2008, individual income taxpayers held \$3.7 trillion in IRAs, based on fair market value.

Foreign recipients of U.S. income. For

tax year 2009, U.S. source income payments to foreign persons totaled \$546.5 billion.

Corporate income. For each tax year between 2004 and 2008, on average, 5 percent of corporate Schedule M-3 filers reported taxable income of more than \$18.3 million.

Gift tax returns. Individuals filed 223,000 federal gift tax returns to report almost \$37.9 billion in assets transferred during 2009.

Income and wealth. Almost 21 percent of estate tax decedents who died in 2007 reported income in the top 1 percent of the adjusted gross income distribution for tax year 2006.

The Statistics of Income Bulletin is available for download at IRS.gov/taxstats. Printed copies of the Statistics of Income Bulletin are available from the Superintendent of Documents, U.S. Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954. The annual subscription rate is \$53 (\$74.20 foreign), single issues cost \$39 (\$48.75 foreign).

For more information about these data, write to the Director, Statistics of Income (SOI) Division, RAS:S, Internal Revenue Service, P.O. Box 2608, Washington, DC 20013-2608.

IR-2012-59
June 5, 2012

IRS Marks Third Anniversary of Return Preparer Review; Urges Required Preparers to Take Competency Test as Soon as Possible

IRS YouTube Video: New Tax Preparer Test Explained

WASHINGTON — The Internal Revenue Service marked the third anniversary of its groundbreaking return preparer initiative and urged those paid tax return preparers required to pass a new competency test to take the test as soon as possible.

Three years ago the IRS took its first step toward ensuring standards for competency, continuing education and ethics would apply to all paid tax return preparers. Major facets of the initiative are now in place.

On June 4, 2009, IRS Commissioner Doug Shulman launched a six-month review focusing on the competency and conduct of paid tax return preparers. The review resulted from a recognition that paid tax return preparers were an important element in the integrity of the nation's tax system. The review included a series of public hearings with the tax preparation community, consumer advocates, oversight groups and taxpayers.

Six months later, the Return Preparer Review laid out a series of recommendations to extend oversight to certain areas of the preparer industry to enhance tax compliance and service to taxpayers.

Among the initiative highlights:

Mandatory registration and use of a Preparer Tax Identification Number

(PTIN): Anyone who is paid to prepare, or help prepare, all or substantially all of a federal tax return now has to register with the IRS and obtain a PTIN, as do all enrolled agents. The PTIN is valid for a calendar year and must be renewed annually. Almost 850,000 preparers have registered since the requirement began.

Competency Test: In November 2011, a 120-question basic competency test was launched. Certain preparers are required to take the test by Dec. 31, 2013, to stay in business. The IRS urges an estimated 340,000 preparers required to take the test to do so as soon as possible to give themselves more time if they have to retake the test and to avoid a potential flood of last-minute test takers. Certified Public Accountants, Enrolled Agents and attorneys are exempt from the test because they already have other testing requirements as part of their credentials. Certain non-signing preparers supervised by CPAs, EAs or attorneys are exempt, as are non-1040 preparers.

Continuing Education (CE): The roughly 340,000 preparers who have a testing requirement also have a new requirement to complete 15 hours of continuing education courses each year. The CE credits must include 10 hours in federal tax law, three hours in federal tax law changes and two hours in ethics. This

requirement became effective January 2012 and it applies even if the preparer has not yet taken the test. There are now hundreds of outlets offering IRS-approved CE courses. More details are available at www.irs.gov/taxpros/ce.

Ethics and Tax Compliance: Ethical requirements that previously applied only to CPAs, EAs and attorneys now apply to all paid return preparers. All paid preparers also will undergo a tax compliance check and are subject to the standards for practice outlined in Treasury Department Circular 230.

Registered Tax Return Preparer:

Preparers who pass the competency test and tax compliance check are given a new credential: Registered Tax Return Preparer. To date, over 4,800 people have become Registered Tax Return Preparers. Beginning in 2014, only Registered Tax Return Preparers, Enrolled Agents, Certified Public Accountants, and attorneys will be authorized to prepare individual income tax returns for compensation.

Public Database: The IRS also will create a publicly searchable database that will allow taxpayers to see if their tax preparers have met IRS standards or to find a tax preparer in their zip code area. The IRS will have a public education campaign to inform taxpayers to use only CPAs, EAs, attorneys or Registered Tax Return Preparers if they pay to have their taxes prepared.

The database will also show any credentials held by the preparer, including the new RTRP credential, as well as those who are EAs, CPAs and attorneys.

The RTRP competency test is available at more than 260 vendor testing centers nationwide. Preparers can determine if they have a test requirement by going to their online PTIN Account at www.irs.gov/ptin. Preparers also can set a test date, time and location through their online PTIN Account.

More information about the test, its topics, a tutorial and list of study materials is available at www.irs.gov/taxpros/tests and select RTRP test.

NEWS RELEASE

IRS Media Office - Ala. & Tenn.

Media Contacts Only: 615-250-5951

IRS Urges Nearly 6,000 Alabama Tax Preparers to Take Required Test Soon

AL/TN-2012-35AL, June 19, 2012

BIRMINGHAM — The Internal Revenue Service announced that more than 13,000 Alabama tax preparers have now registered with the agency, as required by recent regulations, but nearly 6,000 of them must take an IRS competency examination by Dec. 31, 2013, or they will not be able to prepare tax returns for compensation.

So far, 84 tax preparers in Alabama have passed the competency exam and, as a result, have been given the new credential of Registered Tax Return Preparer (RTRP). Enrolled Agents, CPAs and attorneys are not required to take the exam because they already have testing requirements.

“Preparers who are required to take the IRS competency exam have about 18 months left to study and pass it,” said IRS spokesman Dan Boone. “The IRS urges them to take the exam soon in case they have to retake it and to avoid a potential flood of last-minute exam takers.”

Three years ago, the IRS began a program to register paid preparers and require certain ones to pass a competency test. In addition, paid preparers are expected to take continuing education courses and meet ethics standards.

The IRS will eventually create a publicly searchable database that will allow taxpayers to see if their tax preparers have met IRS standards or to find a tax preparer in their zip code area. The database will also show any credentials held by the preparer, including the new RTRP credential.

Last year nearly 1.3 million individual federal returns, about 60 percent of the total returns filed, were prepared for Alabama filers by paid tax preparers. Nationwide, close to 87 million returns, also about 60 percent of the total, were prepared by paid tax preparers.

Boone also reminded taxpayers who requested a filing extension for their 2011 federal income tax returns on or before April 18 and have yet to file that the extended filing deadline is Oct. 15, 2012.

For returns prepared in 2012, paid tax preparers must, at the least, hold a Preparer Tax Identification Number (PTIN), and that the PTIN must be shown on tax returns they prepare.

More information about the IRS return preparer program is available at www.IRS.gov/PTIN.

Issue Number: IR-2012-64
June 26, 2012

IRS Says Offshore Effort Tops \$5 Billion, Announces New Details on the Voluntary Disclosure Program and Closing of Offshore Loophole

WASHINGTON — The Internal Revenue Service announced that its offshore voluntary disclosure programs have exceeded the \$5 billion mark and released new details regarding the voluntary disclosure program announced in January, including tightening the eligibility requirements.

“We continue to make strong progress in our international compliance efforts that help ensure honest taxpayers are not footing the bill for those hiding assets offshore,” said IRS Commissioner Doug Shulman. “People are finding it tougher and tougher to keep their assets hidden in offshore accounts.”

Shulman said the IRS offshore voluntary disclosure programs have so far resulted in the collection of more than \$5 billion in back taxes, interest and penalties from 33,000 voluntary disclosures made under the first two programs. In addition, another 1,500 disclosures have been made under the new program announced in January.

The voluntary disclosure programs are part of a wider effort by the IRS to stop offshore tax evasion and ensure tax compliance. This includes beefed up enforcement, criminal prosecution and implementation of third-party reporting through the Foreign Account Tax Compliance Act (FATCA).

The IRS also closed a loophole that’s been used by some taxpayers with offshore accounts. Under existing law, if a taxpayer challenges in a foreign court the disclosure of tax information by that government, the

taxpayer is required to notify the U.S. Justice Department of the appeal.

The IRS said that if the taxpayer fails to comply with this law and does not notify the U.S. Justice Department of the foreign appeal, the taxpayer will no longer be eligible for the Offshore Voluntary Disclosure Program (OVDP). The IRS also put taxpayers on notice that their eligibility for OVDP could be terminated once the U.S. government has taken action in connection with their specific financial institution.

Additional details of these eligibility issues are available in a new set of questions and answers released today on the current OVDP, which was announced in January (see IR-2012-5). The IRS reopened the OVDP following continued strong interest from taxpayers and tax practitioners after the closure of the 2011 and 2009 programs.

This program — which helps bring people back into the tax system — will be open for an indefinite period until otherwise announced. 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.

Under the current OVDP, the offshore penalty has been raised to 27.5 percent from 25 percent in the 2011 program. The reduced penalty categories of 5 percent and 12.5 percent are still available.

The IRS also announced a plan to help U.S. citizens residing overseas to catch up with tax filing obligations and assistance for people with foreign retirement plan issues. See IR-2012-65 also issued today.

Issue Number: IR-2012-65
June 26, 2012

IRS Announces Efforts to Help U.S. Citizens Overseas, Including Dual Citizens and Those with Foreign Retirement Plans

WASHINGTON — The Internal Revenue Service announced a plan to help U.S. citizens residing overseas, including dual citizens, catch up with tax filing obligations and provide assistance for people with

foreign retirement plan issues.

“Today we are announcing a series of common-sense steps to help U.S. citizens abroad get current with their tax obligations and resolve pension issues,” said IRS Commissioner Doug Shulman.

Shulman announced the IRS will provide a new option to help some U.S. citizens and others residing abroad who haven’t been filing tax returns and provide them a chance to catch up with their tax filing obligations if they owe little or no back taxes. The new procedure will go into effect on Sept. 1, 2012.

The IRS is aware that some U.S. taxpayers living abroad have failed to timely file U.S. federal income tax returns or Reports of Foreign Bank and Financial Accounts (FBARs). Some of these taxpayers have recently become aware of their filing requirements and want to comply with the law.

To help these taxpayers, the IRS offered the new procedures that will allow taxpayers who are low compliance risks to get current with their tax requirements without facing penalties or additional enforcement action. These people generally will have simple tax returns and owe \$1,500 or less in tax for any of the covered years.

The IRS also announced that the new procedures will allow resolution of certain issues related to certain foreign retirement plans (such as Canadian Registered Retirement Savings Plans). In some circumstances, tax treaties allow for income deferral under U.S. tax law, but only if an election is made on a timely basis. The streamlined procedures will be made available to resolve low compliance risk situations even though this election was not made on a timely basis.

Taxpayers using the new procedures announced today will be required to file delinquent tax returns along with appropriate related information returns for the past three years, and to file delinquent FBARs for the past six years. Submissions from taxpayers that present higher compliance risk will be subject to a more thorough review and potentially subject to an audit, which could cover more than three tax years.

The IRS also announced its offshore voluntary disclosure programs have exceeded the \$5 billion mark, released new details regarding the voluntary disclosure program announced in January and closed a loophole used by some U.S. citizens. See IR-2012-64 for more details.

Issue Number: IR-2012-66
June 27, 2012

National Taxpayer Advocate Identifies Challenges and Issues for Upcoming Year in Mid-Year Report to Congress

WASHINGTON — National Taxpayer Advocate Nina E. Olson released a report to Congress that identifies the priority issues the Taxpayer Advocate Service (TAS) will focus on during the upcoming fiscal year. The report expresses particular concern about the taxpayer impact of expired and expiring tax provisions, the rise in tax fraud and tax-related identity theft, and attempts to limit the National Taxpayer Advocate’s formal input on issues that affect taxpayer rights and taxpayer burden via “Taxpayer Assistance Orders” and “Taxpayer Advocate Directives.”

Impact of Changes in Tax Law on Taxpayers and the IRS. “The continual enactment of significant tax law and extender provisions late in the year has led to IRS delays in handling millions of taxpayers’ returns and caused many taxpayers to underclaim benefits because they did not know what the law was,” Olson wrote. “Because of the magnitude of these challenges and the uncertainty about such a large number of important provisions, the 2013 filing season is already at risk. The 2013 filing season is likely to pose problems for many (if not most) taxpayers and the IRS if Congress does not address the many provisions that have already expired or soon will.”

Expired Tax Provisions. Among tax provisions that expired at the end of 2011 are the following:

The so-called “AMT patch.” As result, an estimated 27 million more taxpayers are subject to the Alternative Minimum Tax this year.

The deduction for state and local taxes.

About 11 million taxpayers claimed this deduction last year.

The deduction for mortgage insurance premiums. About four million taxpayers recently claimed this deduction.

A provision allowing persons over age 70-1/2 to make tax-free withdrawals from their Individual Retirement Accounts (IRAs) to make charitable contributions.

Congress is likely to extend many of these and other expired provisions retroactive to January 1, 2012, but neither taxpayers nor the IRS know for certain what will happen and therefore cannot make plans. For example, a homebuyer trying to decide whether to utilize a loan package that includes mortgage insurance now lacks important information. So does a pensioner trying to decide whether to tap his IRA to make a charitable donation.

Expiring Tax Provisions. In addition to the provisions that expired at the end of 2011, an even larger number of provisions are set to expire at the end of 2012, including the Bush-era cuts in marginal tax rates, reduced tax rates on dividends and long-term capital gains, various marriage penalty relief provisions, certain components of the child tax credit, the earned income tax credit, and the adoption credit, and the moratoria on the phase-outs of itemized deductions and personal exemptions.

“An aura of uncertainty prevails as the IRS and taxpayers wait for word about what will be the law governing us this year and for the near future,” Olson wrote. “This uncertainty affects the IRS’s ability to smoothly administer the filing season and taxpayers’ ability to make plans.”

Impact of Tax Fraud and Tax-Related Identity Theft. Tax fraud and tax-related identity theft, although distinct problems, often overlap and present similar challenges for taxpayers and the IRS. Both problems are growing. In FY 2011, the IRS’s Electronic Fraud Detection System (EFDS) identified more than one million returns as potentially fraudulent, a 72 percent increase from the previous year. The IRS blocked nearly one million additional refund claims using other means. While not all fraudulent returns

involve identity theft, many do. The IRS recently reported an inventory of more than 450,000 identity theft cases.

Tax Fraud. The report notes that the IRS’s automated fraud-detection filters are inherently imperfect. Among the roughly two million refund claims the IRS held, tens of thousands were legitimate. “As the IRS develops [its] filters,” the report says, “it must also create procedures that would allow honest taxpayers with legitimate refund claims to receive their money without unnecessary delay.”

Where the IRS seeks to verify suspect wage and withholding information, its procedures until recently required it to make a final determination within 11 weeks or release the claimed refund. Because of the combination of more cases and budget limitations, the IRS is now placing “hard freezes” on cases it cannot handle within that time, meaning that claimed refunds must be manually released or will not be paid. The report expresses concern that the IRS has little incentive to prioritize a case once a hard freeze has been imposed, resulting in harm to honest taxpayers whose returns inadvertently tripped a filter.

Identity Theft. Resource constraints also are limiting the IRS’s ability to assist victims of tax-related identity theft. Tax-related identity theft typically arises when an identity thief uses the Social Security number of another person to file a false tax return with the intent of obtaining an improper refund. Identity theft can impose a significant burden on its victims, whose legitimate refund claims are blocked and who often must spend months or longer trying to convince the IRS that they are, in fact, victims and then working with the IRS to untangle their account problems.

Balancing Speedy Refunds, Fraud Prevention, and Victim Assistance. The report notes the IRS faces competing pressures to issue refunds quickly and investigate suspicious claims. Last year, the IRS processed about 145 million returns, including some 109 million claims for refund. The average refund paid was nearly \$3,000. Many families depend on these funds and need them quickly, sometimes to pay rent or high winter heating bills. At the

same time, the IRS needs time to investigate the more than two million potentially fraudulent claims it identifies.

The IRS now notifies certain affected taxpayers by letter when it has a problem processing their returns and instructs them to call the new Taxpayer Protection Unit (TPU) to provide more information. However, this unit has been unable to answer about two out of every three calls it has received from taxpayers so far this year. At times during the filing season, it was answering only about one out of every nine calls it received – and those who managed to get through waited an average of over an hour to speak with an employee.

“While Congress and taxpayers rightfully demand that the IRS stop payment on fraudulent refund claims, Congress and taxpayers also rightfully demand that the IRS pay refunds out to legitimate taxpayers immediately,” Olson wrote. Tax fraud and identity theft will continue to be key areas of focus for TAS during the upcoming fiscal year.

Taxpayer Assistance Orders (TAOs) and Taxpayer Advocate Directives (TADs). The report also raises concerns about the level of attention the IRS has given recently to TAOs and TADs. To ensure that the concerns of the National Taxpayer Advocate and Taxpayer Advocate Service are adequately addressed, Congress gave the Advocate the authority to issue TAOs to the IRS ordering it to take an action or refrain from taking an action in taxpayer cases. The Advocate has also been given parallel administrative authority to issue TADs to the IRS, directing it to take action on systemic issues to “protect taxpayer rights, prevent undue burden, ensure equitable treatment, or provide an essential service to taxpayers.” Over the past year, the report says, the IRS has ignored and sought to limit the Advocate’s authority to issue TADs.

IRS Has Yet to Comply with Proposed and Final TAD Designed to Assist Victims of Preparer Fraud. In June 2011, the National Taxpayer Advocate issued a proposed TAD to the head of an IRS operating division directing him to issue guidance and implement a procedure

for adjusting the accounts of taxpayers who have been victimized by fraudulent return preparers. The official did not comply, prompting the Advocate to issue a final TAD on the same issue in January 2012. The operating division still has not issued comprehensive guidance or implemented procedures to assist taxpayer victims of preparer fraud.

TAD to Improve Audit Process Challenged. In January 2012, the National Taxpayer Advocate issued a TAD to address problems taxpayers were facing in connection with the correspondence examination process as described in a TAS study, including problems caused by obsolete regulations. The IRS challenged the National Taxpayer Advocate's authority to issue a TAD to the Chief Counsel or to interpret the law. Interpreted broadly, this conclusion would severely limit the National Taxpayer Advocate's authority to issue TADs generally. "Because nearly everything the IRS does is governed by law, it is very difficult for a TAD to address problems that taxpayers are facing without making a recommendation as to how the law should be interpreted," the report says. "For example, if a TAD seeks to prevent the IRS from infringing taxpayer rights, which are embodied in law, the IRS may decline to respond to the TAD on the basis that it interprets law. The IRS's position significantly reduces the utility of these directives and undermines the purpose for which they were created."

TAOs and TADs Are Important Tools to Elevate Taxpayer Rights Issues to the IRS Leadership. TAS generally uses TAOs and TADs as part of a strategic approach to issues that arise in multiple TAS cases, are the focus of projects and teams, and for which TAS has repeatedly sought solutions from the IRS, the report says. The report points out that the IRS Commissioner and Deputy Commissioner may overturn any TAO or TAD, which in practice means that TAOs and TADs are primarily vehicles the National Taxpayer Advocate may use to raise priority concerns to the IRS leadership.

"The purpose of TAOs and TADs is to ensure that issues that may impinge on

taxpayer rights or impose excessive taxpayer burden are elevated for consideration to the highest levels of the IRS leadership in a formal way that requires a written response, so that the issues and competing considerations are made transparent to Congress and other stakeholders," Olson wrote. "For that reason, it is utterly mystifying to me why the IRS would seek to squelch the authority of the National Taxpayer Advocate to raise taxpayer rights and taxpayer burden issues to the senior IRS leadership in this way, and we certainly will not accede to attempts to constrain our advocacy efforts of behalf of our nation's taxpayers."

Other Areas of Focus. Additional areas on which the National Taxpayer Advocate intends to focus in the coming year include:

The IRS's increasing use of automated examination and other tax adjustment procedures, which limit opportunities for taxpayers to interact directly with an IRS employee and often do not provide the taxpayer rights protections traditionally associated with audits.

The impact of the IRS's crackdown on persons with offshore accounts, which often subjects individuals who were not engaged in tax evasion to draconian penalties, and the related issue of modifying the terms of the Offshore Voluntary Disclosure Program so that individuals who made honest mistakes can correct them without fear of excessive penalties.

Collaborating with the IRS to improve taxpayer service options for international taxpayers to help alleviate their compliance challenges.

Examining the application and taxpayer impact of the IRS's new "fresh start" initiative, which is designed to allow financially struggling taxpayers to remain in or come into compliance based on their ability to pay.

Improving coordination with the IRS and other government agencies to protect taxpayer rights and minimize taxpayer burden. In recent years, the Taxpayer Advocate Service has been asked to assist taxpayers who had been clients of several

tax-resolution or tax-preparation firms that were sued by government entities, including the Law Firm of Roni L. Deutch, Mo' Money Taxes, and Taxmasters; taxpayers who received disaster-related assistance overpayments from the Federal Emergency Management Agency; and taxpayers who received payments from the U.S. Department of Agriculture in settlement of discrimination claims.

* * * * *

The National Taxpayer Advocate is required by statute to submit two annual reports to the House Committee on Ways and Means and the Senate Committee on Finance. The statute requires these reports to be submitted directly to the Committees without any prior review or comment from the Commissioner of Internal Revenue, the Secretary of the Treasury, the IRS Oversight Board, any other officer or employee of the Department of the Treasury, or the Office of Management and Budget. The first report is submitted mid-year and must identify the objectives of the Office of the Taxpayer Advocate for the fiscal year beginning in that calendar year. The second report, due on December 31 of each year, must identify at least 20 of the most serious problems encountered by taxpayers, discuss the ten tax issues most frequently litigated in the courts, and make administrative and legislative recommendations to resolve taxpayer problems.

About the Taxpayer Advocate Service

The Taxpayer Advocate Service is an independent organization within the IRS. TAS employees help taxpayers who are experiencing economic difficulties, such as not being able to provide necessities like housing, transportation, or food; taxpayers who are seeking help in resolving problems with the IRS; and taxpayers who believe an IRS system or procedure is not working as it should. If you believe you are eligible for TAS assistance, you can reach TAS by calling 1-877-777-4778 (toll-free). For more information, go to www.TaxpayerAdvocate.irs.gov or www.irs.gov/advocate.

New Business Workshops a Boon for Alabama's Business Community

In January 1989 the Alabama Department of Revenue adopted a new mission: to acquaint the state's new business owners with their tax liabilities by offering them invaluable information through a

From a pilot program held in four statewide locations, the New Business Workshop Program has now spread to some 20 or more cities. Workshop locations and dates are also posted on the



Lee Ann Rouse (left) and Rosalind Toles go over anticipated questions before meeting individually with interested business owners after the workshop's end.

series of business workshops. What began as an inspirational gem of an idea within the Taxpayer Assistance Program has blossomed into what is truly one of the department's significant contributions to the local and state business community.

department's web site at <http://revenue.alabama.gov/taxpayerassist/workshop.cfm>.

Workshops begin at 3:00 p.m. and 6:00 p.m. and last approximately one hour, with the exception of some workshop hours in a

few localities which begin at 10: a.m. and 2:00 p.m. They open with attendees identifying themselves, describing their type of business structure, (LLE, Partnership, Sole Proprietor, S Corp, C Corp), their length of time in business, number of employees, and reasons for attending.

Presenters explain the various tax liabilities in the fields of income tax, sales, use and business tax, and property tax, with emphasis on filing requirements, auditing procedures, bookkeeping and recordkeeping necessities. They end each workshop with a question-and-answer session for real-time answers to real-time situations.

Lisa McGinty, Director of Small Business Development for the Montgomery Area Chamber of Commerce, explains her city chamber's involvement.

"I approached Rosalind Toles back in 2009 to see if she might like to partner in providing the workshops. I knew the information they provided was valuable to our chamber members and public clients. I thought if we could combine our resources and publicize the seminar on a wider basis, we could benefit the small business sector of the economy so much more – providing them a solid tax knowledge basis.

"In 2011, I contacted the IRS for take-home tools and other information to give our seminar attendees. By doing so, the small businesses are able to walk away from the seminars with everything they need from both the state and federal standpoints to build a strong foundation, tax-wise, for their businesses."

To obtain feedback from the Montgomery workshops, the Chamber of Commerce passes out an evaluation survey to be shared with ADOR. This survey has proven to be quite a useful tool in enhancing or improving future workshops.

Attendees at a workshop in Montgomery were inquisitive, eager to learn and appreciative of the presenters' efforts. Their reasons for attending were varied. One Regions Bank employee said he came to gather information for his clients; another was not in business yet, but came to learn as much as he could before he ventured



Tina Emfinger (left) goes over some meeting notes with Lisa McGinty.



Sheneal Gibbs (front) will give her presentation at the 6:00 p.m. meeting, along with Tina Emfinger (back right).

into the business community. A man in line to take the state contractors' exam realized there would be 30 questions relating to taxes and thought it best to learn as much as he could.

Barrin and Isaac Owens are a father and son team from Autaugaville who opened their used car dealership, B&B Used Auto Sales, several months ago. Barrin (son) is a certified mechanic, a fact which he thinks will give them an edge in selling their cars.

Barrin's comment on the workshop? "Very informative. It got me sweating. I did not know there was so much to this!"

Christi Millo, owner of SmartBooks Accounting Solutions, LLC, opened her firm in January 2011. Though her company is young, she is a CPA with 17 years of experience.

"I have attended other workshops in the past, but I like to get a refresher now and then," she says. "I always enjoy asking questions, listening to the questions of others, and getting copies of the most current booklets available.

"The presenters are always so knowledgeable and very willing to help small businesses in any way possible. It's nice to come away with the direct phone and email contacts within the various divisions, so we can call when we have a question or concern."

Bookkeeper Cindy McIntyre, hired in January 2012, echoed her boss' enthusiasm.

"This was my first time attending a workshop, and I found it to be very informative. I loved the handouts and plan on keeping them for future reference."

Christi Millo, Cindy McIntyre, Isaac and Barrin Owens echo sentiments expressed by many workshop business professionals who appreciate the time, talent and effort put into workshop performance.

Revenue's New Business Presenters are knowledgeable and professional in their roles as representatives for the department, and they project a positive image. Simply put, they are very good at what they do.

Following is list of current presenters and their field of expertise:

Auburn/Opelika TSC: Individual and Corporate Tax—Carol Knox, George Lee Murphy, Anthony Bethea, Debbie Long,



Christi Millo (right) owner of SmartBooks Accounting in Pike Road, Ala., accompanied by her bookkeeper, Cindy McIntyre.



Isaac Owens (left) and his son Barrin own B & B Used Auto Sales in Autaugaville, Ala.

Karen Brown; Sales and Use Tax—Wayne Harkins, Chris Kirk.

Dothan TSC: Individual and Corporate Tax— Hugh Kirkland, Jack Stewart, Richard Gamble, Lloyd Byrd, Danny Hanson; Sales and Use Tax— Wendy Ballard, Crystal Clark, Vicki Gardino, Denise Mays, Mike Skipper.

Gadsden TSC (includes Anniston and Guntersville): Individual and Corporate Tax—Nancy Ellison, Rebecca Haney, Sandra Hughes, Betty Peak, Rhonda Likos; Sales and Use Tax—Matthew McClendon, Bobby Haynes, Carol Murphy, Warren Watson.

Huntsville TSC: Individual and Corporate Tax—Alayne Blankenship; Sales and Use Tax—William Jamar.

Jefferson/Shelby TSC: Individual and Corporate Tax—Amelia McEachin; Sales and Use Tax—Jessica Pope, Kristy Gadson, Ryan Campbell; Property Tax—Wendy Plash.

Mobile TSC: Individual and Corporate Tax— Kyle Beason, Shelah Bischof, Wykisha Grace, Kymberli Johnson, Karl Knight, Patricia Solan; Sales and Use Tax— Vicky Brunelle, Ami Cheatham, James Cronin, Marsha Franklin, Ashley Hancock, Jerlean Hudson, Matthew Lewis, Michael Martin, Carolyn Mitchell, Christina Turbiville.

Montgomery TSC: Individual and Corporate Tax—Rosalind Toles, Sheneal Gibbs; Sales and Use Tax—Lee Ann Rouse, Tina Emfinger.

Muscle Shoals TSC (includes Florence): Individual and Corporate Tax—Tricia McCrary; Sales and Use Tax—Debbie Walker; Property Tax—Matt Montgomery.

Tuscaloosa TSC (includes Demopolis and Jasper): Individual and Corporate Tax—Kevin Long, Latrice Burrell, Keith Goodman; Sales and Use Tax—Eva Lipscomb, April Hoffman, Aggie Perry, Emily Lambert; Property Tax—Amy Clelland, Thomas Moore, Jr.

Important Changes Coming to Motor Fuel Taxation

Beginning Oct. 1, 2012, Alabama will change the way it taxes motor fuels. Act 2011-565, passed during last year's legislative session, moves the point of taxation of motor fuels from the "distributor level" to the "terminal rack level" or to the point when the fuels are imported into Alabama.

Industry will see the greatest changes, according to State Revenue Commissioner Julie P. Magee, in the streamlining of tax return reporting and payment requirements.

As a result of the new law, motorists should not see any direct changes. It will not affect the rate of tax or the purchase price of fuels paid at the pumps. Tax rates for gasoline and diesel fuel will not be affected and will remain at the current 16 cents and 19 cents per gallon, respectively.

"Beginning in October, gasoline, undyed diesel fuel, dyed diesel fuel, aviation gasoline, and jet fuel sales will all be reported on one tax return instead of separate tax returns as currently done. One payment for all tax types on a return (except dyed diesel fuel which is exempt) will be required instead of separate payments for each fuel type," explained Magee.

Currently, gasoline and motor fuels are taxed at the distributor level. Basically, the taxes are currently paid by fuel distributors who hold licenses and file monthly state gasoline or motor fuel tax returns with the Alabama Department of Revenue (ADOR). Beginning in October, the new law provides that the fuels will be taxed "at the rack," which means the fuels will be taxed upon removal from the bulk terminal or upon import into Alabama.

"Basically the tax will be imposed as the fuels leave the terminal rack," explained Magee. "The licensed suppliers selling the

fuels at the terminal will now report and pay the tax directly to the ADOR by filing monthly tax returns. The terminal rack is the point at which fuels physically leave a terminal and are delivered into a tank truck, rail car, or other means of transfer. The only exception will be when fuels are imported into Alabama by ways other than the terminal transfer system or when fuels are blended in Alabama outside the terminal transfer system. In these cases, taxes will be imposed upon import or blending."

Fuel suppliers, permissive suppliers, distributors, importers, terminal operators, exporters, motor fuel transporters, blenders, and aviation fuel purchasers are required to obtain a license to register for the fuel taxes. In addition, a new application and bond form are required to be submitted to the ADOR before licensing.

Fuel suppliers, permissive suppliers, importers, exporters, and blenders will be required to file monthly tax returns by the 22nd day of the month following the tax reporting period. Terminal operators and transporters will be required to file monthly reports by the end of the month following the reporting period. All returns and reports will be filed electronically.

Another important change will involve how tax-free purchases are handled. Currently, licensed fuel distributors can purchase gasoline and diesel fuel tax-free and sell it tax-free to entities exempted by Alabama law. However, the department advises that since the point of taxation will move to the "terminal rack" level, effective Oct. 1, 2012, fuel distributors will no longer be able to purchase gasoline and diesel fuel tax-free. As a result, tax-exempt entities must apply for a Fuel Tax Exemption License to purchase gasoline or diesel fuel tax-free, beginning Oct. 1. Failure to apply

for and receive a Fuel Tax Exemption License will result in the exempt entity being charged Alabama fuel tax.

Entities exempt under Alabama motor fuel laws are the United States government, county governing bodies, incorporated municipal governing bodies, city and county boards of education, the Alabama Institute for Deaf and Blind, Department of Youth Services School District, and private and church schools (K-12).

"The new law will bring many changes beginning this October to Alabama's fuel industry, and we want to ensure that everyone affected will be aware of these important changes," said Magee. "Over the past several months, the ADOR has worked with our industry partners, as well as with the Association of County Commissions of Alabama, the Alabama League of Municipalities, the Alabama Department of Education and other groups and organizations to inform all who may be affected by these important changes," said Magee.

For more information, industry and exempt entities are encouraged to visit ADOR's Web site at www.revenue.alabama.gov or call the department's Motor Fuels Section at 334.242.9608. The application for the *Fuel Tax Exemption License* may be downloaded at <http://www.revenue.alabama.gov/motorfuels/racktax.html>.

"The October 1 effective date is fast approaching, and we want to do everything that we can to ensure a smooth transition for all involved—our industry partners, exempt entities, and the department of revenue. By all working together, I am confident that we can accomplish that goal," said Magee.

Interest Rates Remain the Same for the Third Quarter of 2012

Interest rates for the calendar quarter beginning July 1, 2012, will remain at three (3) percent, according to Internal Revenue Bulletin No. 2012-55, dated May 22, 2012.

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 below.)

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%	

Tax Calendar

(Continued from Page 18)

Dec.

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

31 • Property tax on real and personal property delinquent after this date.

- Last day to claim exemptions/abatements on property tax assessments.
- Expiration of the previous calendar year's motor fuel identification markers.

Statement of Gross Tax Collections

Through End of 3rd Quarter FY 2012
(April, May, June 2012)

	FYTD 2011-12	FYTD 2010-11	% Change
Business Privilege Tax	\$ 108,226,774.40	\$ 102,408,682.47	5.68
Gasoline	297,956,654.11	301,036,433.73	(1.02)
Income Tax-Corporate	334,711,816.34	280,428,982.06	19.36
Income Tax-Individual	2,734,059,418.86	2,621,775,537.39	4.28
Income Tax (Total)	3,068,771,235.20	2,902,204,519.45	5.74
Motor Fuels	97,573,159.92	97,185,226.99	0.40
Oil & Gas Privilege (8%)	65,261,459.15	58,934,697.35	10.74
Oil & Gas Production (2%)	21,757,429.37	21,730,803.49	0.12
Sales	1,503,663,940.96	1,423,750,264.29	5.61
Use Tax	213,770,989.29	200,267,875.05	6.74
Utility Gross Receipts	278,857,654.99	305,833,492.90	(8.82)
SUBTOTAL	\$5,655,839,297.39	\$5,413,351,995.72	4.48
SUBTOTAL (OTHER TAXES)	1,218,120,751.55	1,195,783,456.18	1.87
TOTAL (ALL TAXES)	\$6,873,960,048.94	\$6,609,135,451.90	4.01

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

(Oct., Nov., Dec. 2012)

Oct.

- 1** • Property tax on real and personal property due.
- Automotive dismantlers and parts recyclers' license due.
 - Business privilege license fee due.
 - Quarterly Dry Cleaning Trust Fund Fee return and payment due.
 - Manufactured home registration and fee due.
 - Motor fuel identification markers issued.
 - Motor vehicle dealers, reconditioners, rebuilders and wholesalers' license tax due.

Note: Effective Oct. 1, 2003, dealer license plates and manufacturer license plates will be issued through county license plate issuing officials.

- Store and chain store license tax due.
- Utility license (2.2%) return and first quarterly payment due.

14 • Annual wholesale oil license 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.

31 • Quarterly withholding return and payment due from employer.

- Quarterly IFTA tax return and payment due.
- Annual business privilege licenses delinquent after this date.
- Store and chain store licenses delinquent after this date.
- Quarterly Construction Employer Fee due.

Nov.

30 • Last day to register and pay fee for manufactured homes without penalty.

(Continued on Page 17)