

Alabama Department of Revenue

News Release

Jan. 29, 2001

Consumer Use Tax Line Item Reminder

Montgomery—The Alabama Department of Revenue and the IRS officially kicked off the 2001 filing season during January with the start of their joint electronic filing program.

“Following the distribution of W2s by employers the end of January, we anticipate our tax filing numbers to pick up substantially for both electronically-filed and paper-filed returns,” said State Revenue Commissioner Michael L. Patterson.

As the 2001 filing season officially gets underway, Commissioner Patterson reminds taxpayers and tax preparers about the new line item used to report and pay consumer use tax, featured on the 2000 state income tax return.

“This year, the Alabama return includes a line item for taxpayers to report any consumer use tax that is owed to the state. The Alabama use tax is a parallel tax to the Alabama sales tax. Use tax is paid when merchandise is received in Alabama from another state, and no tax has been paid to the other state. Common examples of this would be catalog and Internet sales transactions. As a general rule, many catalog and Internet retailers do not meet state sales tax or state use tax reporting requirements, and they are not legally required to collect a sales tax or a use tax from their customers. If no tax has been collected by the seller, then the Alabama tax liability passes to the consumer or the purchaser,” explained Patterson. “Because many consumers are unaware of their tax obligation, it often slips by unnoticed.”

The use tax is not a new tax; it was enacted at the same time as the Alabama sales tax, during the late 1930s. All states that have a sales tax reportedly have a use tax. Catalog sales, coupled with the explosive growth of Internet sales, have created a new economy and marketplace, bringing the use tax to the forefront in state tax structures and

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prompting states to look at ways to enforce the tax more effectively. Alabama, like other states, has stepped up its use tax education.

“We have had to explore ways to make the use tax reporting easier for consumers,” said Patterson. “Many ‘electronic’ and catalog shoppers are simply unaware that Alabama tax is due if no tax has been collected on their purchases by the Internet or catalog retailers,” explained Patterson. “That is why on the 2000 individual income tax return, we are offering an alternative reporting method to taxpayers,” said Patterson. “Individuals can still report and pay any consumer use tax due by filing a separate consumer’s use tax return, but the line item added to the individual tax return simply makes the reporting easier and more convenient, promoting compliance.”

The state use tax rate is four percent, the same as the state sales tax rate. As is the sales tax, the four-percent use tax is specifically earmarked for the state’s Education Trust Fund. Items subject to use tax are the same items that would be subject to sales tax if purchased in Alabama. For example: computers, books, electronic equipment, furniture, jewelry, and clothing. A worksheet is included in the 2000 return booklet for use in calculating the amount of use tax due on purchases on which no tax was paid. Sales receipts or sales invoices are not required. Individuals are not required to provide the dates of purchases or from whom the purchases were made. Only the total of the purchase prices is necessary to compute the tax.

“Although not a new tax, the line item on the 2000 return is a new reporting mechanism with which taxpayers must become acquainted. Other states levying an income tax and including a use tax line item on their state tax returns have reported improved compliance. In addition to filing convenience, the line item serves to create a significant public awareness of the consumer use tax liability, as over 1.7 million Alabama individual income tax returns are filed each year during the filing season,” said Patterson.

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For more information concerning Alabama's consumer use tax reporting requirements, contact the Alabama Department of Revenue Sales, Use and Business Tax Division at (334) 242-1490 or visit the department's Web site at www.ador.state.al.us.

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