

Alabama Department of Revenue

News Release

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Consumer Use Tax Line Item Reminder

Montgomery—As the 2001 filing season enters the final stretch, Alabamians who shop the Internet, TV home shopping networks, or catalog sales are once again reminded not to let consumer use tax-reporting obligations slip by.

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. 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 State Revenue Commissioner Michael L. Patterson. “Because many consumers are unaware of their tax obligation, it often slips by unnoticed.”

Before the start of the 2001 filing season, Commissioner Patterson announced a new line item on the 2000 individual income tax return for taxpayers to report any consumer use tax that is owed to the state. 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.

“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

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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.”

Commissioner Patterson confirms that in efforts to encourage compliance, penalties will be not assessed against individuals who voluntarily report and pay the tax. “Although the use tax is legally due usually in the month or quarter after the purchase was made, Alabama residents will not face penalties when they report and pay the tax by the income tax filing deadline date, April 16 this year,” said Patterson. “As 16 other states have found, the consumer use tax line item on individual income tax returns offers taxpayers the easiest and most convenient means of compliance,” said Patterson.

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.

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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