

ALABAMA
DEPARTMENT OF
REVENUE

Business Essentials for State Taxpayers (B.E.S.T.)

Operating a Business in Alabama

Mission Statement

“The Alabama Department of Revenue will efficiently and effectively administer the revenue laws in an equitable, courteous, and professional manner to fund governmental services for the citizens of Alabama.”



Areas to be covered:

- General Information
- Business Income Taxes
- Sales, Use, Rental, and Lodgings Taxes
- Business Property Taxes
- Business Privilege Licenses
- Atlas Alabama

Introduction of Attendees:

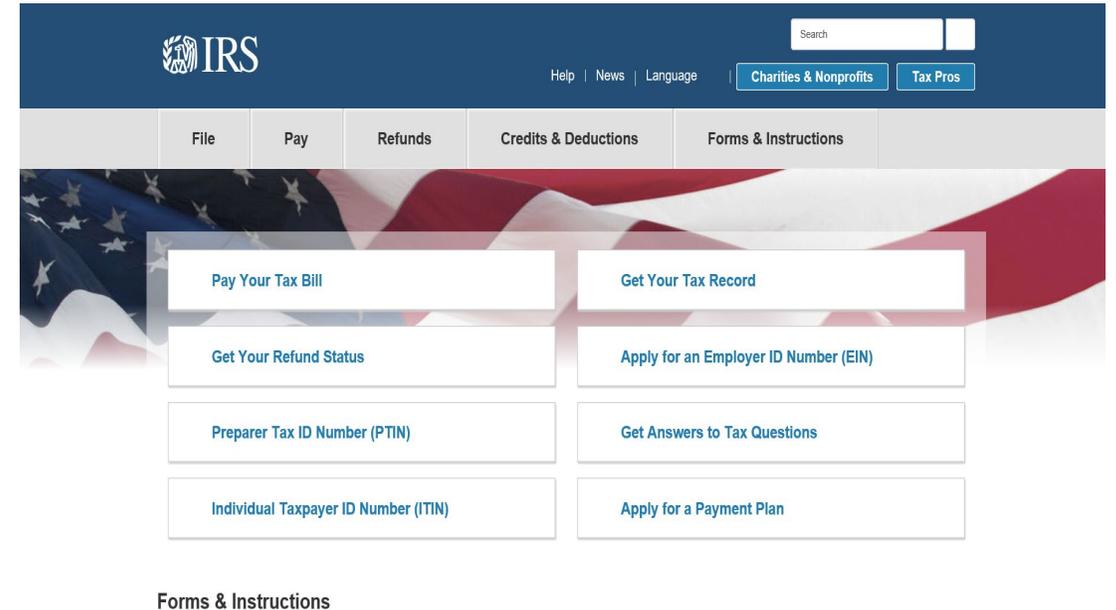
- Name of your business
- Business Structure (*Sole Proprietor, Partnership, S Corp, C Corp, LLE(Limited Liability Entities)*)
- Type of Business (*Retail, Wholesale, Service, etc.*)
- Length of time in business
- Number of employees, if any

General Information

Agencies to Contact

Internal Revenue Service

- www.irs.gov
- IRS Forms: 1-800-829-3676
- IRS Assistance: 1-800-829-1040
- FEIN: 1-800-829-4933 (*complete Federal Form SS4 before calling*)



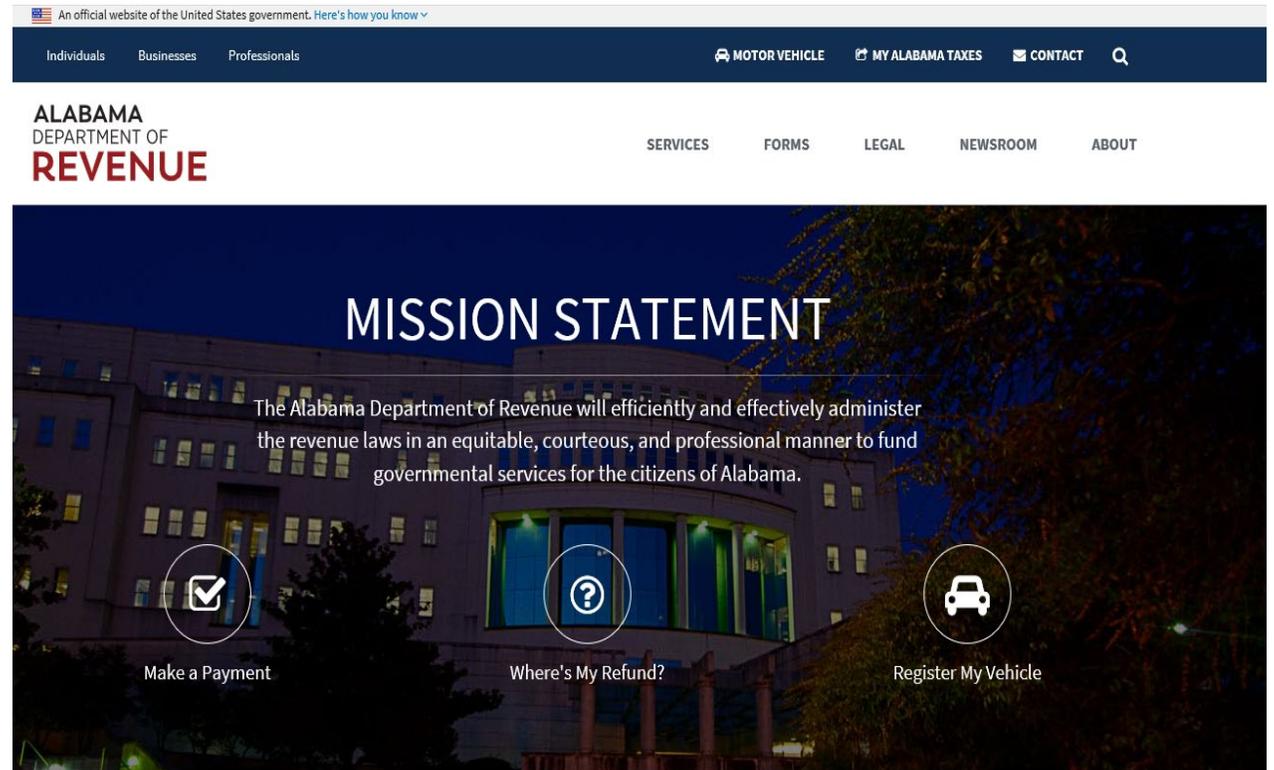
Alabama Secretary of State

- Register with the Secretary of State:
www.sos.alabama.gov, or call (334) 242-5324
- Reserve Corporate Name
- Complete Domestic (*incorporated in Alabama*)
Business Corporations, LLCs, LLPs and LPs
Certificate of Formation
- Complete Foreign (*incorporated outside of Alabama*)
Business Corporations, LLCs, LLPs and LPs
Application for Registration



Alabama Department of Revenue

- www.revenue.alabama.gov
- 334-242-1584 – Business Registration
- 334-353-0602 – Individual Income Tax
- 334-242-1490 – Sales and Use Tax
- 334-242-1300 – Withholding Tax
- 334-353-7943 – Corporate Tax
- 334-353-7923 – Business Privilege Tax
- 334-242-1033 – Pass-Thru Entity
- 334-242-1189 – Certificate of Compliance



Alabama Department of Revenue – Certificate of Compliance

- Request a Certificate of Compliance when purchasing an existing business to ensure the business is in compliance with the state taxes administered by the Department of Revenue
(https://www.alabamainteractive.org/ador_tax_compliance/welcome.action)
- Items needed when requesting Certificate of Compliance:
 - Federal Employer Identification Number (FEIN)
 - Secretary of State Entity Number
 - Business Structure
- The cost is \$14 (\$10 for the certificate plus \$4 for processing)
- Department will try to process most requests within 3-5 days

The Certificate of Compliance is issued as of a particular point and time. As a result, if a taxpayer that has been found to be out of compliance takes sufficient action to come back into compliance, a new request for a Certificate of Compliance can be initiated by the requestor. An additional \$14 will apply to any subsequent requests.

Local Government Agencies to Contact

County Courthouse

- Combined County/State business license
- County Sales Tax account number
- Property Tax account information
- File Domestic Certificate of Formation forms
(Effective January 1, 2020, corporations must file directly with Alabama Secretary of State.)

City Hall

- City business license
- City Sales Tax account number



My Alabama Taxes

My Alabama Taxes (MAT)

The screenshot shows the homepage of the My Alabama Taxes (MAT) application. At the top left is the Alabama Department of Revenue logo. Navigation links for 'DEPARTMENT OF REVENUE HOME', 'HELP', and 'CONTACT US' are at the top right. A dark blue header bar contains a 'Home' link. The main heading is 'My Alabama Taxes'. Below it is a welcome message and a list of services available on MAT: file and view returns, make payments, send and receive correspondence, and more. The interface is divided into three columns: 'Log In' with fields for username and password, a 'Logon' button, and links for 'Forgot Password?' and 'Forgot Username?'; 'Individual' with links for 'Where's My Refund?', 'ID Confirmation Quiz', 'Verify My Return', and 'Register My MorphoTrust eID'; 'Business' with links for 'Obtain a New Tax Account Number', 'View or Upload a Report', and 'Verify an Exemption Certificate'; 'Payments' with a link for 'Pay a Bill I've Received'; and 'Other' with links for 'Filing Individual Income Taxes on MAT', 'Alabama Accountability Act', 'Subscribe to Mailing Lists', and 'ONE SPOT / SSUT'.

<https://myalabamataxes.alabama.gov>

- Convenient and secure way to interact with the Alabama Department of Revenue to access a variety of online services
- Allows you to:
 - ✓ File income and sales tax returns
 - ✓ Amend returns
 - ✓ Make payments (*All payments \$750 or more MUST be made electronically*)
 - ✓ View letters from ADOR
 - ✓ Manage your accounts
 - ✓ Conduct other common transactions with the Department
 - ✓ Check refund status

Once you have “signed up”, what information is needed when filing through My Alabama Taxes (MAT)?

(separate handout provided)

General Information:

- User Name and Password
 - Alphanumeric – 8-16 character
 - At least one number and one letter
 - Case sensitive
- After 3 tries must be reset by the ADOR



Benefits of Filing Online

- View returns for accuracy
- Print a copy of the Confirmation Page
- View the history of previously submitted returns; aids in amending returns
- Save & Exit feature allows you to prepare the return without submitting it
- Allows a Taxpayer to verify that the Sales Tax Numbers of their wholesale customers are valid numbers
- Can make changes to or amend returns as needed; except for local tax returns
- Can view credits available
- Can view balances due for all accounts registered

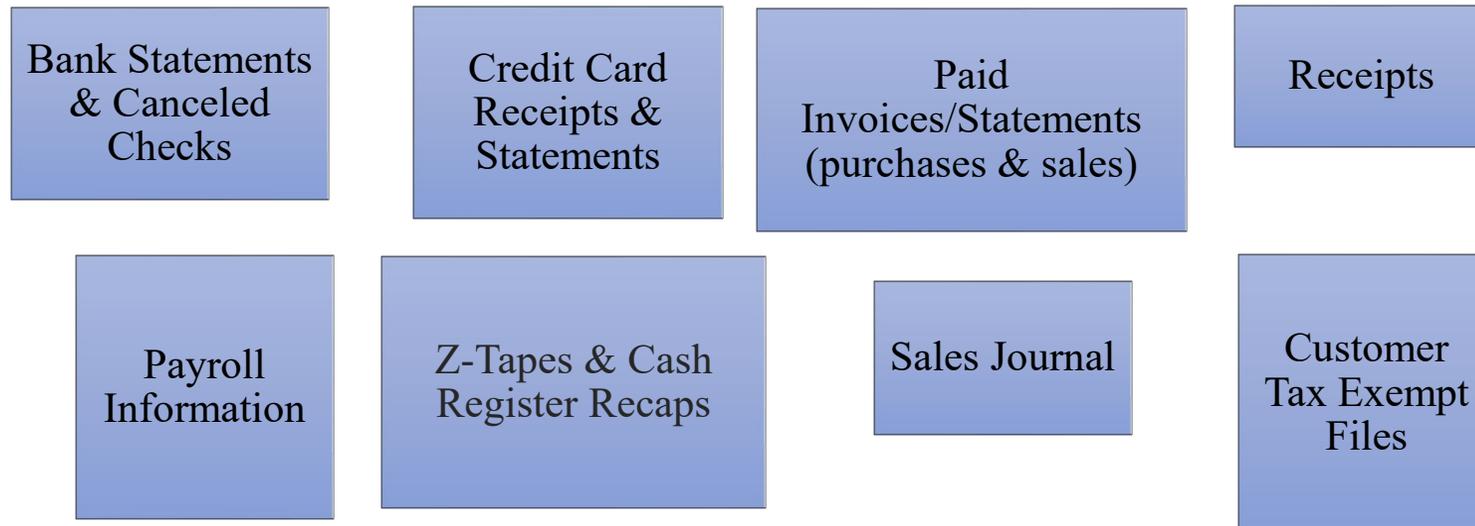
Recordkeeping

Why Should I Keep Records?

- Monitor the progress of your business
- Prepare your financial statements
- Identify sources of income
- Keep track of deductible expenses
- Keep track of your basis in property
- Prepare your tax returns
- Support items reported on your tax returns

What Kind of Records Should I Keep?

- The business you are in will determine the type of tax records you need to keep
- Law does not specify what records must be kept. However, the following may be requested:



- All untaxed sales must be verified and documented
- Copy of Sales Tax Certificate of Exemption and/or retail certificate should be kept on file (*this information makes up the Customer Tax Exempt File*)

How Long Should I Keep Records?

- Keep records that support an item of income or expense/deduction on a return until the statute of limitations for that return runs out
- Statute of Limitations– Period of time in which the *State of Alabama can assess additional tax*



Statute of Limitations

| | |
|---|---|
| Generally all returns and amended returns | 3 years from the date you file the return |
| Do not report income that you should report and it is more than 25% of the gross income shown on return | 6 years from the date you file the return |
| File a fraudulent return | Not limited |
| Do not file a return | Not limited |
| Net Operating Loss (NOL) | Until the loss is exhausted |

Penalties and Interest

Penalties & Interest

Failure to Timely File Penalty

- 10% of tax due or \$50; whichever is greater

Failure to Timely Pay Penalty

- 1% of tax due per month; maximum 25%
- Flat rate of 10% of tax due for monthly and quarterly returns (e.g., withholding tax)

Negligence Penalty (*intentional disregard for rules and/or regulations*)

- 5% of tax due

Fraud Penalty (*to purposely deceive*)

- 50% of tax due

Interest

- If the tax is not timely paid, interest is also due
- Same rate as established by the U.S. Secretary of the Treasury under authority of 26 USC 6621

Business Income Tax

Individual and Corporate Tax

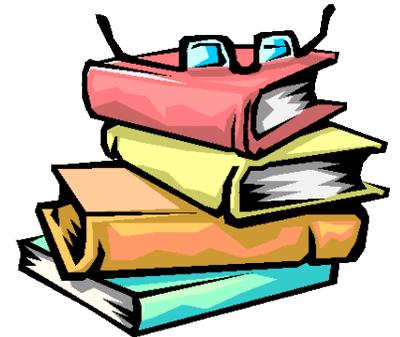
Topics to be Discussed

- Getting Started
- Business Structures
- Business Privilege Tax
- Withholding Tax
- Estimated Tax
- Business Expenses

Getting Started

How to Get Started

- Research, Research, Research & Research
- Choose your business name
- Register your business name
(Make sure you are consistent with the spelling of your business name)
- Choose your business structure



Business Structure

Business Structure

| | Taxation | Tax Reporting | Due Date |
|-----------------|---|---|---|
| Sole Proprietor | <ul style="list-style-type: none"> One owner Not a separate taxable entity | <ul style="list-style-type: none"> Income reported on Form 40, Schedule C | <ul style="list-style-type: none"> April 15th |
| Partnership | <ul style="list-style-type: none"> Two or more owners/partners Income/loss passed through to owners | <ul style="list-style-type: none"> Income reported on Form 65 (<i>attach Federal Form 1065</i>) Profit/loss distributions on Schedule K-1 (<i>reported on form 40 schedule E</i>) | <ul style="list-style-type: none"> March 15th (<i>calendar year</i>) 15th day of third month following close of tax year |
| S Corporation | <ul style="list-style-type: none"> No tax at entity level Income/loss passed through to owners | <ul style="list-style-type: none"> Income reported on Form 20S (<i>attach Federal Form 1120S</i>) Profit/loss distributions on Schedule K-1 (<i>reported on form 40 schedule E</i>) | <ul style="list-style-type: none"> March 15th (<i>calendar year</i>) 15th day of third month following close of tax year |
| C Corporation | <ul style="list-style-type: none"> Taxed at entity level | <ul style="list-style-type: none"> Income reported on Form 20C (<i>attach Federal Form 1120</i>) Profit distributions on Form 1099-DIV | <ul style="list-style-type: none"> April 15th (<i>calendar year</i>) 15th day of fourth month following close of tax year |

Limited Liability Entity

- **Types:**
 - **LLC** (Limited Liability Company) ... *most common*
 - **LLP** (Limited Liability Partnership)
 - **LP** (Limited Partnership)
- A separate legal entity from the member(s)
- Owners risk only their investment, not personal assets
- LLCs with one member (sole proprietor/single member LLC) – report income and expenses on schedule C
- LLCs with at least 2 members (including husband & wife) can elect to be treated as a partnership or a corporation

Entity Classification Election (*Form 8832*)

- Entity uses this form to elect how it will be classified for Federal tax purpose
- Default Rule: Unless an election is made on Form 8832, a domestic eligible entity is:
 - A partnership, if it has two or more members
 - Disregarded as an entity separate from its owner if it has a single owner (*single member LLC*)
- An entity must file Form 2553, if making an election to be an S Corporation
- Alabama follows Federal election

Business Privilege Tax

What is Business Privilege Tax?

A tax levied for the privilege of being organized under the laws of Alabama or doing business in Alabama.

Every:

- *corporation,*
- *limited liability entity,*
- *disregarded entity,*
- *business trust,*
- *real estate investment trust,*

doing business in Alabama or is **qualified** or **registered** under the laws of Alabama must file.

Business Privilege Tax

- Is filed annually, except for the initial return
- Based on the net worth of the company, not the income
- Minimum tax due is \$100.00 *(plus \$10 Secretary of State fee for Corporations)*

Who is Not Required to File?

- Sole Proprietor
- General Partnerships
- Companies that **have not qualified to do business** in Alabama **with only an investment interest** in companies doing business in Alabama
- Qualified Nonprofit Organizations

Business Privilege Tax Chart

| Who Must File | Alabama Form(s) to File | When to File |
|------------------|-------------------------|--|
| All listed below | BPT-IN | 2-1/2 months after being organized, incorporated, qualified or registered |
| C Corporation | CPT and AL-CAR | 15 th day of the fourth month following end of business year (<i>April 15th – calendar year</i>) |
| | | For fiscal year end June 30 th , no later than 2 ½ months after the beginning of the taxpayer’s taxable year (<i>September 15th</i>) |
| S Corporation | PPT and AL-CAR | 15 th day of the third month following end of business year (<i>March 15th – calendar year</i>) |

Business Privilege Tax Chart *(cont'd)*

| Who Must File | Alabama Form(s) to File | When to File |
|--------------------------------|-------------------------|--|
| LLE taxed as a Sole Proprietor | PPT | 15 th day of the fourth month following end of business year (<i>April 15th – calendar year</i>) |
| LLE taxed as a Partnership | PPT | 15 th day of the third month following end of business year (<i>March 15th – calendar year</i>) |
| LLE taxed as a C Corporation | CPT | 15 th day of the fourth month following end of business year (<i>April 15th – calendar year</i>) |
| LLE taxed as an S Corporation | PPT | 15 th day of the third month following end of business year (<i>March 15th – calendar year</i>) |

AL-CAR

- Must be completed by C Corporations and S Corporations
- Limited Liability Entities taxed as corporations *are not* subject to the Secretary of State fee and *are not* required to complete Schedule AL-CAR
- A required attachment to Form CPT and PPT
- Taxpayers filing an **initial return** *are not* required to complete Schedule AL-CAR or pay the \$10 Secretary of State fee

Business Privilege Tax Reminders

- BPT does not have a “**final**” return. Taxpayer must dissolve/withdraw the business with the Secretary of State for the account to be “closed.”
- If the taxpayer never “**uses**” or “**opens**” the business, the BPT is still owed until the taxpayer dissolves or withdraws the business.
- Copies of pages 1 through 4 of the federal tax return must be attached for partnerships and corporations or use the Department’s form BPT-NW (*Balance Sheet - Net Worth Computation*).
- A copy of the balance sheet used to compute the taxpayer’s net worth must be attached for single member LLCs, if not provided with the copy of the federal return use the Department’s form BPT-NWI (*Balance Sheet - Net Worth Computation*).

Withholding Tax

Who Is Required to Withhold?

- **Employers with employees working in the State of Alabama.**
- Alabama employers with **Alabama residents** working outside the State of Alabama, will need to withhold Alabama income tax on those residents *unless* they are withholding tax for the state in which the employee is working in.
- Employers who are residents of Alabama are required to withhold taxes from wages of their employees who are not residents of Alabama *only* to the extent the wages are **earned in Alabama.**
- **Nonresident employers** are required to withhold Alabama income tax on wages **earned in Alabama.**

Registering for New Withholding Tax Number

- Register through the online business registration system...
My Alabama Taxes or MAT (<https://myalabamataxes.alabama.gov>)
- Contact the Withholding Tax Section at (334) 242-1300 if you have any questions

Withholding Tax Exemption Certificate

FORM A4
(REV. 2024)

ALABAMA DEPARTMENT OF REVENUE
50 North Ripley Street • Montgomery, AL 36104 • InfoLine (334) 242-1300
www.revenue.alabama.gov

Employee's Withholding Tax Exemption Certificate

Every employee, on or before the date of commencement of employment, shall furnish his or her employer with a signed Alabama withholding exemption certificate relating to the number of withholding exemptions which he or she claims, which in no event shall exceed the number to which the employee is entitled. In the event the employee inflates the number of exemptions allowed by this Chapter on Form A4, the employee shall pay a penalty of five hundred dollars (\$500) for such action pursuant to Section 40-29-75.

Part I – To be completed by the employee Reset Form

EMPLOYEE NAME _____ EMPLOYEE SOCIAL SECURITY NUMBER _____
STREET ADDRESS _____ CITY _____ STATE _____ ZIP CODE _____

HOW TO CLAIM YOUR WITHHOLDING EXEMPTIONS

- If you claim no personal exemption for yourself and wish to withhold at the highest rate, write the figure "0", sign and date Form A4 and file it with your employer.
- If you are SINGLE or MARRIED FILING SEPARATELY, a \$1,500 personal exemption is allowed. Write the letter "S" if claiming the SINGLE exemption or "M" if claiming the MARRIED FILING SEPARATELY exemption.
- If you are MARRIED or SINGLE CLAIMING HEAD OF FAMILY, a \$3,000 personal exemption is allowed. Write the letter "M" if you are claiming an exemption for both yourself and your spouse or "H" if you are single with qualifying dependents and are claiming the HEAD OF FAMILY exemption.
- Number of dependents (other than spouse) that you will provide more than one-half of the support for during the year. See dependent qualification below.
- Additional amount, if any, you want deducted each pay period. \$ _____
- This line to be completed by your employer: Total exemptions (example: employee claims "M" on line 3 and "2" on the 4. Employer should use column M-2 (married with 2 dependents) in the withholding tables).

Under penalties of perjury, I certify that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.

Employee's Signature _____ Date _____

Part II – To be completed by the employer

EMPLOYER NAME _____ EMPLOYER IDENTIFICATION NUMBER (EIN) _____
ADDRESS _____ CITY _____ STATE _____ ZIP CODE _____

Employers are required to keep this certificate on file. If the employee is believed to have claimed more exemption than legally entitled or claims 8 or more dependent exemptions, the employer should contact the Department at the following address or phone number for verification: Alabama Department of Revenue, Withholding Tax Section, P.O. Box 327480, Montgomery, AL 36132-7480, by phone at (334) 242-1300, or by fax at (334) 242-0112. If the employee does not qualify for the exemptions claimed upon verification, the employer is required to withhold at the highest rate until the employee submits a corrected Form A4 reflecting the proper exemption they are entitled to claim.

DEPENDENTS: To qualify as your dependent (Line 4 above), a person must receive more than one-half of his or her support from you for the year and must be related to you as follows:
Your son or daughter (including legally adopted children), grandchild, stepson, stepdaughter, son-in-law, or daughter-in-law;
Your father, mother, grandparent, stepfather, stepmother, father-in-law, or mother-in-law;
Your brother, sister, stepbrother, stepsister, half-brother, half-sister, brother-in-law, or sister-in-law;
Your uncle, aunt, nephew, or niece (but only if related by blood).

THIS FORM MAY BE REPRODUCED

- Each employee must complete Form A4
- Used to properly compute withholding tax
- Employer must withhold using zero exemptions when A4 is not filed
- Employers must retain exemption certificates for at least 3 years
- If an employee claims 8 or more exemptions, send a copy of the A4 to the ADOR's Withholding Tax Section

Nonresident Military Spouse Withholding Tax Exemption

FORM A4-MS (REV. 3/2014)

ALABAMA DEPARTMENT OF REVENUE
50 North Ripley Street • Montgomery, AL 36104 • InfoLine (334) 242-1300
www.revenue.alabama.gov

ALABAMA GREAT SEAL

Nonresident Military Spouse Withholding Tax Exemption Certificate

Form A4-MS is to be used only for employees claiming exemption from Alabama's income tax withholding requirements based on the conditions set forth under the Military Spouses Residency Relief Act (P.L. 111-97).

Part I – To be completed by the employee Reset Form

EMPLOYEE NAME _____ EMPLOYEE SOCIAL SECURITY NUMBER _____

MILITARY SERVICEMEMBER'S NAME _____ SERVICEMEMBER'S SOCIAL SECURITY NUMBER _____

ADDRESS WHERE BOTH CURRENTLY RESIDE: _____ CITY _____ STATE _____ ZIP CODE _____

In order to qualify for this exemption, the employee must be able to answer True to all of the following conditions. If not, they will not qualify to use this form and will need to complete the Form A4 instead.

1. My Spouse is an active duty military servicemember True False
2. I am not a military servicemember True False
3. My Spouse's current military orders assign him/her to a location in/near Alabama True False
4. I am present in/near Alabama solely to be with my servicemember Spouse True False
5. I and my military servicemember Spouse live at the same address True False
6. My domicile is a state other than Alabama True False
7. My military servicemember Spouse's domicile is the same as mine True False

If you answered **True** to all of the above conditions, your wages are exempt from Alabama withholding tax.

Under penalties of perjury, I certify that I am not subject to Alabama withholding tax because I meet the conditions set forth under the Military Spouses Residency Relief Act (P.L. 111-97) and that I understand that my state of residency may tax the income I earn in Alabama.

Employee's Signature _____ Date _____

Part II – To be completed by the employer

EMPLOYER NAME _____ EMPLOYER IDENTIFICATION NUMBER (EIN) _____

ADDRESS _____ CITY _____ STATE _____ ZIP CODE _____

Employers are required to obtain from the employee a clear photocopy of their current military spouse ID, Form DD 2058 reflecting the servicemember's state of legal residence, and a recent Leave and Earnings Statement. Employers must keep Form A4-MS with the employee's personnel records. If the employer believes the employee has improperly claimed exemption under the MSRRRA, the employer should contact the Department at the following address or phone number: Alabama Department of Revenue, Withholding Tax Section, P.O. Box 327480, Montgomery, AL 36132-7480, by phone at (334) 242-1300, or by fax at (334) 242-0112.

THIS FORM MAY BE REPRODUCED

- Public Law 111-97: Military Spouses Residency Relief Act
- Form A4-MS
- Spousal income **is not** subject to Alabama withholding **if**:
 - The spouse is in the jurisdiction solely to be with the service member servicing in compliance with military orders
- To qualify for the tax exemption, the answer to all 7 conditions **MUST** be **TRUE**

Withholding Tax Forms

| Form | Filing Frequency | Due Date | Additional Information |
|------|--|---|--|
| A-6 | Monthly...if employer withholds more than \$1,000 in the 1 st or 2 nd month of the quarter | 15 th of the month following the month in which tax was withheld | |
| A-1 | Quarterly...if employer withholds less than \$1,000 a month | Last day of the month following the end of the quarter (<i>Example: Quarter ended March 31st; return due by April 30th</i>) | |
| A-3 | Annually | January 31st | <ul style="list-style-type: none"> • W-2s must be filed with A-3 • Must file A-3s and W-2s (and/or 1099s with Alabama withholding tax) <i>if</i> returns and payments were filed and paid electronically • Must file W-2s electronically if there are 25 or more W-2s and/or 1099s with Alabama withholding tax |

Employee vs. Independent Contractor

Three Common Law Factors:

| Employee | Independent Contractor |
|--|--|
| <input type="checkbox"/> Behavioral Control | <input type="checkbox"/> Behavioral Control |
| <ul style="list-style-type: none"> ✓ Controls when, where, and how the work is done | <ul style="list-style-type: none"> ✓ Plan their own hours |
| <ul style="list-style-type: none"> ✓ Training | <ul style="list-style-type: none"> ✓ Qualified |
| <input type="checkbox"/> Financial Control | <input type="checkbox"/> Financial Control |
| <ul style="list-style-type: none"> ✓ No profit motive | <ul style="list-style-type: none"> ✓ Profit motive |
| <ul style="list-style-type: none"> ✓ Paid wages by the hour, week or month | <ul style="list-style-type: none"> ✓ Paid a predetermined amount |
| <input type="checkbox"/> Relationship | <input type="checkbox"/> Relationship |
| <ul style="list-style-type: none"> ✓ Employee type benefits | <ul style="list-style-type: none"> ✓ Will have a written contract |

Employee vs. Independent Contractor

- If an employer/employee relationship exists for Federal purposes, then this relationship also exists for Alabama purposes. *(See Federal form SS-8 Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding)*
- An employee cannot claim to be an independent contractor for Alabama purposes and therefore exempt from Alabama withholding tax, unless he has met the Federal guidelines for being an independent contractor.
- Refer to IRS Publication 15-A “Employer’s Supplemental Tax Guide.”

Form 1099

- Copies of 1099s without Alabama withholding tax should be mailed to:
ADOR
P.O. Box 327489
Montgomery, AL 36132-7490
- 1099s in the amount of \$600 or more without Alabama withholding tax should be reported with form 1096 (*Alabama Form 96 is no longer available; Federal 1096 form is acceptable*)
- 1099s and W-2s with Alabama withholding tax
 - Should be combined
 - Merger instructions are available on website to file in MAT
 - 1099s with Alabama withholding tax must be reported in MAT in the *Other Income* field, not as wages

Estimated Tax

Estimated Tax – Individual/Pass-through Entities

- **General rule:** In most cases, you must pay estimated tax for the current year if **both** of the following apply:
 1. You expect to owe at least \$500 in tax for the current year, after subtracting withholding and credits
 2. You expect your withholding plus your credits to be less than the smaller of:
 - 90% of the tax to be shown on your current year tax return, **or**
 - 100% of the tax shown on your previous year's tax return
- Estimated tax may be paid in full (**by January 15th**) or in equal installments on or before **April 15th, June 15th, September 15th** and **January 15th**

Estimated Tax- Corporations

- A corporation that has an Alabama income tax liability in excess of \$500 must pay estimated tax
- Payment due dates:
 - 1st payment is due by the 15th day of the 4th month of the taxable year
 - 2nd, 3rd and 4th payments are due by the 15th day of the 6th, 9th and 12th months, respectively
- The required installments shall be 25% of the required annual payment
- The required annual payment generally means:
 - The lessor of 100% of the tax shown on the return for taxable year, **or**
 - 100% of the tax shown on the return of the corporation for the preceding taxable year

Business Expenses

Business Expenses

- To be deductible...a **business expense** must be both ordinary and necessary
- **Ordinary expense** is one that is common and accepted in your trade or business
- **Necessary expense** is one that is helpful and appropriate for your trade or business

How to Prove Certain Business Expenses

| | Amount | Time | Place or Description | Business Purpose Business Relationship |
|----------------|--|---|---|--|
| Gifts | <ul style="list-style-type: none"> Cost of the gift <i>(\$25 per person per year)</i> | <ul style="list-style-type: none"> Date of the gift | <ul style="list-style-type: none"> Description of the gift | |
| Transportation | <ul style="list-style-type: none"> Cost of each separate expense Car expenses, date you started using it for business Mileage for each business use | <ul style="list-style-type: none"> Date of the expense | <ul style="list-style-type: none"> Business destination | <p><u>Purpose:</u> Business purpose for the expense</p> <p><u>Business Relationship:</u> N/A</p> |
| Travel | Cost of each separate expense for <i>travel, lodging, and meals</i> | <ul style="list-style-type: none"> Dates you left and returned for each trip Number of days spent on business | <ul style="list-style-type: none"> Destination or area of travel (name of city, town or other designation) | <p><u>Purpose:</u> Business purpose for the expense</p> <p><u>Relationship:</u> N/A</p> |

Daily Business Mileage Log

| Date | Destination (City, Town or Area) | Business Purpose | Odometer Readings | | | Business Miles | Personal Miles |
|------|----------------------------------|------------------|-------------------|------|-------|----------------|----------------|
| | | | Start | Stop | Miles | | |
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***Note:** You can keep a mileage log in a notebook and update it by hand, or use a spreadsheet to continuously track your mileage. You can also use a mileage-tracking app. The key is to update your records regularly to ensure that they're precise.*

What is the Burden of Proof?

- The responsibility to substantiate entries, deductions and statements made on your tax returns
- You must be able to prove certain elements (*proof of payment & supporting documentation*) of expenses to deduct them

Don't forget ...

- Research, research, research
- Consult with an attorney or tax professional regarding your business structure
- Register in My Alabama Taxes & sign up for the appropriate account(s)
- File and pay on time
- Keep all records associated with your business
- Contact us if you are not sure of the answer to a question or have trouble locating information you need on our website

We are here to assist you with any questions ~ anytime!

Questions?

Let's take a quick break...



Sales, Use, Lodgings, and Rental Taxes

Sales and Use Tax Division

Topics to be discussed:

- Explain registration process for sales, use, lodgings and rental taxes
 - Provide instructions for the registration process
- Explain different taxes and appropriate rates
 - Including various terminology and definitions
- Explain filing requirements
 - Provide instructions for the electronic filing methods



*Registration Process for
Obtaining a
New Tax Account Number*

Who Must Register for a Tax Account Number?

- **All Retail Businesses** – Businesses, which sell tangible personal property to the end user, must register for an Alabama Sales Tax Account Number
- **Lodgings Businesses** – Businesses, which provide short term lodgings, must register for an Alabama Lodgings Tax Account Number
- **Rental Businesses** – Businesses, which lease tangible personal property, must register for an Alabama Rental Tax Account Number
- **All Other Businesses Not Listed** – Contact your local ADOR Taxpayer Service Center to determine what (if any) state taxes apply.

Registering for a New Tax Account Number

(separate MAT handout provided)

How to Apply for a New State Account Number with the Alabama Department of Revenue:

- Online MAT registration – <https://myalabamataxes.alabama.gov/>

How to Apply for a New Account Number with the City and/or County:

- State-Administered Localities – registration included with State registration
- Self-Administered or Privately-Administered Localities – will need to contact the locality directly

List of Non-State Administered localities can be found at:

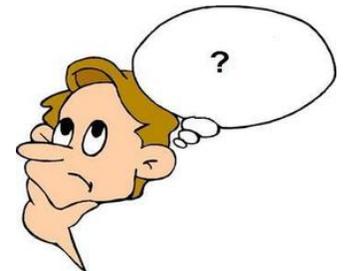
<http://revenue.alabama.gov/sales-use/tax-rates/> and clicking on “*City and County Taxes Not Administered by the Alabama Department of Revenue*” under **Tax Rate Reports**.

What if no retail sales are being made?

The following may require an Alabama Sales Tax Certificate of Exemption (Form ST:EX-A1):

- **All Wholesalers** – Businesses, which sell exclusively to retailers, manufacturers, or other wholesalers (may require certificate of exemption)
- **Manufacturers** - Businesses making purchases of raw materials to be included in the final product

Please contact the Taxpayer Service Center in your area if you have questions.



*Tax Types Administered
by the
Sales & Use Tax Division*

Tax Types Administered by the Sales and Use Tax Division:

Tax Types:

- Sales Tax
- Use Tax
- Rental/Leasing Tax
- Lodgings Tax
- Miscellaneous Taxes
 - Utility
 - Prepaid Wireless Charge
 - Mobile Service
 - Contractors Gross Receipts
 - Dry-Cleaning Fee

Tax Rates

Sales Tax Rates:

- General Rate 4.00%
- Consumable Vapor Products 4.00%
- Reduced Rates:
 - Automotive 2.00%
 - Farm 1.50%
 - Machine 1.50%
 - Vending 3.00%



Please check your local (city and county) tax rates on the ADOR web site: <http://revenue.alabama.gov/sales-use/tax-rates/>

Sales Tax

Sales Tax

- Is a privilege tax imposed on the retail sale of tangible personal property sold in Alabama by businesses located in Alabama
- The tax is collected by the seller from their customers and remitted directly to the State
- All sales of tangible personal property are retail sales except those defined as wholesale sales

General Terms and Definitions

- **Retail Sales** – Sale of tangible personal property to the consumer or end user. (Excludes certain labor, services and real estate.)
- **Consumable Vapor Products** - Total gross sales of consumable vapor products that contain nicotine should be included under “Vapor Products (electronic cigarettes) – 4%”. Sales of vapor products that do not contain nicotine should be included under “General Sales Tax – 4%”.
- **Wholesale Sales/Sales for Resale** - Sale of tangible personal property to licensed merchants, dealers or other wholesalers for “resale”. (The Seller must maintain a copy of the sales tax license or exemption certificate for these customers.)

General Terms and Definitions *(cont'd)*

- **Withdrawals** – Any items purchased tax-exempt and withdrawn for use instead of being sold are subject to sales tax at cost.
- **Over Collections** – Tax collected over and above actual rate. Any over collections must be paid to the State. Same holds true for local sales tax.
- **Exemptions/Exempt Sales** – Non-taxable transactions, vary to types of business, consumer and items sold.

What are “Tax Exempt Sales?”

Commonly-Seen Exemptions:

- **Sales of Exempt Items** – Items specifically exempted by law (Rx drugs, gasoline, motor oil).
- **Sales to Exempt Customers** – Customers specifically exempted by law or have a Certificate of Exemption, Direct pay permit, Government Agencies in Alabama, Federal Government.
 - *Please note that statutorily exempt entities must now obtain an annual exemption certificate.*
- **Sales Paid for with Food Stamps** – Applies only to approved food items actually purchased with Food Stamps. All other items taxable.
- **Out of State Sales** – Generally shipped by common carrier.
- **Wholesale Sales/Sales for Resale** – Sales to licensed dealer. Obtain copy of sales tax license.
- **Certain Labor** - Not all labor is exempt from tax.

What “Labor” is Taxable?

Types Labor and Taxability of Each:

- **Repair Labor** – Not taxable provided it is shown as a separate line item on the invoice.
- **Installation Labor** – Condition of sale to install item not taxable provided labor is broken out or shown separate. A lump sum amount is taxable.
- **Fabrication Labor** – On custom or made to order items labor can not be deducted. It is part of the cost to manufacture the item.

What is Consumers Use Tax?

Consumers Use Tax

- Due when merchandise is purchased at retail and brought into Alabama for storage, use or consumption unless specifically exempted by law.
- Counterpart to sales tax.
- Enacted to prevent vendors located outside the state from having an unfair advantage against in-state vendors who charge sales tax.
- Use tax rates are the same as state sales tax rates.

What is Simplified Sellers Use Tax?

Simplified Sellers Use Tax:

- Act 2015-448, entitled the “Simplified Sellers Use Tax Remittance Act” allows “eligible sellers” to participate in a program to collect, report, and remit a flat 8% Simplified Sellers Use Tax (SSUT), on sales made into Alabama.
- An “eligible seller” is one that sells tangible personal property or service into Alabama from an inventory or location outside the state and who has NO physical presence and is not otherwise required by law to collect tax on sales made into the state.
- The collection and remittance of the SSUT relieves the eligible seller and the purchaser from any additional state and local sales or use taxes on the transaction.

Where will I see Simplified Sellers Use Tax?

- Online purchases from remote eligible sellers
- As a consumer, you should see the following statement on purchase invoices/receipts that are made by eligible sellers:

“Seller has collected the simplified sellers use tax on this transaction(s) and the tax will be remitted on the customer’s behalf to the Alabama Department of Revenue. Seller’s program account number is SSU-RXXXXXXXXX.”

- As a consumer you should not see SSUT charges on invoice/receipts from instate vendors or brick and mortar vendors. Sales tax would be due on these type of transactions.

Remember, if you make an online purchase and the vendor does not charge the applicable Alabama Sales Tax and/or SSUT, you, as the consumer, are required to make a remittance of the Consumers Use Tax on the purchase.

What is Lodgings Tax?

Lodgings Tax:

- Privilege tax on persons, firms, and corporations engaged in the renting or furnishing rooms, lodgings, or other accommodations to transients for periods of less than 180 days of continuous occupation.
 - This includes, the short term rental of rooms in one's personal home through online rental sites, such as Airbnb, VRBO, Craigslist, and any other online portal.
- State Rates: *(Note different rate for the Alabama Mountain Lakes area in North Alabama)*
 - Lodgings 4%
 - North Alabama* 5%

**Alabama Mountain Lakes area includes: Blount, Cherokee, Colbert, Cullman, DeKalb, Etowah, Franklin, Jackson, Lauderdale, Lawrence, Limestone, Madison, Marion, Marshall, Morgan and Winston counties*

What is Rental Tax?

Rental Tax:

- Privilege tax levied on the lessor for the leasing or renting tangible personal property. (Note: does not include real property.)
- True Lease vs. Conditional Sales Lease

Rates:

| | |
|---------------------|------|
| Automotive vehicles | 1.5% |
| Other | 4.0% |

Local (City and County) Taxes

What is Local Tax?

- Tax levied by a local jurisdiction such as a county or municipality
- Local Taxes are generally collected in the form of property and/or sales taxes
- Used to fund the services provided to citizens by local governments such as street and sanitation maintenance, fire and police protection, etc.

When Should I Collect Local Taxes?

- When “nexus” has been established
- Nexus is defined as having a physical presence or having regular sales routes in an specific area including shows for products
- As of January 1, 2014, a local retailer who uses its own trucks or an affiliated contract carrier to make deliveries must collect tax in the destination jurisdiction
- Rates vary - Specific information on all localities may be found at:
<https://revenue.alabama.gov/sales-use/tax-rates/>

Local (City/County) Sales Tax Rates

Sales and Use Tax Rates

Sales and Use Tax Rates vary across cities and counties in addition to what is taxed by the State.

[View a comprehensive list of state tax rates.](#)

[View City and County Code Explanations.](#)

Tax Rate Reports

- [State Administered Local Tax Rate Schedule](#)
- [Monthly Tax Rates Report](#)
- [Notices of Local Tax Changes](#)
- [City and County Taxes Administered by the Alabama Department of Revenue \(For Sales, Rental, Lodgings, Sellers Use, and Consumers Use Tax Only\)](#)
- [City and County Taxes Not Administered by the Alabama Department of Revenue \(For Sales, Rental, Lodgings, Sellers Use, and Consumers Use Tax Only\)](#)
- [Contact information for Non-State Administered Localities](#)
- [Local Sales, Use, Rental & Lodgings Tax Rates Text File](#)

Search by Address

[Click here to search by address.](#)

State Tax Rates

| Tax Type | Rate Type | Rate |
|---------------|--------------|---------|
| CONSUMERS USE | AUTO | 2.0000% |
| CONSUMERS USE | FARM | 1.5000% |
| CONSUMERS USE | GENERAL | 4.0000% |
| CONSUMERS USE | MFG. MACHINE | 1.5000% |

Search Local Sales, Use, Lodgings & Rental Tax Rates

[View Listings by City and/or County](#)

County

Select a County ▼

City

Enter your area or city

Current Rates

Rates History

Search



Filing Requirements

Filing Requirements are:

Taxes to be Filed Monthly

- Report total sales (gross sales)
- Exempt or non-taxable sales are reported as a deduction
- Must file even if no sales for the month

Due Dates

- Taxes are due the following month (tax period)
- Taxes are delinquent after the 20th of the following month
- If 20th falls on a weekend or holiday, must file on or before the next working day to be timely filed
- Penalties if not timely filed or timely paid

Discount for Timely Filing (on or before 20th day tax due):

- 5% on the first \$100.00 of tax
- 2% on the amount of tax over \$100.00
- May not exceed \$400.00



Alabama businesses have access to a centralized, statewide electronic filing and remittance system for state, county and city sales, use, lodgings and rental taxes. As of October 1, 2016, all Sales, Use, Rental, and Lodgings Tax can be filed and paid through **ONE SPOT**.

The **ONE SPOT** system eases the burden of monthly tax filing. **ONE SPOT** has been designed to cut down on tax administration for retailers and business owners that do business in multiple cities or counties throughout the state. **ONE SPOT** can be easily accessed through the My Alabama Taxes (MAT) website at myalabamataxes.alabama.gov.

My Alabama Taxes & ONE SPOT...it's the ONE SPOT to File!

Remember, there are benefits to filing online!

Before you can file the monthly returns using MAT, you must “sign up” on MAT at **myalabamataxes.alabama.gov** and create a username and password.

(separate handout provided)

The screenshot shows the homepage of the Alabama Department of Revenue's My Alabama Taxes portal. At the top left is the logo for the Alabama Department of Revenue. To the right are navigation links for 'DEPARTMENT OF REVENUE HOME', 'HELP', and 'CONTACT US'. Below this is a dark blue header with a 'Home' button. The main content area is titled 'My Alabama Taxes' and includes a welcome message and a list of services available on MAT. A red arrow points to the 'Log In' section, which contains fields for 'Username' and 'Password', a 'Logon' button, and links for 'Forgot Password?', 'Forgot Username?', and 'Don't have a logon? Register here'. Other sections include 'Individual' (with links for 'Where's My Refund?', 'ID Confirmation Quiz', 'Verify My Return', and 'Register My MorphoTrust eID'), 'Business' (with links for 'Obtain a New Tax Account Number', 'View or Upload a Report', and 'Verify an Exemption Certificate'), 'Payments' (with a link for 'Pay a Bill I've Received'), and 'Other' (with links for 'Filing Individual Income Taxes on MAT', 'Alabama Accountability Act', 'Subscribe to Mailing Lists', and 'ONE SPOT / SSUT'). A circular seal of the Alabama Department of Revenue is also visible on the right side of the page.

Don't forget...

- Registration process for state, city and county tax accounts
- Different taxes and appropriate rates
- Filing requirements and deadlines
- Electronic filing methods
- Recordkeeping requirements - keep all records associated with your business

Questions?

Business Personal Property

Property Tax Division



What is Property (Ad Valorem) Tax?

- Ad Valorem [Latin] - According to the value of
- Tax levied according to the value of the property being taxed
- Property tax is assessed and collected at the County level in Alabama

What Property Owned by A Business is Taxable?

- Real Property
- Motor Vehicles
- Personal Property



What is Personal Property?

- Property not permanently affixed to or part of the real property
- Examples - furniture, computers and/or equipment
- Everything that is **NOT** real estate is personal property

Who is Required to Report Personal Property?

- Every individual, firm, or corporation owning business personal property located in Alabama on October 1;
- Every owner of an aircraft based in Alabama; and
- Every holder of a permanent trailer tag issued by the State of Alabama.

When Should Personal Property Be Reported?

- Between October 1 (lien date) and December 31
- Late returns incur a penalty and fee

Business Personal Property

- Class II property assessed at 20% of market value
- Property tax is billed one year in arrears on October 1 and due no later than December 31
- Property located in Alabama on October 1 is taxable, unless specifically exempted

How Do I Obtain a Business Personal Property Return Form?

- Form mailed from the local county office each year
- Local county assessing official's office
- Download the form (ADV-40) from www.revenue.alabama.gov.





Optional Personal Property
Assessment Link

Online Filing

Available to taxpayers each year from
October 1 to January 31

OPPAL.alabama.gov



Optional Personal Property
Assessment Link

**Filing business personal property returns
is now easier than ever.**

[HOME](#)

[HOW OPPAL WORKS](#)

[DO I NEED TO FILE ?](#)

[FAQS](#)

[REGISTER](#)

[LOGIN](#)

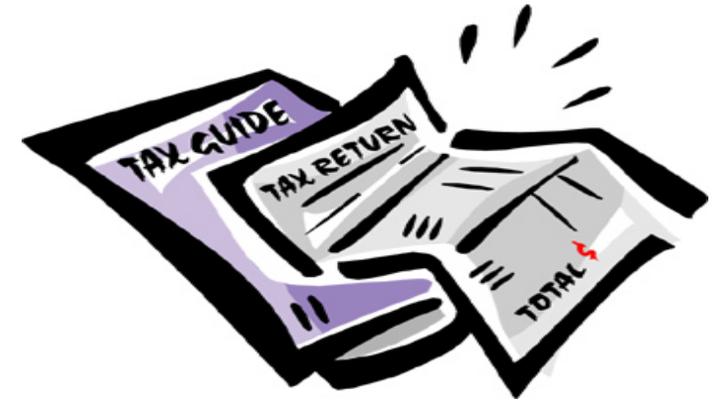
To file a return in [AUTAUGA](#), [ELMORE](#), [JEFFERSON](#), [LIMESTONE](#), [MOBILE](#), [MONTGOMERY](#), [MORGAN](#) or [SHELBY](#), please [CLICK HERE](#). To file in all other counties in Alabama, please [REGISTER HERE](#)

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Please read our [Terms of Service](#).



What Should Be Included in the Itemized Listing?

- Description of the Property
- Acquisition Date of the Property
- Acquisition Cost of the Property



| Type of Property | Date Acquired | Acquisition Cost |
|-------------------|---------------|------------------|
| 10 Dell Computers | 05/23/2012 | \$10,000 |
| 4 Dell Computers | 02/12/2015 | \$ 5,200 |

How is my Property Tax Calculated?

Example: Assume you have a business with a total asset market value of \$10,000 located in a city with a combined millage rate of 34.5 mills*, the taxes would be:

ASSESSED VALUE CALCULATION

| <u>Property Market Value</u> | | <u>Assessment Ratio</u> | | <u>Assessed Value</u> |
|------------------------------|---|-------------------------|---|-----------------------|
| \$10,000 | X | 20% | = | \$2,000 |

PROPERTY TAX CALCULATION

| <u>Property Assessed Value</u> | | <u>Millage Rate (as a decimal)</u> | | <u>Property Taxes</u> |
|--------------------------------|---|------------------------------------|---|-----------------------|
| \$2,000 | X | 0.0345 | = | \$69 |

**Millage rates vary, depending on location. Millage rates are listed on ADOR website, or call your local county assessing official.*

Home Businesses

All personal property used in a home-based business, even if the same property is used by the homeowner personally.

Examples:

- A refrigerator is used for your in-home daycare; it is taxable and should be reported on your return at 100% of acquisition cost.
- Computers may be for personal and business use; they are taxable and should be reported at 100% of acquisition cost.

Supplies

- Stocks of goods intended to be consumed during the normal course of business. **Not** raw materials, goods in process, or inventory held for sale.
- Report either cost of supplies on hand as of October 1 or one month's average cost.
- Examples:
 - Paper used to wrap sandwiches sold by a restaurant
 - Oil used to lubricate machinery in a plant
 - Cleaning supplies used by a janitorial firm

Don't forget...

- Property taxed at market value as of October 1, each year
- Business Personal Property reported to local county assessing official's office (Form ADV-40) or through official websites
- All property subject to tax in Alabama must be reported annually

Questions?

Business Privilege Licenses

Business & License Tax Division

What are business privilege licenses?

- A license which is required for certain businesses or professions as indicated in Title 40, Chapter 12, Code of Alabama 1975, to engage in a particular activity within the State.
- Commonly called a business license.
- Note: **Do not confuse business privilege licenses (BPL) and business privilege tax (BPT).** These are two separate requirements. Business privilege licenses (BPL) are issued via the local counties and is a fee paid by businesses for the privilege of operating a business within the state whereas business privilege tax (BPT) is a tax administered by the State.



Sample Business Privilege License

STATE OF ALABAMA

MONTGOMERY COUNTY

CONTROL NO. 0318037548 LICENSE NO. 0000000

ACCOUNT NO. 037548 ISSUED TO:

KIMBERLY SIMMONS
101 S LAWRENCE STREET
MONTGOMERY, AL 36104

| LICENSE YEAR | | DATE ISSUED | | |
|--------------|--|-------------|-----|------|
| 2017-2018 | | 05 | 21 | 2018 |
| | | MO. | DAY | YR. |

| LICENSE TYPE | | BUSINESS LOCATION: | | EXPIRES | |
|----------------------|--------------------------|--------------------|------------------------------|---|--|
| STORE LICENSE | <input type="checkbox"/> | DBA | AL DEPARTMENT/REVENUE SAMPLE | September 30, 2018 RENEW IN OCTOBER | |
| CHAIN STORE LICENSE | <input type="checkbox"/> | | 50 NORTH RIPLEY STREET | | |
| OCCUPATIONAL LICENSE | <input type="checkbox"/> | | MONTGOMERY, AL 36104 | | |

| SECTION | BUSINESS TYPE | LICENSE AMOUNT | FEE | PENALTY | CITATION | INTEREST | TOTAL | |
|---|---------------------|----------------|------|---------|----------|----------|---------------------|-------|
| 080 | COLLECTION AGENCIES | 75.00 | 1.00 | 11.25 | 0.00 | 1.87 | 89.12 | |
| <p style="text-align: center;">TRANSFER OF LICENSE</p> <p>Evidence having been adduced before me that a bona fide sale of the business licensed by this certificate has been made by licensee, this license is transferred to said purchaser.</p> | | | | | | | TOTAL | 89.12 |
| <p>Name of Purchaser _____</p> <p>Issuing Authority _____</p> | | | | | | | MAIL FEE | 0.00 |
| <p>THOMAS L. WHITE JR. State Comptroller</p> <p>VERNON BARNETT Commissioner of Revenue</p> <p>STEVEN L. REED Issuing Authority</p> | | | | | | | TOTAL WITH MAIL FEE | 89.12 |
| REPRINT LICENSE | | | | | | | | |

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Who is required to purchase a state/county business privilege license?

- Not all professions or businesses require a state/county business privilege license. Please visit our webpage at <https://revenue.alabama.gov/business-license/business-licensing/> to view the Quick Reference Guide and a list of the various licenses identified by code section.
- In addition to the business privilege license, some occupations/professions such as contractors, cosmetologists, physicians, automobile dealers, etc., require a regulatory license, which may be required prior to obtaining the business license. Please check with the appropriate board for licensing requirements. Go to <http://inform.alabama.gov/agencysearch.aspx> to search for contact information.
- Persons operating a business via the Internet, such as a store, with a physical presence within Alabama, (mailing address, employees, etc.) are required to obtain the same licenses as a brick and mortar business.



MISSION STATEMENT

The Alabama Department of Revenue will efficiently and effectively administer the revenue laws in an equitable, courteous, and professional manner to fund governmental services for the citizens of Alabama.



Individual Income
Tax Forms



Register My eID



Make a Payment



Where's My Refund?



Register My Vehicle

Tax Cuts and Jobs Act Guidance

The Alabama Department of Revenue has issued its preliminary guidance on the impact of the provisions of the federal Tax Cuts and Jobs Act (TCJA). For up-to-date TCJA guidance, visit <https://revenue.alabama.gov/audience/professionals> and click on "Tax Cuts and Jobs Act" in the menu on the left.

SERVICES

The Alabama Department of Revenue administers many services for taxpayers. Information for each division, along with some of the services from each, can be found below.

Individual & Corporate Tax



Individual and Corporate Tax is responsible for the administration of individual income tax, business privilege tax, corporate income tax, partnerships, S-Corporation, fiduciary and estate tax, financial institution excise tax, and withholding tax for businesses and individuals.

- [Where's My Refund?](#) ✓
- [Due Dates](#) ✓
- [Taxpayer Service Centers](#) ✓
- [Tax Laws](#) ✓

[Visit Division](#) »



Motor Vehicle Division

The Motor Vehicle Division is responsible for the issuance of vehicle titles, maintenance of vehicle records, the administration of the Mandatory Liability Insurance law, and the issuance of motor vehicle regulatory licenses.

- ✓ [Mandatory Liability Insurance](#)
- ✓ [IRP & IFTA Information](#)
- ✓ [Request Motor Vehicle Records](#)
- ✓ [License Plate and Registration Information](#)
- ✓ [Title Information](#)
- ✓ [Motor Vehicle License Information](#)

[Visit Division](#) »

Business & License Tax



Business & License Tax administers and collects taxes for motor fuels, severance, and tobacco as well as oversees licenses for businesses and motor fuels.

- [Assessment Procedures](#) ✓
- [Business Licensing](#) ✓
- [Environmental Taxes](#) ✓
- [Motor Fuels](#) ✓
- [Pari-Mutuel Pool Tax & State Horse Wagering Fee](#) ✓
- [Severance Taxes](#) ✓
- [Tobacco Taxes](#) ✓

[Visit Division](#) »



Sales & Use Tax

Sales & Use Tax administers, collects and enforces several different taxes, including sales tax and consumers tax, and is responsible for administering, collecting, and enforcing those tax types.

- ✓ [Tax Rates](#)
- ✓ [Assessment Procedures](#)
- ✓ [E-filing, Payments, & Assistance](#)
- ✓ [Due Date Calendar](#)
- ✓ [Information for Local Governments](#)

[Visit Division](#) »



Business Licensing

The Business Licensing Section issues licenses for automotive dismantler & parts recyclers, and aides the counties in administering state / county business licenses.

Licenses

- [Business Privilege License](#) Issued by the County Probate Office or County Licensing Commission
- [Store License](#) Issued by the County Probate Office or County Licensing Commission
- [Municipal Business Licenses](#) Not administered by ADOR

Resources

- [Quick Reference Guide](#)
- [General Subject Index](#)
- [Handbook of Privilege & Store Licenses](#)
- [2010 Census](#)
- [Starting a New Business Booklet](#)
- [County Probate Office Directory](#)
- [Notices](#)
- [Interest Rate Factor Chart](#)
- [Forms Search](#)

[View Business Licensing FAQ](#) »

Atlas Alabama

A comprehensive resource for entrepreneurs and small business owners throughout the state interested in starting or expanding a small business. [Visit Site](#) »

Laws

The taxes listed below are administered by the License Tax Section of the Business & License Tax Division.
[Go to the Code of Alabama 1975.](#)

- General Provisions: [Title 40, Chapter 12, Article 1](#)
- Business, Vocation or Occupation Privilege Licenses: [Title 40, Chapter 12, Article 2](#)
- Store Licenses: [Title 40, Chapter 12, Article 6](#)
- Exemption of Certain Persons: [Title 40, Chapter 12, Article 7](#)
- Business, Profession & Occupation Index: [Title 40, Chapter 12, Article 2](#)

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What do I need to purchase a business privilege license(s)?

- Name/legal structure of the business, for example, sole proprietor, partnership, LLE (limited liability entity), etc.
- Social Security Number (SSN) or Federal Employer Identification Number (FEIN).
- The type of business that you will be operating, i.e., what type of services or products will your business offer.
- A detailed description of the type of business that the company will be engaging in. For example, if opening a store, you will need to know what type of products will be sold as various items may require separate licenses (for example, bicycles, radios, auto accessories, etc.).

Additional information for purchasing a business privilege license(s):

- Multiple licenses are required when conducting business in multiple categories.
- A separate license may be required for each business location, depending on the license category.
- The licensing official may require that an application form be completed.

Where do I obtain a business privilege license(s)?

- State/county business privilege licenses are administered via the local county offices. Visit the local county license authority, where the business is located, to purchase the state/county business privilege license(s). (Note: The name of this office may vary depending upon the county. It may be the County Probate Judge, Revenue Commissioner, License Commissioner, etc.).
- A list of County License Offices is available on the Alabama Department of Revenue's webpage: <https://revenue.alabama.gov/business-license/business-licensing/county-probate-office-directory/>.
- You may also visit www.atlasalabama.gov/ for contact information.



Business Licensing

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- Exemption of Certain Persons: [Title 40, Chapter 12, Article 7](#)
- Business, Profession & Occupation Index: [Title 40, Chapter 12, Article 2](#)

County Probate Offices Directory

| County | Address | Phone |
|-----------------|---|--------------|
| Autauga | 176 West 5th St. Prattville, 36067-3041 | 334-361-3730 |
| Baldwin | P.O. Box 459 Bay Minette, 36507-0459 | 251-937-0260 |
| Barbour-Clayton | P.O. Box 158 Clayton, 36016 | 334-775-8371 |
| Barbour-Eufaula | 303 E Broad St, Ste 101 Eufaula, 36027 | 334-687-7637 |
| Bibb | 8 Court Square, Ste. A Centreville, 35042 | 205-926-3104 |
| Blount | 220 Second Ave. East, Rm. 101 Oneonta, 35121 | 205-625-4191 |
| Bullock | P.O. Box 71 Union Springs, 36089 | 334-738-2250 |
| Butler | 700 Ct Square Greenville, 36037 | 334-382-3512 |
| Calhoun | 1702 Noble St., Ste. 107 Anniston, 36201 | 256-241-2900 |
| Chambers | #2 Lafayette St. Lafayette, 36862 | 334-864-4381 |
| Cherokee | 100 Main St., Ste. 204 Centre, 35960 | 256-927-3363 |
| Chilton | P.O. Box 270 Clanton, 35046 | 205-755-1555 |

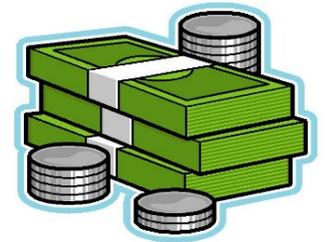
Where do I obtain a business privilege license(s)?

(cont'd)

- If operating a chain store, all **store** licenses (Section 315) for the chain are purchased in the **home** county where the business originated (i.e., the county where the first store was opened). Other required licenses for the store are to be purchased in the **county where the business is located**.
- In addition to the state/county business privilege license, some counties impose a separate county business license fee. Check with the local county office to determine if this applies to you and your business.
- Municipalities may also require a business license. Check with the city or town clerk's office to determine if this applies to you and your business. Visit the Alabama League of Municipalities' website at www.alalm.org for municipal contact information.

How much does a business privilege license cost?

- License fees vary based upon the profession and/or the location of the business. In general, monies collected are distributed equally to the State and county general funds.
- There is a \$1.00 issuance fee per license. Some counties have additional fees for issuance or mailing. Note: Each county has its own procedures for the issuance of business privilege licenses.
- If the business does not begin operations until after April 1st, you may be eligible for a half-year license.



Other Business Privilege License Information

- Businesses are required to renew licenses during the month of October each year.
- Licenses not renewed by the due date (October 31) are subject to a non-waivable 15% penalty plus interest.
- Licenses are nonrefundable, i.e., licenses purchased, which are not used and/or not needed, are not eligible for a refund unless they represent a duplicate license as evidenced by the purchase of two licenses in the same business entity name for the same license period.
- Licenses are transferable if the business is sold. The license must be transferred to the new owner at the county license office with the payment of a \$1.00 transfer fee.
- Licenses **must be displayed** in a conspicuous place at the business location and are subject to inspection by the license authorities.
- Failure to purchase/display a license, as required, may result in a citation being issued.

Business & License Tax Division

Contact Information

| | |
|---|---|
| MOTOR FUELS SECTION 334-242-9608 | SEVERANCE TAX SECTION 334-242-9612 |
| Gasoline Tax | Coal Severance Tax |
| Aviation & Jet Fuel Tax | Local Solid Minerals Tax |
| Diesel Fuel Tax | Oil & Gas Privilege Tax |
| Motor Carrier Mileage Tax | Oil & Gas Production Tax |
| Wholesale Oil/Import License Fee | Forest Products Severance Tax |
| Local Gasoline and Motor Fuel Taxes | Uniform Natural Minerals Tax |
| Lubricating Oil Tax | |
| | |
| TOBACCO TAX SECTION 334-242-9627 | ENVIRONMENTAL/OTHER TAXES 334-242-9612 |
| State Tobacco Products | Hazardous Waste |
| State-administered County Tobacco Taxes | Solid Waste |
| Master Settlement Agreement (MSA)/ Escrow Provisions | Underground and Aboveground Storage Tank Trust Fund Charge |
| | Scrap Tire Environmental Fee |
| PRIVILEGE LICENSES 334-353-7827 | Pari-mutuel Pool Tax & State Horse Wagering Fee |
| Privilege License Tax | |
| Store Licenses | |

Don't forget...

- It is the taxpayer's responsibility to notify the county licensing official in the event that the business closes or changes locations.
- State/county business privilege licenses must be renewed during the month of October. Renewal notices are mailed as a courtesy by some counties. However, these are courtesy reminders as **there is no statutory requirement to send reminder notices.**
- **Upon receipt of the state/county business privilege license, contact the local taxing authority to determine if a municipal license is required.** Note: Some cities require a “delivery” license. Therefore, all companies which enter into their jurisdiction may be required to obtain a license. The State of Alabama does not regulate municipal licenses or county imposed licenses. Contact the county or city for any licensing requirements.
- Taxpayers should visit the Department of Revenue's webpage at www.MyAlabamaTaxes.Alabama.gov to register the business with the proper tax account(s) such as sales tax, withholding, etc.

Questions?

Atlas Alabama

MISSION STATEMENT

The Alabama Department of Revenue will efficiently and effectively administer the revenue laws in an equitable, courteous, and professional manner to fund governmental services for the citizens of Alabama.



Individual Income Tax Forms



Register My eID



Make a Payment



Where's My Refund?



Register My Vehicle

Tax Cuts and Jobs Act Guidance

The Alabama Department of Revenue has issued its preliminary guidance on the impact of the provisions of the federal Tax Cuts and Jobs Act (TCJA). For up-to-date TCJA guidance, visit <https://revenue.alabama.gov/guidance/professionals> and click on "Tax Cuts and Jobs Act" in the menu on the left.

Alabama 529 Savings Plans

The definition of "qualified withdrawals" has been expanded under the federal Tax Cuts and Jobs Act. For more information, visit [Alabama 529 Savings Plan FAQ](#).

ADOR Launches Alabama eID Program



News & Announcements

TAX FILING DEADLINES EXTENDED FOR RESIDENTS IN LEE COUNTY
March 11, 2019

DEADLINES EXTENDED FOR MOTOR VEHICLE REGISTRATIONS IN LEE, HAZEN, BULLOCK COUNTIES
March 7, 2019

MONTHLY ABSTRACT FEBRUARY 2019
March 4, 2019

DEADLINES EXTENDED FOR MOTOR VEHICLE REGISTRATIONS IN CHEROKEE, JACKSON COUNTIES
February 28, 2019

SE ADOR'S E & S.T. AT FREE BUSINESS TAX ADVISOR IN BIRMINGHAM ON MARCH 12
February 28, 2019

[Read More](#)



Atlas Alabama

A comprehensive resource for entrepreneurs and small business owners throughout the state increased in starting or expanding a small business.

[Read More](#)



Protect Your Identity

ADOR is taking measures to ensure the protection of your identity. Learn more about our initiatives and what you can do to protect yourself.

[Read More](#)



Mandatory Liability Insurance (MLI)

Did you receive an IUI questionnaire? Find out additional information about MLI.

[Read More](#)



ATLAS ALABAMA



Charting your course to small business success

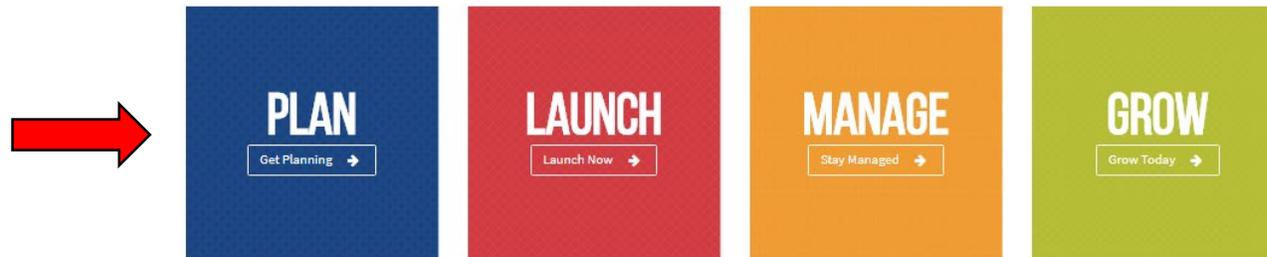
Atlas Alabama is a website for entrepreneurs and small business owners, which provides a consolidated access point for basic information on doing business in Alabama, including details on licenses, taxes, loans, funding sources and insurance.

In addition, Atlas Alabama features a comprehensive list of national, state and local resources that can also assist small business owners.

The link to Atlas Alabama is www.AtlasAlabama.gov.



Whether you are just starting out or ready to expand, our small business resources can point you in the right direction.



Provides Quick Access to Key Resources

Plan:

- Business Checklist
- Agency Directory
- Writing a Business Plan
- Start-Up Costs
- Financing
- B.E.S.T. Seminars

Launch:

- Choose a Location
- Structure & Name
- Tax Information
- Licenses & Permits

Manage

- Taxes
- Insurance
- Best Practices

Grow

- Open Additional Locations
- Adding New Employees
- Merge and Acquire



Quick Links

[Home](#) > [Quick Links](#)

[OPPAL](#)



[My Alabama Taxes](#)



[State Agencies & Departments](#)



[AL Small Business Development Center](#)



[Made in Alabama](#)



PLAN

Planning to start a small business? The following resources will help point you in the right direction.

[Small Business Resources in Alabama](#)

[10 Steps to Starting Your Business](#)

[Steps to Writing a Business Plan](#)

[Starting Costs Calculator](#)

[ADOR's B.E.S.T. Seminar](#)

LAUNCH

This step is where planning turns into reality! Start laying your groundwork now for a successful business.

[County Directory](#)

[Municipality Directory](#)

[Guide to Business Taxes](#)

[Business Entity Types](#)

[Secretary of State](#)

MANAGE

Make sure you're managing your day-to-day operations in the best way possible. Conduct your business like a boss.

[Guide to Business Taxes](#)

[Recordkeeping](#)

[Feasibility Checklist](#)

[Social Security/FICA](#)

[Steps to Closing a Business](#)

GROW

Watch your business take full bloom by expanding, increasing production, and possibly even adding new employees.

[Readiness Checklist](#)

[Business Checklist](#)

[Financing](#)

[SBA Start Up Cost Guide](#)

FOR ALL BUSINESSES

ALABAMA DEPARTMENT OF ECONOMIC & COMMUNITY AFFAIRS



Administers state and federal programs benefiting local governments, schools, businesses, children, elderly, victims of crimes and abuse, and the disadvantaged and poor.

- ✓ State Small Business Credit Initiative
- ✓ Office of Minority Business Enterprise
- ✓ Alabama SAVES
- ✓ Surplus Property Program
- ✓ ADECA News

[Visit Agency Site](#) »



ALABAMA DEPARTMENT OF COMMERCE

The OSBA mission is to aid, counsel, assist, and protect the interest of small business concerns in order to preserve free competitive enterprise and maintain a healthy state economy.

- ✓ Small Business Advocacy
- ✓ Resource Providers
- ✓ Publications
- ✓ Incubator Programs

[Visit Agency Site](#) »

ALABAMA DEPARTMENT OF LABOR



Administers state unemployment and workers' compensation, job match services, provides labor market information, enforces child labor laws, and inspects elevators, boilers, and mines.

- ✓ Employee Search
- ✓ UI Taxes & Wage Reports
- ✓ Labor Law Posters
- ✓ Child Labor
- ✓ UC Partial Claims
- ✓ Labor Market Information
- ✓ eGOV Website

[Visit Agency Site](#) »



ALABAMA DEPARTMENT OF REVENUE

The mission of DOR is to efficiently and effectively administer the revenue laws in an equitable, courteous, and professional manner to fund governmental services for the citizens of Alabama.

- ✓ Starting a New Business
- ✓ Business Section
- ✓ B.E.S.T. Seminars
- ✓ ONE SPOT Tax Portal

[Visit Agency Site](#) »

Taxpayer Service Centers (TPSC)

The Alabama Department of Revenue is available to offer assistance to taxpayers at any one of nine Taxpayer Service Centers located throughout the State of Alabama.

To find the Taxpayer Service Center located nearest to you, go to <https://revenue.alabama.gov/taxpayer-service-centers/> on the Department's website.

Service Center hours are from 8:00 a.m. – 5:00 p.m. (central time), Monday through Friday.



In closing, we hope that you have obtained the information and knowledge that will assist you in successfully operating your business....remember when it comes to understanding tax laws, know that the Department of Revenue is here to assist you.

These seminars are a chance for you to establish working relationships with the employees of the Department, who can assist you with any of your tax questions or concerns. It is better to seek assistance in the beginning than to find yourself in a situation that could have been avoided.

*Thank you
for being
ADOR's B.E.S.T.!*

**This presentation can be found under the “B.E.S.T. Resources” tab
on our webpage at**

<https://revenue.alabama.gov/taxpayer-advocacy/b-e-s-t-seminars/>

