

Revenue REVIEW

2nd
Quarter
FY 2003

(January, February,
March 2003)

Annual Equalization Targeted for 2010

ADOR representatives met with county officials March 10 to discuss implementation of statewide annual property tax reappraisals, a move anticipated to bring fiscal benefits to both state and local governments. The meeting was held in the Gordon Persons

the success experienced with Montgomery County's inception of the program since 1995.

Annual Equalization: The planned and systematic review of all of a county's parcels over a predetermined time period, with annual adjustments to the county construction cost index and land values.

son, Lee, Mobile, Morgan, and Shelby. Those counties slated for conversion in the second phase are: Barbour, Calhoun, Chambers, Clarke, Geneva, Jackson, Lawrence, Limestone, Macon, Madison, Marion, Marshall, Monroe, Russell, St. Clair, Talladega, and Tuscaloosa. The remaining counties will be phased in according to their current reappraisal cycle.

ADOR officials project the following



State Revenue Commissioner Dwight Carlisle addresses the audience of county officials.

Building Auditorium in Montgomery.

State Revenue Commissioner Dwight Carlisle, ADOR Department Secretary Lewis Easterly, and Property Tax Division Assistant Director Hartley McLaney explained the advantages of conducting property reappraisals on an annual basis, known as annual equalization, instead of the traditional four-year basis.

Tommie Miller, Chief Appraiser for Montgomery County and a proponent of annual equalization, gave an overview of



Montgomery County Chief Real Estate Appraiser Tommie Miller explains the success of the county's annual equalization program, while State Revenue Commissioner Dwight Carlisle looks on.

Selection of counties scheduled for implementation is based on their use of advanced technology, or geographic information systems, in reappraising property. Implementation will occur in two phases, with the following 10 counties scheduled for conversion in the first phase: Autauga, Baldwin, Cullman, Elmore, Houston, Jeffer-

net revenues through 2010, after deducting the cost of implementing the program:

For counties, \$138.8 million

For schools, \$171.5 million

For cities, \$83.3 million

For the state, \$54.4 million

Three states in the Southeast currently conduct annual reappraisals.

Baldwin County Video Store Owner Convicted on State Tax Evasion Charges

A Baldwin County video store owner was convicted on felony sales tax evasion charges April 4, 2003, in Baldwin County Circuit Court, announced State Revenue Commissioner Dwight Carlisle.

David Bryan, 46, owner of M&M Video Store, located at 32021 U.S. Highway 98 in Lillian, Ala., pleaded guilty before Circuit Judge J. Langford Floyd to one count of sales tax evasion covering the tax periods from Sept. 1, 1996, through July 31, 2002.

According to the indictment, in an attempt to evade paying over \$80,000 in state sales taxes, Bryan intentionally did not disclose over \$2 million in taxable video store receipts from Sept. 1, 1996, through July 31, 2002, from M&M Video Store and a formerly-owned business, C&J Video, located in Lillian, Ala.

Judge Floyd ordered Bryan to complete a 27-month jail term for his tax

crimes and pay \$159,300 in sales taxes, penalties, and interest to the Department of Revenue. Judge Floyd also ordered Bryan to accurately account for, file and pay all future sales tax returns on a timely basis.

Commenting on the conviction, State Revenue Commissioner Dwight Carlisle said, "The Department of Revenue will continue to pursue the discovery and prosecution of such criminal activities which attempt to undermine the state's efforts in funding education. Tax evasion is costly to all involved, and the cost of tax offenses far outweighs any chance of personal gain.

Convicted individuals face penalties and jail terms, but even more importantly, when tax evasion occurs, the Education Trust Fund (ETF) is short-changed because taxes are not properly paid. ETF provides the funding source for one of our state's most important responsibilities—the education of our children."

Commissioner Carlisle also commended the Baldwin County District Attorney's Office in its successful prosecution of the case, along with ADOR Special Agent Randy Day and ADOR Examiners Jim Cronin and Melanie Bodiford in their successful handling of the case.

Consumer Use Tax Update

Alabama is currently one of approximately 18 states to include a line item on the state income tax form for the reporting and payment of consumer use tax. With state fiscal budgets in dire straits, this method of reporting has become an effective tool for both taxpayer education and taxpayer compliance.

First appearing on the 2000 state income tax return, the line item provides an alternate means to the more traditional method of reporting/remitting payment along with a consumer's use tax return.

Filing Season	No. Returns	Amount
2001	6,320	\$203,344
2002	6,540	\$219,276
*2003	4,889	\$4,889

*through May 16, 2003.

ADOR Launches New Web Site

With a click of a mouse button, Alabama tax information has become easier to find, but even more importantly, ADOR Web site visitors can now take a closer look at the Alabama Department of Revenue, according to Alabama Commissioner of Revenue Dwight Carlisle.

The state tax collection agency launched its new Web site design at www.ador.state.al.us on May 14, 2003, with accountability measures in the forefront of the site's overall design.

"In keeping with Gov. Bob Riley's efforts for state government to be open, accessible, and accountable to the citizens it serves, we have taken steps to redesign the department's Web site, making various types of information more easily accessible and presenting other information for the first time on our Web site," explained Carlisle.

Topping the list of new Web site items are: ADOR budgetary information, detailed expenditure items, personnel staffing numbers, various processing statistics, and divisional performance measurements.

"The department collects over \$6 billion annually in state taxes and operates on a \$95 million annual budget. Citizens have a right to know how their tax collection agency is managing its resources, and they have a right to that information 24 hours a day, seven days a week," said Carlisle.

"While there is still significant work to be done on our Web site, we've completed the first design phase. Pages complementing the site's home page will be redesigned, so Web site visitors will continue to see changes over the coming weeks and months," added Carlisle.

"We want to ensure that the information we put out is useful, informative, and beneficial, and we need the public's input. We welcome comments and suggestions," said Carlisle.

To view the department's Web site, go to www.ador.state.al.us. Please direct all comments and suggestions to bjohnson@revenue.state.al.us.

March 17, 2003

Annual Report of Qualifying Projects For Capital Credit

In accordance with Section 40-18-196, Code of Alabama 1975, this report shall serve as the report required to be issued annually to the Legislature and the public by the Alabama Department of Revenue, before the fifth Legislative day of each regular session, as to the qualifying projects with respect to which capital credits are claimed during the year.

The Department of Revenue has approved a total of 462 capital credit projects with 53,581 jobs estimated, with a total of \$11,447,358,413 in estimated capital costs. Of the 462 projects approved, 174 projects have filed reports of being placed in service with a total of \$5,936,635,289 in actual costs and at least 21,592 actual jobs created. Currently, the department is holding several additional applications for the capital credit pending receipt of requested additional information.

Since enactment, a total of \$28,336,125 in capital credits has been claimed. Based on totals for all years, the average credit taken per job created is \$1,312.

Recap of Capital Credit Program

Reporting Year	Approved Projects	Estimated Jobs Created	Estimated Project Costs	Projects Placed in Service	Actual Jobs Created	Actual Project Costs	Total Capital Credits Taken Year to Date
1995	15	936	\$ 115,457,000				
1996	74	6,594	2,542,921,394	9	417	\$ 54,073,318	\$ 11,823
1997	75	7,269	1,275,609,930	19	1,394	204,863,019	2,399,482
1998	43	7,869	2,429,824,148	19	1,980	1,507,303,467	1,416,479
1999	66	6,931	956,619,990	26	2,867	471,501,054	1,315,505
2000	69	9,022	1,229,074,789	30	3,748	1,209,017,077	2,877,828
2001	57	7,855	1,335,376,116	41	4,855	772,302,719	6,284,852
2002	63	7,105	1,562,475,046	30	6,331	1,717,574,635	14,030,156
TOTAL	462	53,581	\$11,447,358,413	174	21,592	\$5,936,635,289	\$28,336,125

Note: Ineligibility of corporations to claim NOL for 2001-tax year resulted in an increase of credits taken for 2002 reporting year.

IRS Interest Rate to Remain at 5% for Quarter Beginning April 1, 2003

The quarterly interest rate for the calendar quarter beginning April 1, 2003, will remain at five percent (5% APR) for underpayments, according to Internal Revenue Service News Release No. 2003-30.

According to §40-1-44, Code of Alabama 1975, the Alabama Department of Revenue will calculate interest on underpayments and overpayments (where applicable) at this same annual rate (5%), with the exception of land sold by the state for taxes, which shall be calculated at 12% as provided for under Sec. 40-5-9.

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
1982	20%	20%	20%	20%
1983	16%	16%	11%	11%
1984	11%	11%	11%	11%
1985	13%	13%	11%	11%
1986	10%	10%	9%	9%
1987	9%	9%	9%	10%
1988	11%	10%	10%	11%
1989	11%	12%	12%	11%
1990	11%	11%	11%	11%
1991	11%	10%	10%	10%
1992	9%	8%	8%	7%
1993	7%	7%	7%	7%
1994	7%	7%	8%	9%
1995	9%	10%	9%	9%
1996	9%	8%	9%	9%
1997	9%	9%	9%	9%
1998	9%	8%	8%	8%
1999	7%	8%	8%	8%
2000	8%	9%	9%	9%
2001	9%	8%	7%	7%
2002	6%	6%	6%	6%
2003	5%	5%		

Operations Enduring Freedom/Iraqi Freedom

On April 10, 2003, Gov. Bob Riley instructed State Revenue Commissioner Dwight Carlisle to issue an order granting an automatic extension of time for filing Alabama individual income tax returns to all Alabama military personnel serving in Operations Enduring Freedom and Iraqi Freedom.

“Due to the critical situation in the Arabian Peninsula areas, and the number of Alabama military personnel serving in that region, by the authority given under §40-2-11(13) *Code of Alabama, 1975*, the Alabama Department of Revenue will extend the 2002 individual income tax-year filing deadline for qualified military personnel serving in Operation Enduring Freedom/Iraqi Freedom for 180 days, following the termination of the individual’s service in the operations,” announced Carlisle.

The commissioner’s order applies to all active duty personnel, reserve personnel, and National Guard personnel serving in Operation Enduring Freedom/Iraqi Freedom. As part of Alabama’s tax relief effort, Commissioner Carlisle also announced that military pay received by personnel actively serving in designated combat zones or in other areas certified by the U.S. Department of Defense for combat zone tax benefits is exempt from Alabama income tax (§40-18-3, *Code of Alabama, 1975*). Alabama taxpayers seeking this relief are asked to write “Combat Zone,” along with their date of deployment on the front of their Alabama returns.

Under the state filing extension order, Alabama military personnel serving in Operation Enduring Freedom/Iraqi Freedom and their spouses—if filing a joint Alabama income tax return—will be granted an automatic filing extension of 180 days following the individual’s termination of service in Operation Enduring Freedom/Iraqi Freedom. The termination of the individual’s service in Operation

Enduring Freedom/Iraqi Freedom is determined, whichever is later, by (1) the last day the individual is in a designated combat zone or qualified hazardous duty area or has qualified service outside of the combat zone or qualified hazardous duty area, or (2) the last day of any continuous qualified hospitalization for injury from service in the combat zone or qualified hazardous duty area or while performing qualifying service outside of the combat zone or qualified hazardous duty area.

Combat zones are designated by an Executive Order from the President as areas in which the U.S. Armed Forces are engaging or have been engaged in combat. Since Jan. 17, 1991, by Executive Order No. 12744, the following areas, as well as the air spaces above, have been designated as combat zones:

- the Persian Gulf,
- the Red Sea,
- the Gulf of Oman,
- the part of the Arabian Sea north of 10 degrees North latitude and west of 68 degrees East longitude,
- the Gulf of Aden, and
- the total land areas of Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

Since Sept. 19, 2001, Afghanistan, including the air space above, has been designated as a combat zone.

In addition, the Department of Defense has certified these locations for combat zone tax benefits due to their direct support of military operations in the Afghanistan combat zone, beginning on the listed dates:

- Pakistan, Tajikistan and Jordan—Sept. 19, 2001
- Incirlik Air Base, Turkey—Sept. 21, 2001
- Kyrgyzstan and Uzbekistan—Oct. 1, 2001
- Philippines—Jan. 9, 2002
- Yemen—April 10, 2002
- Djibouti—July 1, 2002

“We in the department fully appreciate the many hardships placed upon our service personnel and their families during this time, and the many personal sacrifices which these men and women have made. We will endeavor to provide whatever support and assistance we can during this time. We share the hope, as all Americans do, that very soon our service personnel will return home,” said Carlisle.

Alabama Joins IRS Offshore Compliance Effort

This year Alabama joined 10 other states participating in the IRS Offshore Voluntary Compliance Initiative (OVCI), according to Commissioner of Revenue Dwight Carlisle.

Taxpayers had until April 15, 2003, to obtain permission from the IRS to participate in the Offshore Tax Shelter Voluntary Compliance Initiative. Under the program, taxpayers seeking relief offered under the federal voluntary disclosure program must file federal returns reporting their correct tax amounts and pay any tax, interest, and penalties owed. They must also disclose all aspects of their offshore financial dealings.

Launched in mid-January, the IRS initiative is aimed at those individuals who have used offshore payment cards or other offshore financial arrangements to avoid U.S. taxes. Use of an offshore credit card, trust or other arrangement to hide or underreport income or to claim false deductions on a tax return is illegal.

Additional information on the Offshore Voluntary Compliance Initiative is available on the IRS Web site at www.irs.gov.

State Filing Extensions Granted to Alabama Storm Victims

State Revenue Commissioner Dwight Carlisle issued an order May 16 granting automatic Alabama filing extensions to taxpayers located in one of the 32 federally-declared disaster areas who suffered property damage and/or personal injury as a result of storms and tornadoes which struck those areas beginning May 4, 2003.

The 32-county area includes: Barbour, Bibb, Blount, Bullock, Calhoun, Chambers, Cherokee, Clay, Cleburne, Colbert, Coosa, Cullman, DeKalb, Etowah, Jackson, Jefferson, Lauderdale, Lawrence, Lee, Limestone, Macon, Madison, Marshall, Morgan, Randolph, Russell, St. Clair, Shelby, Talladega, Tallapoosa, Tuscaloosa, and Walker counties.

“Revenue, along with other state agen-

cies, is working with Governor Bob Riley’s office to assist storm victims and their families during this time,” said State Revenue Commissioner Dwight Carlisle.

“The extension allows taxpayers with state tax liabilities to have until July 20, 2003, to file Alabama tax returns and pay taxes/fees that would have been due after May 4, 2003, and before July 20, 2003, and remit taxes/fees without being subject to penalties and discount loss,” he explained.

To qualify for this relief, affected taxpayers should write “May Storms/Tornadoes 2003” in red ink on any return/report that relies on this filing extension relief. For more information, contact the following Revenue offices below:

Corporate income tax, individual

income tax, income tax withholding: Individual and Corporate Tax Division, (334) 242-1000.

Sales tax, use tax, lodgings tax, rental and leasing tax, Medicaid pharmaceutical services tax, Medicaid nursing facility tax, tobacco tax, motor fuel tax, gasoline tax, oil and gas severance tax, aviation fuel tax, mobile communication services tax, coal severance tax, contractors’ gross receipts tax, iron ore severance tax, lubricating oils tax, underground and aboveground storage tank trust fund, utility gross receipts tax, and the dry cleaning trust fund fee: Sales and Use Tax: (334) 242-1490; Business Tax: (334) 242-9600.

Administrative Rules

Effective March 21, 2003:

Amended:

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

Effective March 28, 2003:

810-7-1-.08—Procedure for Reporting and Payment of Tobacco Taxes on Tobacco Products Other Than Cigarettes

810-7-1-.09—Procedure for Reporting and Payment of County Tobacco Taxes on Cigarettes

Emergency Rule Filed April 3, 2003, Expires July 31, 2003:

810-5-1-.206-01ER—Military Exemptions and Distinctive License Plates

Statement of Gross Tax Collections

FYTD 2003 Through End of Second Quarter
(January, February, March 2003)

	FYTD 2003	FYTD 2002	% Change
Business Privilege Tax	\$ 44,989,125.50	\$ 26,308,949.10	71.00
Gasoline	191,716,096.24	189,343,358.20	1.25
Income Tax (Corporate)	100,199,624.55	105,754,400.19	(5.25)
Income Tax (Ind.)	1,165,494,951.16	1,087,011,511.84	7.22
Motor Fuels (Diesel)	60,552,865.56	59,679,049.16	1.46
Oil & Gas Privilege	27,012,415.58	18,828,891.36	43.46
Oil & Gas Production	10,741,900.65	6,971,916.43	54.07
Sales	778,239,993.62	761,099,484.04	2.25
Use	97,836,758.07	95,649,860.94	2.29
Utility Gross Receipts	177,641,899.93	153,301,217.46	15.88
Subtotal (Listed Taxes)	2,654,425,630.86	2,503,948,638.72	6.01
Subtotal (Other Taxes)	307,024,030.89	300,344,040.71	2.22
Total All Taxes	\$2,961,449,661.75	\$2,804,292,679.43	5.60

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 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.
 - 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

(May, June, July, August 2003)

June

15

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

July

1

- Quarterly Dry Cleaning Trust Fund fee return and payment due.
- Utility license (2.2%) fourth quarterly payment due.

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

- Forest products' severance tax return and payment due.

31

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