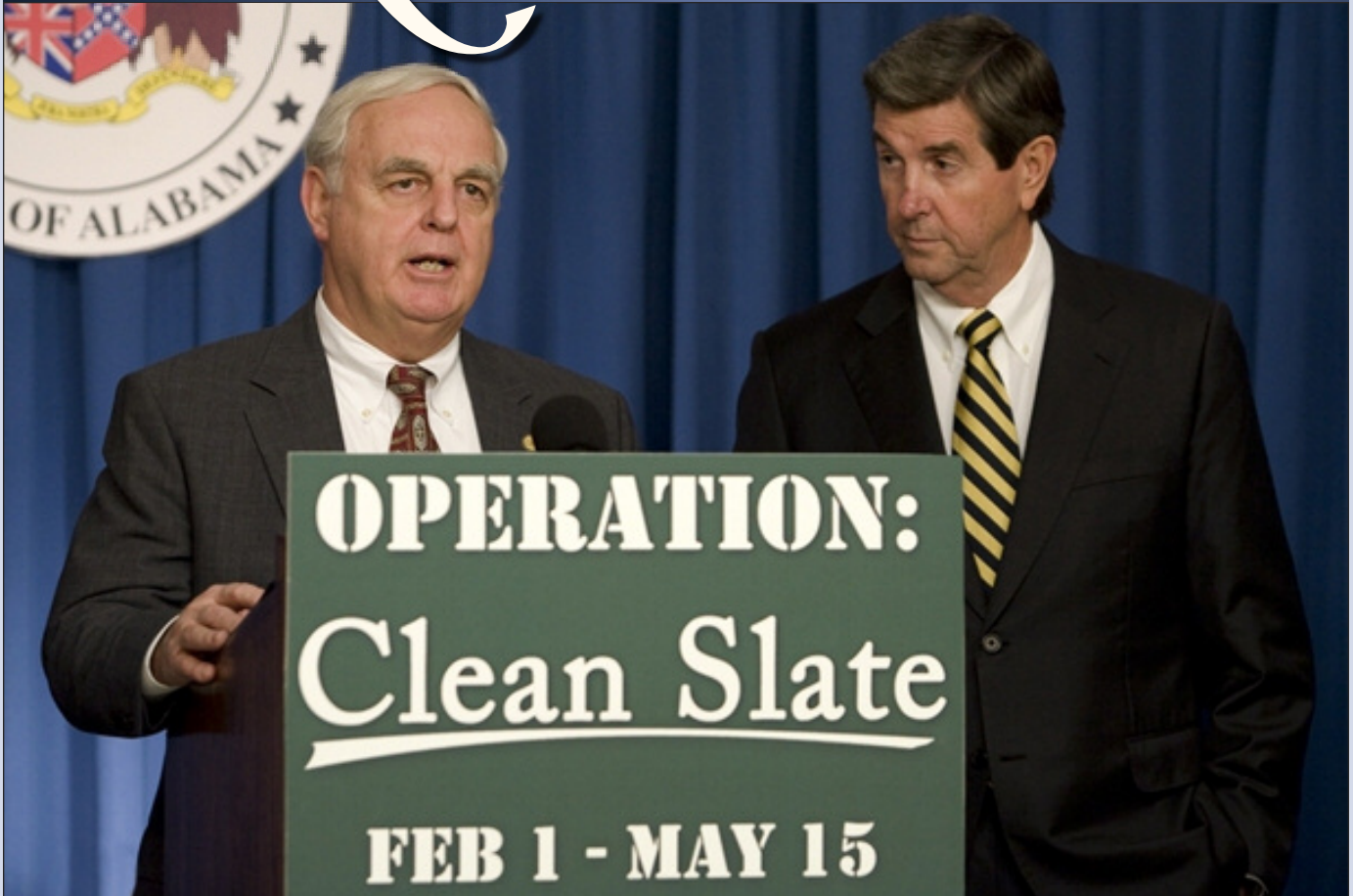


Revenue REVIEW

1st Quarter
FY 2009
(October, November,
December 2008)

A Quarterly Publication of the Alabama Department of Revenue



Revenue Commissioner Tim Russell and Governor Bob Riley announce Operation Clean Slate at a news conference in the State Capitol.

Operation Clean Slate

Alabama Temporarily Waiving Penalties for Delinquent Tax Filers

Governor Bob Riley and Revenue Commissioner Tim Russell announced January 15 that the Revenue Department will temporarily waive penalties and will not seek criminal prosecutions for delinquent tax filers who come forward and pay what they owe in state taxes.

The effort, called Operation Clean

Slate, runs from February 1 through May 15. During this period, individuals and businesses that voluntarily come forward and file past-due returns or amend their returns to properly report their tax liabilities will be granted leniency, provided they are not already under investigation, nor have been contacted by the Department as to their proper tax liability. This program is available, but not limited, to Individual and Corporate Income taxes, Business Privilege Tax, and if unregistered with the department, Sales Tax and Use Tax.

"This is a brief window of opportunity

for those who aren't paying their taxes to get right with the law," said Governor Riley. "Take advantage of this offer because it won't last long."

When the temporary reprieve ends, the Revenue Department will bring online a new, \$26 million computer system that will increase the Department's ability to identify those who are not paying taxes or who are under-reporting the taxes they owe.

"There are some who are not paying what they owe. That isn't fair to the millions of taxpayers who do," Governor Riley

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ADOR Training Seminars

The department's Sales, Use and Business Tax Division traditionally holds training seminars during the latter months of the year. Foreign audit specialists, auditors and revenue examiners are afforded the opportunity to learn about upcoming issues in their respective fields.

Following are some photos from the seminars.



Foreign Audit Specialists attending this year's annual December meeting in the Gordon Persons Building were (left to right): 1st row, seated: Dan Lawrence, CPA; B.K Arora, CPA; 2nd row, seated: LaCynthia Holt, Cora Washington; 3rd row: Yolanda Thornton, Adesha Tate, Patricia Estes, Lyvonda McKee, CPA, Audrey Jones, Melissa Jones, Harold Daniels, Foreign Audit Manager; back row: Dewey Staggs, John Dixon, Barry King, Lyle Palmer, Richard Friar, John Rhodes. Not pictured: Albert McDonald, CPA.

Sales and Use Tax Division Holds Basic Audit Training (BAT)

Classes for Basic Audit Training III (BAT) were held Oct. 14-16, with certificates of completion awarded to examiner participants on Friday, October 17. Sales tax laws, auditing fundamentals, effective communication and examiner character were some of the topics covered.

Alabama Individual Income Tax Update

The Alabama Department of Revenue offers the following tax-filing updates and reminders for tax season 2009.

What's New This Year?

New deduction for Education Savings Programs

Alabama taxpayers may deduct up to \$5,000 per year or \$10,000 if joint filers, for contributions made after Dec. 31, 2007, to the Alabama Prepaid Affordable College Tuition Program (PACT) or the Alabama College Education Savings Program.

Nonresidents' Sale or Transfer of Alabama Real Property/Associated Tangible Personal Property

After Aug. 1, 2008, any sale or transfer of real property and associated tangible personal property in Alabama by nonresidents is subject to Alabama income tax at a withholding rate of 3 to 4 percent of the purchase price of the property or of the nonresident seller's gain. The nonresident seller is required to file an Alabama income tax return due to the sale of the Alabama property and attach Form WNR—Withholding on Sales or Transfers of Real Property and Associated Tangible Personal Property by Nonresidents to the seller's Alabama income tax return to claim credit for the tax paid on the sale of the property.

Automatic Filing Extensions

Alabama individual and business income taxpayers are no longer required to file an Alabama extension form if they find they cannot meet their annual return filing deadlines. Taxpayers will be given an automatic single six-month extension to file. No filing extension form will be required. The automatic extension only applies to a filing extension; no extensions are granted for payment.

ALL TAX PAYMENTS ARE DUE BY THE ORIGINAL DUE DATE OF THE RETURN.

Form 40X No Longer Required if Filing an Amended Tax Year 2008 Return

Taxpayers filing an AMENDED 2008 tax year return will not use a Form 40X to amend their 2008 return. To file an amended 2008 return, taxpayers will file another 2008 return and simply check the box on the front of the tax form indicating it is an amended return. Taxpayers filing tax year 2007 and prior year amended returns will be required to file the Form 40X.

Important Reminders

Federal Stimulus Payments

Federal stimulus payments received during 2008 are excluded from Alabama income tax. Taxpayers do not report the amount of their federal stimulus payments on their STATE tax returns.

Small Business Expensing

Alabama income tax laws will not follow changes implemented

(Continued on Page 5)

Alabama Business Tax Update

Lower E-filing Requirement for Employers/Filing Agents

Employers and filing agents who issue 100 or more Form W-2s (and/or Form 1099s with Alabama tax withheld) must now electronically file this information and the Form A-3 through ADOR's Web site. Beginning Jan. 1, 2010, the electronic filing threshold is reduced to 50 or more forms.

New Form 2220AL Underpayment of Estimated Tax for Corporations

The Alabama Form 2220AL is a new form for corporate filers offering relief from the underpaid estimated income tax provisions. The new form allows corporate taxpayers to compute the required Alabama quarterly installments using the optional federal annualization method and the optional federal adjusted seasonal method.

Third Party Bulk Filer Update

Accountants and tax filing services who file withholding tax returns and payments on behalf of employers must register with the ADOR as a bulk filer and must utilize their bulk filing registration when filing withholding tax returns and other information on behalf of their clients.

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Small Business Expensing

Alabama income tax laws will not follow changes implemented by the 2008 federal Economic Stimulus Act. Adjustments must be made on the Alabama income tax return for differences in depreciation allowed by Alabama and the amount claimed for federal purposes since Alabama will not allow the bonus depreciation and the increased Section 179 limitations. Alabama will continue to be tied to the federal depreciation rules without consideration of the changes implemented by the Economic Stimulus Act of 2008.

(Continued on Page 5)

Alabama Individual Income Tax Update

(Continued from Page 3)

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Mortgage Forgiveness Debt Relief Act of 2007

Alabama Code Section 40-18-14(h) and (i) directly tie Alabama to Internal Revenue Code Sections 108 and 121. Taxpayers can exclude up to \$2 million of debt forgiven on their principal residence. The limit is \$1 million for a married person filing a separate return. This provision applies to debt forgiven in 2007, 2008 or 2009. Debt reduced through mortgage restructuring, as well as mortgage debt forgiven in connection with a foreclosure qualify, for this relief. (See IRS FS-2008-1, January 2008, at www.irs.gov for more information.)

Federal Deduction for Educator Expenses:

Alabama does **not** allow a state tax deduction for educators' qualified out-of-pocket expenses for books and classroom supplies.

E-file – It's easy, quick and guarantees a quicker refund.

More than 1 million Alabamians electronically filed their tax returns last year. E-file is a safe, secure method of filing one's tax return and guarantees a quicker turnaround time on refund processing than traditional paper returns. Further, taxpayers who meet certain eligibility requirements may be able to e-file their state and federal returns free-of-charge. For more information concerning eligibility requirements and a listing of online service providers offering free filing programs, visit the department's Web site at www.revenue.alabama.gov or the I.R.S. site at www.irs.gov.

Electronic Opt Out Form

The Electronic Opt Out (EOO) form is a form requirement that applies to taxpayers whose returns are prepared by a paid preparer using electronic software to complete the return, but who choose to file a paper return in place of an electronic return. The EOO form must be signed by the taxpayer and attached to the paper return when filed.

Electronic Payment Options

Taxpayers have a variety of electronic payment options from which to choose: E-check, ACH debit, credit card, or direct debit.

FORM 40V – Payment Voucher

Taxpayers who pay additional tax due by check or money order should complete a FORM 40V and include it along with their checks or money orders. (Taxpayers should not complete a FORM 40V if they pay their taxes electronically or by credit card.) The Form 40V will be used by the department to identify the taxpayer's payment by check or money order, apply it, and match it to the taxpayer's return for processing.

Direct Deposit

Taxpayers due a refund may have their refunds direct deposited into their checking or savings accounts. Direct deposit is available to taxpayers filing refund electronic and computer-generated returns.

Consumer Use Tax Reporting Line Item:

Taxpayers who purchased items online or through catalog or mail-order sales during 2008 and did not pay any sales or use tax to the out-of-state retailer are able to report and pay the Alabama consumer use tax due when filing their 2008 tax year returns. The consumer use tax line item was first offered on the 2000 Alabama return.

Alabama Business Tax Update

(Continued from Page 4)

Business Tax E-Filing Update

Alabama recently expanded its corporate e-filing program to include Forms 65, 20C, 20S, PTEC and most major supporting schedules. In 2007, Alabama became the eighth state to partner with the Internal Revenue Service (IRS) and approved IRS software vendors to provide a single-point electronic filing method that allows federal and state corporate tax returns to be filed simultaneously. Corporations/partnerships filing electronically must also pay the tax liability due with the return electronically. Alabama requires all business taxpayers making single tax payments of \$750 or more to submit their tax payments electronically. For more information concerning Alabama's corporate income tax filing program, visit the ADOR's Web site at <http://www.revenue.alabama.gov/incometax/corpefilemain.htm>.

From The IRS

IRS's Latest Hot Product, '09 Small Biz Tax Calendar, Ready for Businesses

The IRS 2009 Small Business/Self-Employed Tax Calendar is stocked and ready to go. With its professional illustrations, in-depth business tax information, and day-to-day reminders for which business taxes are due when, the 12-month wall calendar has always been a popular item. IT is also FREE.

Small business and self-employed taxpayers can also download the business tax dates and reminders directly to their Microsoft Outlook calendars, and access the calendar via electronic organizers and portable hand-held devices.

New 2009 topics include:

- The 2008 Economic Stimulus Act
- Section 179 Expensing
- Minimizing Identity Theft
- Disaster Recovery for Small Businesses

To order, visit the tax calendar ordering page at <http://www.irs.gov/businesses/small/page/0,,id=82780,00.html> on IRS.gov or call the National Distribution Center at (800) 829-3676. The tax calendar is available online at <http://www.irs.gov/formspubs/lists/0,,id=97819,00.html>.

To get the latest IRS information and learn about IRS products and services as they become available, start a FREE subscription to e-News for Small Businesses; just go to IRS.gov at <http://www.irs.gov/businesses/small/content/0,,id=154826,00.html>, type in your e-mail address and submit.

Submitted by John Berger, editor, *e-News*

Daily IRS Tax Tips Available For 2009 Filing Season

IR-2009-4, Jan. 13, 2009

WASHINGTON – The Internal Revenue Service is offering a daily series of Tax

Tips for the 2009 federal tax filing season that began this month.

Tax Tips offer concise, useful information on topics affecting millions of taxpayers. More than 70 tips on federal taxes will be available with a new one for each business day until the April 15 tax filing deadline.

Tips are available as easy-to-understand text as well as several audio files for podcast.

Sample text-based Tax Tip topics include:

- Choosing a tax preparer
- Where you can get free tax help
- How e-file can make filing easier and getting you your refund faster

- How to file for an extension or to amend your return
- What tax records to keep
- First-Time Homebuyer Credit

Taxpayers can receive new text-based Tax Tips via email when they are published by subscribing through the e-News Subscriptions page on IRS.gov. When subscribing, the taxpayer will receive a confirmation message by e-mail that he or she must respond to in order to confirm the subscription. Other list serves available on IRS.gov include Guidewire, which distributes IRS guidance, and Newswire, which distributes IRS press releases.

Administrative Rules

Effective Dec. 8, 2008:

Amended:

- 810-3-70-.01 Definitions
- 810-3-19-.04 Defined Benefit Plans

Effective Dec. 31, 2008:

Adopted:

- 810-4-1-.21 Implementation of Senior Property Tax Appraisal in Baldwin County, Alabama
- 810-2-8-.06 Extension of Time for Filing of Privilege Tax Returns
- 810-3-24.1-.01 Composite Returns of Subchapter K Entities

Amended:

- 810-3-75-.03 Annual Returns of Withholding Tax Information
- 810-3-25-.07 Estates and Trusts, Miscellaneous Information
- 810-3-27-.03 Extension of Time for Filing of Individual Taxpayer's Return
- 810-3-28-.01 Partnership Returns
- 810-3-39-.02 Extension of Time for Filing a Corporation Return
- 810-3-27-.09 Alabama Requirements for Mandatory E-file and Application of Two-dimensional (2-D) Barcode on

Original Individual Income Tax Returns

Effective Jan. 16, 2009:

Adopted:

- 810-3-15.3-.01 Deductions for Small Business Health Insurance Premiums

Effective Jan. 22, 2009:

Adopted:

- 810-5-1-.246 Bill of Sale, Invoice or Other Sales Document-Minimum Requirements. Reference: Section 40-12-260 (b) (2), Code of Alabama, as amended

Repealed:

- 810-5-1-.221 Re-registration and Penalty Dates Under Staggered Registration Law
- 810-5-75-.35 Minimum Requirements. Reference: Section 40-12-260 (b) (2), Code of Alabama 1975, as amended
- 810-5-1-.458.01 Transferability of Apportioned License Plates
- 810-1-.463 Temporary License Plate
- 810-5-1-.472 Registration of Rental Vehicles for Registrants with Operations in Two or more Jurisdictions

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.

17th • 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 tax return and payment due.
 • Motor fuel tax return and payment due.
 • Natural minerals severance 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.
 • Use tax return and payment due.

• Utility gross receipts tax return and payment due.

30th • Hazardous waste fee return and payment due.

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

Quarterly/Annual Tax Activity

(March, April, May 2009)

March

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

15 • Corporate income tax return and information return due (for calendar-year taxpayers).
 • Business Privilege Tax return (Form PSA) due for corporations.

April

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

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

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

• Partnership income tax return due.

(Continued on Page 8)

- Personal income tax return and payment due.

20 • Quarterly sales tax return and payment due.

- Quarterly use tax return and payment due.
- Quarterly rental or leasing tax return and payment due.

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

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

Operation Clean Slate

(Continued from Page 1)

said. "Those who are not paying what they owe are breaking the law. And with the help of a new state-of-the-art computer system that is coming online, it is about to get a lot easier to catch them. The likelihood they will get caught is about to increase tremendously."

The usual penalties for failing to file returns or failing to pay the tax due will not be imposed during this limited period of time. The Department will also not seek to impose the civil penalty for underpayment due to negligence nor the penalty for fraud for those taxpayers who correct their situations by filing or amending their returns and paying the proper amount due before May 15. Finally, the Department will not seek any criminal penalties for failure to pay taxes for those who come forward and pay by the deadline.

Those who want to take advantage of Operation Clean Slate can send their delinquent or amended tax returns to the Department of Revenue, P.O. Box 327010, Montgomery, AL 36132-7010. Those with questions can email the department at cleanslate@revenue.alabama.gov or call 866-326-6755 or 334-242-1055.

Statement of Gross Tax Collections

Through End of 1st Quarter FY 2009
(October, November, December 2008)

	FYTD 2008-2009	FYTD 2007-2008	% Change
Business Privilege Tax	\$ 12,155,406.93	\$ 9,106,721.83	33.48
Gasoline	97,492,380.35	100,754,143.61	(3.24)
Income Tax-Corporate	103,637,349.88	160,373,252.23	(35.38)
Income Tax-Individual	734,237,261.77	750,421,490.67	(2.16)
Income Tax (Total)	837,874,611.65	910,794,742.90	(8.01)
Motor Fuels	31,820,987.82	35,364,500.83	(10.02)
Oil & Gas Privilege (8%)	32,432,802.62	25,950,358.78	24.98
Oil & Gas Production (2%)	13,311,670.31	10,282,358.06	29.46
Sales	458,436,222.83	512,718,034.47	(10.59)
Use Tax	65,794,062.60	68,345,261.34	(3.73)
Utility Gross Receipts	91,378,732.28	102,562,479.38	(10.90)
SUBTOTAL	\$1,640,696,877.39	\$1,775,878,601.20	(7.61)
SUBTOTAL (OTHER TAXES)	354,979,421.65	340,380,991.99	4.29
TOTAL (ALL TAXES)	\$1,995,676,299.04	\$2,116,259,593.19	(5.70)

Interest Rates Drop to 5%

Interest rates for the calendar quarter beginning Jan. 1, 2009, dropped to five percent (5 % a.p.r.) for underpayments, according to the Internal Revenue Service's Revenue Ruling 2008-54.

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 (5 %); 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%			