

810-27-1-7-.01 Multistate Taxpayers: Recordkeeping For Sales, Use, Or Rental Tax Transactions

(1) In General. In addition to all other recordkeeping requirements otherwise set out in Title 40, Code of Ala. 1975, or any regulations thereunder issued from time to time, every multistate retailer, seller, vendor, or person doing business in Alabama or storing, using, or otherwise consuming in Alabama tangible personal property purchased from a retailer and every multistate lessor of tangible personal property for use in Alabama shall keep complete and adequate records as may be necessary for the Department of Revenue or its authorized representatives to determine the amount of sales, use, or rental tax for the payment or collection of which that retailer, seller, vendor, person, and lessor is liable under Title 40, Chapters 2A, 12, or 23, Code of Ala. 1975. Unless the Department of Revenue authorizes an alternative method of recordkeeping in writing, these records shall show:

(a) Gross receipts. Gross receipts from sales, or rental payments from leases, of tangible personal property (including any services that are a part of the sale or lease) made in Alabama, irrespective of whether the retailer, seller, vendor, person, or lessor regards the receipts to be taxable or nontaxable.

(b) Deductions. All deductions allowed by law and claimed in filing the return.

(c) Purchase price. Total purchase price of all tangible personal property purchased for sale or consumption or lease in Alabama.

These records must include the normal books of account ordinarily maintained by the average prudent businessman engaged in such business, together with all bills, receipts, invoices, cash register tapes, or other documents of original entry supporting the entries in the books of account together with all schedules or working papers used in connection with the preparation of tax returns.

(2) Microfilm and Microfiche Records. Records, including general books of account, such as cash books, journals, voucher registers, ledgers, and like documents may be microfilmed or microfiched, as long as such microfilmed and microfiched records are authentic, assessable, and readable and the following requirements are satisfied:

(a) Appropriate facilities are to be provided for preservation of the films or fiche for the periods required and open to examination and the taxpayers must agree to provide transcriptions of any information on microfilm or microfiche which may be required for verification of tax liability.

(b) All microfilmed and microfiched data must be indexed, cross-referenced, and labeled to show beginning and ending numbers and to show beginning and ending alphabetical listing of documents included, and must be systematically filed to permit ready access.

(c) Taxpayer must make available upon request of the Department of Revenue a reader/printer in good working order at the examination site for reading, locating, and reproducing any record concerning sales, use, or rental tax liability maintained on microfilm or microfiche.

(d) Taxpayer must set forth in writing the procedures governing the establishment of its microfilm or microfiche system and the individuals who are responsible for maintaining and operating the system with appropriate authorization from the Board of Directors, general partner(s), or owner, whichever is applicable.

(e) The microfilm or microfiche system must be complete and must be used consistently in the regularly conducted activity of the business.

(f) Taxpayer must establish procedures with appropriate documentation so that the original document can be followed through the microfilm or microfiche system.

(g) Taxpayer must establish internal procedures for microfilm or microfiche inspection and quality assurance.

(h) Taxpayers are responsible for the effective identification, processing, storage, and preservation of microfilm or microfiche, making it readily available for as long as the contents may become material in the administration of any state revenue law.

(i) Taxpayer must keep a record identifying by whom the microfilm or microfiche was produced.

(j) When displayed on a microfilm or microfiche reader (viewer) or reproduced on paper, the material must exhibit a high degree of legibility and readability. For this purpose, legibility is defined as the quality of a letter or numeral that enables the observer to identify it positively and quickly to the exclusion of all other letters or numerals. Readability is defined as the quality of a group of letters or numerals being recognizable as words or complete numbers.

(k) All production of microfilm or microfiche and processing, duplication, quality control, storage, identification, and inspection thereof must meet industry standards as set forth by the American National Standards Institute, National Micrographics Association, or National Bureau of Standards.

(3) Records Prepared By Automated Data Processing Systems (ADP). An ADP tax accounting system may be used to provide the records required for the verification of tax liability. Although ADP systems will vary from one taxpayer to another, all such systems must include a method of producing legible and readable records which will provide the necessary information for verifying such tax liability. The following requirements apply to any taxpayer who maintains any such records on an ADP system:

(a) Recorded or Reconstructible Data. ADP records shall provide an opportunity to trace any transaction back to the original source or forward to a final total. If detailed print-outs are not made of transactions at the time they are processed, the systems must have the ability to reconstruct these transactions.

(b) General and Subsidiary Books of Account. A general ledger, with source references, shall be written out to coincide with financial reports for tax reporting periods. In cases where subsidiary ledgers are used to support the general ledger accounts, the subsidiary ledgers shall also be written out periodically.

(c) Supporting Documents and Audit Trail. The audit trail shall be designed so that the details underlying the summary accounting data may be identified and made available to the Department of Revenue upon request. The system shall be so designed that supporting documents, such as sales invoices, purchase invoices, credit memoranda, and like documents are readily available.

(d) Program Documentation. A description of the ADP portion of the accounting system shall be made available. The statements and illustrations as to the scope of operations shall be sufficiently detailed to indicate:

1. the application being performed;
2. the procedures employed in each application (which, for example, might be supported by flow charts, block diagrams, or other satisfactory descriptions of the input or output procedures); and
3. the controls used to ensure accurate and reliable processing. Important changes, together with their effective dates, shall be noted in order to preserve an accurate chronological record.

(e) Data Storage Media. Adequate record retention facilities shall be available for storing tapes and printouts, as well as all supporting documents as may be required by law.

(4) Records Retention. All records pertaining to transactions involving sales, use, or rental tax liability shall be preserved for a period of not less than six (6) years from the date the related return was filed or longer if required under Title 40, Chapter 2A, Code of Ala. 1975, and the related regulations thereunder.

(5) Examination of Records. All of the foregoing records shall be made available for examination on request by the Department of Revenue or its authorized representatives in accordance with Title 40, Chapter 2A, Code of Ala. 1975, and the related regulations thereunder.

(6) Failure of the Taxpayer to Maintain and Disclose Complete and Adequate Records. Upon failure by the taxpayer, without reasonable cause, to substantially comply with the requirements of this regulation, the Department of Revenue in

accordance with Title 40, Chapter 2A, Code of Ala. 1975, and the related regulations thereunder shall:

(a) Impose and not abate or reduce in amount any penalty as may be authorized by law.

(b) Enter such other order as may be necessary to obtain compliance with this regulation in the future by any taxpayer found not to be in substantial compliance with the requirements of this regulation.

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Authority: §§40-2A-7(a)(5), 40-23-31, 40-23-83 Code of Ala. 1975.

History: Filed with LRS November 18, 1994.

Certification filed with LRS February 17, 1995; effective March 24, 1995.