

Revenue REVIEW

1st Quarter
FY 2010
(October, November,
December 2010)

A Quarterly Publication of the Alabama Department of Revenue

FTA Executive Director Visits ADOR/Governor's Office



Photo Courtesy Robin Cooper, Governor's Office

Jim Eads (2nd from right), Executive Director of the Federation of Tax Administrators, joins Alabama Revenue Commissioner Tim Russell (right) and ADOR Media Affairs Director Carla Snellgrove as they visit Gov. Bob Riley.

Mason Named to Merit Post of Deputy Revenue Commissioner



ADOR Commissioner Tim Russell and Assistant Commissioner Cynthia Underwood recently announced the appointment of Michael E. Mason to the merit post of deputy revenue commissioner.

Shown above congratulating Mr. Mason (third from left) are Department Secretary Lewis Easterly, Assistant Commissioner Cynthia Underwood and Commissioner Tim Russell.

"We are pleased to welcome the new merit position to Revenue's senior management team, and congratulate Mike on his appointment," said Commissioner Russell.

Winborne, Warren Speak at Tax Practitioner Seminars

Individual and Corporate Tax's Ann Winborne, Administrative Support Supervisor, and Tamera Warren, Training Coordinator, spoke at the annual Tax Practitioner Seminar held Dec. 3 and 4 at Auburn University Montgomery.



Ann Winborne addresses the audience of state tax professionals in Auburn University Montgomery's Taylor Center.



Tamera Warren explains some of the requirements for EFT payment.



This year's seminar drew a varied audience of tax attorneys, enrolled agents, certified public accountants, and public accountants.



FAS Specialists attending this year's annual meeting were front row (left to right): Melissa Jones, Lyvonda McKee, Cora Washington, Pat Estes, LaCynthia Holt, Audrey Jones, Shirley Aiken, Harold Daniels; middle row, (l to r): Albert McDonald, Yolanda Thornton, Adesha Tate, Dan Lawrence, Dewy Staggs, John Dixon; back row (l to r): Barry King, Lyle Palmer, Richard Friar, Pettus Strong.

IRS News

IRS Reminds Taxpayers that Keeping Good Records Reduces Stress at Tax Time

Submitted by John Berger, editor, eNews

The tax filing season is here, so if you haven't already done so, it's time to organize your records.

Whether you are a business owner or an individual taxpayer, you can avoid headaches at tax time with good records because they will help you remember transactions you made during the year.

Keeping well-organized records also ensures you can answer questions if your return is selected for examination or prepare a response if you are billed for additional tax. In most cases, the IRS does not require you to keep records in any special manner. Generally speaking, you should keep any and all documents that may have an impact on your federal tax return.

Small Business Owners

If you are a small business owner, you must keep all your employment tax records for at least four years after the tax becomes due or is paid, whichever is later. Examples of important documents business owners should keep include:

- Gross receipts: Cash register tapes, bank deposit slips, receipt books, invoices, credit card charge slips and Forms 1099-MISC
- Proof of purchases: Canceled checks, cash register tape receipts, credit card sales slips and invoices
- Expense documents: Canceled checks, cash register tapes, account statements, credit card sales slips, invoices and petty cash slips for small cash payments
- Documents to verify your assets: Purchase and sales invoices, real estate closing statements and canceled checks

Individuals

Individual taxpayers should usually keep the following records supporting items on their tax returns for at least three years:

- Bills

- Credit card and other receipts
- Invoices
- Mileage logs
- Canceled, imaged or substitute checks or any other proof of payment
- Any other records to support deductions or credits you claim on your return

For more information about recordkeeping, check out IRS Publications:

- Pub 552 at <http://www.irs.gov/pub/irs-pdf/p552.pdf>, Recordkeeping for Individuals;
- Pub 583 at <http://www.irs.gov/pub/irs-pdf/p583.pdf> Starting a Business and Keeping Records
- Pub 463 at <http://www.irs.gov/pub/irs-pdf/p463.pdf>, Travel, Entertainment, Gift, and Car Expenses

These publications are available on the IRS Web site, IRS.gov or by calling 800-TAX-FORM (800-829-3676).

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ADOR Named SMART High Performer Again in FY 2009

Revenue Commissioner Tim Russell recently announced that ADOR has received the SMART High Performer status for the second year in a row.

To be considered a High Performer, agencies must meet a number of criteria as part of the SMART Governing program. These include meeting all deadlines for submitting required documents, including quarterly performance reports that indicate the progress an agency is making toward achieving its stated goals. An agency must also meet 80% of its projected performance targets.

State agencies receiving this status enjoy

increased administrative flexibility with budgeting and purchasing policies during the next fiscal year. High Performers' purchasing thresholds increase from \$500 to \$1,000. The state Budget Office also will automatically authorize any operations plan revisions that incur no overall change to an agency's quarterly total except those involving personnel costs.

In 2009, ADOR was among 13 state agencies receiving this designation. In 2010, ADOR was among 17. The SMART Governing initiative was established by Governor Bob Riley in 2004 in an effort to make state government more accountable to taxpayers.

S-specific results
M-measurable key goals
A-accountable to stakeholders
R-responsive to customers
T-transparent to everyone

What's New for 2010?

• **Form A-4, Employee's Withholding Exemption Certificate:** Form A-4 has been updated for the year 2010 to include the Military Spouses Residency Relief Act exemption.

• **Lower E-filing Requirement for Employers/Filing Agents...** Effective Jan. 1, 2010, employers and filing agents who issue 50 or more Form W-2s (and/or Form 1099s with Alabama tax withheld) must electronically file this information and the Form A-3 through ADOR's Paperless Filing and Payment System.

• **Important Changes in Alabama's Child Labor Law...** Act 2009-565, signed into law May 19, 2009, reforms Alabama child labor enforcement standards, transferring the permitting process from the public school system to the Department of Labor. In addition, new record keeping requirements and administrative penalties have been added. Under the new system, work permits are no longer required for each minor employed. In its place, employers are required to obtain a Child Labor Certificate in order to employ minors. A Class I Certificate is required if employing 14 or 15 year olds and a Class II Certificate is required if employing 16 or 17 year olds. Each location of a business employing minors must obtain the proper certificate(s) in order to employ minors. The cost of a Child Labor Certificate is \$15 each and shall be renewed annually.

Statement of Gross Tax Collections

Through End of 1st Quarter FY 2010
 (October, November, December 2009)

	FYTD 2009-2010	FYTD 2008-2009	% Change
Business Privilege Tax	\$ 10,773,345.70	\$ 12,155,406.93	(11.37)
Gasoline	98,870,747.75	97,492,380.35	1.41
Income Tax – Corporate	116,271,479.30	103,637,349.88	12.19
Income Tax – Individual	726,615,924.48	734,237,261.77	(1.04)
Income Tax (Total)	842,887,403.78	837,874,611.65	0.60
Motor Fuels.	29,844,204.53	31,820,987.82	(6.21)
Oil & Gas Privilege (8%)	14,758,249.37	32,432,802.62	(54.50)
Oil & Gas Production (2%)	4,866,294.10	13,311,670.31	(63.44)
Sales	453,321,472.84	458,436,222.83	(1.12)
Use Tax	57,865,408.65	65,794,062.60	(12.05)
Utility Gross Receipts	120,149,374.78	91,378,732.28	31.49
SUBTOTAL	1,633,336,501.50	1,640,696,877.39	(0.45)
SUBTOTAL (OTHER TAXES)	353,884,200.95	354,979,421.65	(0.31)
TOTAL (ALL TAXES)	\$1,987,220,702.45	\$1,995,676,299.04	(0.42)

Helpful Tax Season Q&As

What are some tips the ADOR can offer taxpayers as they are getting ready to file their returns?

Gather records: Cancelled checks, mortgage statements, and any other documents that support an item of income or a deduction.

Form W-2's and 1099's will be arriving soon, and are required to be postmarked no later than January 31st.

Review your return: Check to make sure your social security number is correct; math calculations are correct, and that you have attached all required tax schedules, etc.

File early.

Consider e-file; speeds processing of your return and reduces errors.

Consider direct deposit if you're due a refund.

If you owe and e-file, consider paying by Direct Debit. You can file early and warehouse the payment until April 15, 2010.

Consumer use tax line item reminder

As the 2010 individual income tax filing season gets underway, taxpayers and tax preparers are reminded of the convenient line item featured on the 2009 state income tax return used to report and pay any consumer use tax due on catalog and/or internet purchases made by Alabama residents (where Alabama sales tax was not paid on the purchase).

Are there any changes to the Alabama Form 40 this year?

Form 40, Page 1, Line 12

The computation of the Federal Income Tax deduction has been modified this year, and a new worksheet to calculate the deduction is included in the tax booklet. The proliferation of the refundable credits on the federal return required the ADOR to look at the computation of the Federal Income Tax deduction. It is no longer taken straight from the Federal return to the Alabama return. The Federal income tax less the credits on the Federal return, Line 55 this year, is reduced by the refundable credits, Making Work Pay, Government Retiree Credits, Earned Income Credit, Additional Child Tax Credit, Refundable Education Credit, First-Time Homebuyer Credit, and Credits from federal Forms 2439, 4136, 8801, and 8885.

(Form 2439 – Notice to Shareholder of Undistributed Long-Term Capital Gain;

Form 4136 – Credit for Federal Tax Paid on Fuels;

Form 8801 – Credit for Prior Year Minimum Tax – Individuals, Estates, and Trusts;

Form 8885 – Health Coverage Tax Credit)

Form 40, Page 2, Part II, Line 9

Health Insurance deduction for a small business employer/employee.

A qualifying employee of a qualified, small business employer can deduct 150% of the amount that the employee pays for health insurance premiums as part of an employer-sponsored plan. The employee may use the standard deduction or may deduct 100% of the amount paid as an itemized deduction under medical expenses on Schedule A, subject to the 4% adjusted gross income limitation. The additional 50% will be deducted on Form 40, Part II, as an adjustment to income (not subject to an AGI limitation).

A qualifying employer can deduct 150% of the amount paid for health insurance premiums on qualifying employees as a business deduction.

A qualified employer is an employer

with less than 25 full time employees. For an employee of the qualified employer to be eligible to claim the additional deduction, the employee must qualify by earning no more than \$50,000 in wages and report no more than \$75,000 (or \$150,000 for MFJ) in adjusted gross income.

Schedule A, B, CR, & DC, Page 1, Line 12

New deduction for Qualified Mortgage Insurance Premiums – Tied to Federal Section 163. This is the amount paid under a mortgage insurance contract issued after December 31, 2006, in connection with home acquisition debt that was secured by a first or second home.

Schedule A, B, CR, & DC, Page 2, Schedule DC, Line q

New check off for Alabama Military Support Foundation. The Alabama tax form offers taxpayers 17 check off or refund donations from which to choose.

Military Spouse Exemption

Congress recently passed a bill retroactive to January 1, 2009, exempting a military spouse's income from state income tax if the spouse is in that state as a result of the military orders of the other spouse. The spouse's income will be taxable to the military spouse's state of record just as the military spouse's income is taxable to the state of record. Since this change is retroactive and was done after Alabama's forms had been sent to the printer, the ADOR is asking that the withholding and wages be reported on Line 5 and that the wages be shown as a negative amount on Line 8, Part I, Page 2. To prevent withholding on these wages in the future, the department has modified the Alabama withholding Form A-4.

Difference between Federal and Alabama Depreciation Allowed

Alabama's law allowing a deduction for depreciation and the federal Section 179 expense is directly tied to the Internal Revenue Code. When the Federal Economic Stimulus Act of 2008 was passed, Alabama decoupled from the 2008 federal changes; however, Alabama did not decouple from changes made under federal law for the 2009 tax year.

Administrative Rules

Effective Nov. 4, 2009:

Amended:

- 810-1-6-.02 Scope of the Rules
- 810-1-6-.03 Definitions
- 810-1-6-.04 Internet-based Electronic Filing and Payment of Taxes to be Provided through Electronic Return Originators
- 810-1-6-.05 Tax Types Covered and Requirements for Tax Returns
- 810-1-6-.06 Electronic Payment Requirements Determining Timely Payment
- 810-1-6-.07 Determining Timely Filing of Electronic Returns
- 810-6-5.31 City and County Sales, Use, Rental and Lodgings Tax Return
- 810-3-19.1-.01 Severance Pay Exemption
- 810-3-71-.02 Computing Tax Withheld

Repealed:

- 810-1-6-.08 Acceptance of Electronic

- Return Originators into Program and Revocation of Acceptance into the Program
- Appendix A – Application for Qualifications as Electronic Return Originator for Internet-based Filing and Payment of Taxes
- 810-1-6-.09 Requirements for Filing Declaration
- 810-1-6-.10 Requirements for Submitting Tax Returns
- 810-1-6-.11 Requirements for Testing Prior to Department Approval
- 810-5-1-.212 Uses and Transferability of U.S.S. Alabama Battleship Commission Distinctive Tags
- 810-5-1-.216 Uses and Transferability of Special Tags Issued to Members of the Alabama Association of Rescue Squads, Inc.
- 810-5-1-.217 Uses and Transferability of Special Distinctive Tags Issued to Members of Shrine Motorcycle Clubs, Corps, or Units.

Effective Dec. 22, 2009:

Adopted:

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

Amended:

- 810-8-1-.12 Alabama Scrap Tire Environmental Fee Application and Filing Procedure

Effective Jan. 5, 2010:

Adopted:

- 810-6-3-.15 Federal Charge Card Program, Exemption Certification
- 810-6-3-.69.02 Exemption for United States, State, County, City, and Other Exempt Entities from the Payment of Sales Tax, and Purchases Made Through the Use of Purchasing Agents

Effective Jan. 11, 2010:

Amended:

- 810-5-1-.235 Title Procedures-Defining “Junk” Vehicles and Requiring Notice

Effective Jan. 12, 2010:

Repealed:

- 810-5-1-.210.01 Motor Vehicle Registration Expiration Dates and Registration Periods
- 810-5-1-.484 Licensing, Registration, Expiration, Etc.
- 810-5-1-.483 Staggered Registration of Motorcycles, Travel Trailers and Utility Trailers
- 810-5-50-.12 Notice of Missing Document (Form MVT 5-8)
- 810-5-75-.02 Title Procedure – First Title for a Homemade Trailer

Amended:

- 810-5-1-.484 Licensing, Registration, Expiration, Etc.

Effective Jan. 21, 2009:

Amended:

- 810-5-26-.02 Powers of the Department – Revocation and Denial of Authority to Act as Designated Agent of the Department

Effective Feb. 15, 2010:

Adopted:

- 810-3-24.2-.01 Composite Returns of Pass-through Entities
- 810-3-24.2-.02 Qualified Investment Partnerships
- 810-3-24.2-.03 Other Qualified Investment Partnership Matters

Interest Rates Remain the Same for First Calendar Quarter 2010

Interest rates for the calendar quarter beginning Jan. 1, 2010, remained the same (4 % a.p.r.) for underpayments, according to the Internal Revenue Service Ruling 2009-37. This ruling was scheduled to appear in Internal Revenue Bulletin 2009-52, dated Dec. 28, 2009.

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 (4 %); 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%			

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

(January, February, March, April, May 2010)

January

- 1** • Quarterly Dry Cleaning Trust Fund Fee return and payment due.
- Utility license (2.2%) second quarterly payment due.

15 • Fourth installment of estimated personal income tax due.

20 • Quarterly sales tax return and payment due.

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

(Continued on Page 9)

Tax Calendar *(Continued from Page 8)*

- Quarterly payroll fee and return due.
- Quarterly IFTA tax return and payment due.

February

28 • Annual withholding return due.

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.
- Personal income tax return and payment due.

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

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

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