

## New Tax Incentives Offered to Smaller Industrial Projects

Legislation passed during the 2001 Third Special Session recently opened the qualifying doors for smaller industries to receive income tax incentives comparable to those which had previously been offered to larger manufacturing projects.

The new law, Act 2001-965, effective Dec. 1, 2001, amended portions of Alabama's 1995 income tax capital credit law by lowering qualification thresholds for the amount of capital invested in a project and the number of employees hired at the new project.

Industries qualifying for Alabama's income tax capital credit incentive are allowed to take a five percent credit of the capital cost of the project each year for 20 years against their state income tax liability.

To qualify for the lower capital credit thresholds, the smaller project must locate in a defined area known as a "favored geographic area," and must meet certain North American Industrial Classification System (NAICS) code references. [Reference §40-18-190(7), *Code of Alabama 1975*.]

To qualify for the capital credit under the lower thresholds, the industry must invest at least \$500,000 in a project located within a favored geographic area and hire at least five new employees at the qualifying project. Other income tax capital credit requirements addressing the base wage and the type of business activity remain the same for all industrial projects, regardless of their size, including those located in the favored geographic areas. The base wage requirement is set at a minimum of \$8 per

hour, or an average total minimum compensation of \$10 per hour, including benefits.

A "favored geographic area" is defined as either a state enterprise zone or a "less developed county" as determined by the Alabama Department of Industrial Rela-

tions (DIR), using criteria set out in Act 2001-965. Alabama counties are ranked using factors such as population changes, per capita income, and employment to determine their qualification as a "less developed county."

*(Continued on Page 2)*

## Underwood Addresses AAAO

State Revenue Commissioner Cynthia Underwood was one of the keynote speakers at the annual Mid-winter Educational Conference of the Alabama Association of Assessing Officials. Held March 12-15 at Montgomery's Holiday Inn East, the conference seminars highlighted the topics of property appraisal, assessment evolution, GIS (Geographic Information Systems) technology, business and real personal property, tax land sales, and other assessment-related topics. Representatives from the Alabama Department of Revenue, the League of Municipalities, and the Montgomery County Appraisal Office were among those who addressed attendees.



Alabama Revenue Commissioner Cynthia Underwood explains the advantages of a Geographic Information System (GIS). Joining her on the dais are Debbie Richardson, President of the Alabama Association of Assessing Officials, and Tommie Miller, Chief Appraiser, Montgomery County.

## New Tax Incentives

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Although the 2002 ranking includes many counties that are generally considered Alabama's less developed, rural counties, Act 2001-965 provides that any area designated as an enterprise zone automatically qualifies as a favored geographic area.

Enterprise Zones were created during the 1980s to offer state and local tax incentives to industries locating in economically depressed areas. Twenty-five Alabama counties and three cities have enterprise zones. Those areas will not be affected by the annual ranking, as enterprise zones are designated by law.

The table shown right details those Alabama counties qualifying as favored geographic areas, effective Jan. 1, 2002.

## Bowden Reinstated As Revenue's Chief Counsel

State Revenue Commissioner Cynthia Underwood announces the reinstatement of Ron Bowden as chief counsel of the Alabama Department of Revenue, effective March 12, 2002.

As chief counsel, Bowden serves as primary legal advisor to the state revenue commissioner and oversees the Legal Division. He is also responsible for managing the department's litigation.

A 27-year career employee with the department, Bowden has served in the Legal Division since 1974. He served the department as chief counsel from December 1990 until June 1999. From July 1999 until July 2001, he served as assistant chief counsel and assistant director of the Legal Division.

Bowden received his Juris Doctor degree from the University of Alabama School of Law in May 1974, and has been a member of the Alabama State Bar Association since 1974.

"Ron's 27-year career with the department attests to years of exemplary service, and I am very proud to welcome him back to the post of chief counsel," said Commissioner Underwood.

Note that in some counties, the qualification is limited only to the area designated as an enterprise zone. Other counties meet both qualification criteria for favored geographic areas—they are "less developed" as determined by the DIR, and they also contain designated enterprise zones. An

asterisk denotes these counties.

The "less developed" condition allows broader access to the income tax capital credit because the entire county area qualifies; access to the credit is not limited only to the areas defined within the Enterprise Zones.

### Favored Geographic Areas For Alabama Income Tax Capital Credit Jan. 1, 2002, through Dec. 31, 2002 (Reference §40-18-190(5), Code of Alabama 1975)

County	Ranking	Area
Barbour	Enterprise Zone	Enterprise Zones only within county
Bullock*	56	Entire county
Butler*	61	Entire county
Cherokee	Enterprise Zone	Enterprise Zones only within county
Choctaw	54	Entire county
City of Birmingham	Enterprise Zone	Enterprise Zones only within city
City of Montgomery	Enterprise Zone	Enterprise Zones only within city
City of Prichard	Enterprise Zone	Enterprise Zones only within city
Clarke*	58	Entire county
Clay	Enterprise Zone	Enterprise Zones only within county
Conecuh	50	Entire county
Coosa	48	Entire county
Covington*	49	Entire county
Crenshaw	46	Entire county
Dallas*	61	Entire county
Escambia	Enterprise Zone	Enterprise Zones only within county
Etowah	Enterprise Zone	Enterprise Zones only within county
Geneva	47	Entire county
Greene	63	Entire county
Hale	52	Entire county
Jackson	Enterprise Zone	Enterprise Zones only within county
Lamar	60	Entire county
Lawrence	Enterprise Zone	Enterprise Zones only within county
Lowndes*	57	Entire county
Macon*	45	Entire county
Marion	53	Entire county
Mobile	Enterprise Zone	Enterprise Zones only within county
Monroe*	55	Entire county
Perry*	67	Entire county
Pickens*	64	Entire county
Pike	Enterprise Zone	Enterprise Zones only within county
Randolph	Enterprise Zone	Enterprise Zones only within county
Russell	Enterprise Zone	Enterprise Zones only within county
Sumter*	65	Entire county
Talladega	Enterprise Zone	Enterprise Zones only within county
Tallapoosa	Enterprise Zone	Enterprise Zones only within county
Washington	59	Entire county
Wilcox*	66	Entire county
Winston	51	Entire county

# Administrative Rules

## Effective Feb. 28, 2002:

### Amended:

810-5-41-.05 Salvage—Determining Fair Retail Values for Total Loss Vehicles

## Effective April 29, 2002:

### Adopted:

810-6-3-37-.02 Exemption from Lodgings Tax for Film Production Companies Approved by the Alabama Film Office  
810-6-3-.48.05 Exemption for Certain Purchases by Film Production Companies Approved by the Alabama Film Office

### Amended:

810-6-5-.13 Persons, Firms, and Corporations Subject to Lodgings Tax

### Repealed:

810-6-5-.06 Hotels, Lodging Houses, Apartment Houses, Tourist Camps  
810-6-5-.10 Lodgings Tax As It Applies to Accommodations Provided by Trailer Courts  
810-6-5-.12 Personal Property Used in Rooms or Other Lodgings  
810-6-5-.17 Rooms or Other Accommodations Furnished for Purpose Other Than Sleeping Quarters  
810-6-5-.20 Services Furnished in Rooms or Other Lodgings

## Effective May 24, 2002:

### Adopted:

810-6-5-.26.01 Mobile Communications Services Tax

### Amended:

810-6-5-.26 Utility Privilege or License Tax  
810-6-5-.26.05 Utility Gross Receipts Tax or Mobile Communications Services Tax Certificate of Exemption (Form STE-3)—Responsibilities of the Certificate Holder—Burden of Proof—Liability for Taxes Later Determined to Be Due

### Repealed:

810-6-5-.26.01 Cellular Telecommunication Services Tax

## Refund Checkoff Donations and Voluntary Contributions FY 2002

Below are totals for the first and second quarter FY 2002 donations from Alabama individual income tax returns designating checkoff amounts.

	1st Qtr	2nd Qtr
Alabama Aging Fund	\$ 459	\$ 225
Alabama Arts Development Fund	445	11,955
Alabama Nongame Wildlife Fund	597	5,111
Child Abuse Trust Fund	1,110	19,042
Alabama Veterans Program	963	6,998
Alabama Indian Children's Scholarship Fund	336	3,620
Penny Trust Fund	267	2,451
Foster Care Trust Fund	514	9,148
*Mental Health	586	6,041
Neighbors Helping Neighbors	525	5,989
<b>TOTAL</b>	<b>\$5,802</b>	<b>\$70,580</b>

\*Note the Mental Health Fund is not a refund checkoff donation. It is a voluntary contribution fund that is shown on the face on the Alabama return. Contributions to this fund increase an individual's tax liability amount.

## Statement of Gross Tax Collections

FYTD 2002 Through End of Second Quarter  
(January, February, March 2002)

	FYTD '01-'02	FYTD '00-'01	% Change
Business Privilege Tax	\$ 26,308,949.10	\$ 26,558,284.13	(0.94)
Gasoline	189,343,358.20	184,862,300.99	2.42
Income Tax (Corporate)	105,754,400.19	71,046,619.05	48.85
Income Tax (Ind.)	1,064,389,522.95	1,092,047,927.10	(2.53)
Motor Fuels (Diesel)	59,679,049.16	59,585,015.03	0.16
Oil & Gas Privilege	18,828,891.36	42,916,754.05	(56.13)
Oil & Gas Production	6,971,916.43	16,361,581.33	(57.39)
Sales	761,099,484.04	751,578,883.87	1.27
Use	95,649,860.94	99,769,033.95	(4.13)
Utility Gross Receipts	153,301,217.46	163,095,179.26	(6.01)
Subtotal (Listed Taxes)	2,481,326,649.83	2,507,821,578.76	(1.06)
Subtotal (Other Taxes)	300,344,040.71	285,894,463.55	5.05
<b>Total All Taxes</b>	<b>\$2,781,670,690.54</b>	<b>\$2,793,716,042.31</b>	<b>(0.43)</b>

## E-Filing Update

**T**ax season 2002 brings the 5th year for electronic filing of state individual income tax returns in Alabama. Although the majority of taxpayers still file using the traditional method of paper returns, the number of e-filers continues to climb each year. The state's taxpayers are realizing the advantages and conveniences of electronic filing, chief among these a faster turnaround time for refunds, less room for error, cost savings to the state.

The Alabama Department of Revenue began preparing for the advent of electronic filing in 1997 when it partnered with the Internal Revenue Service to launch a series of e-filing seminars for those tax practitioners authorized by the IRS as Electronic Return Originators (EROs).

The department received its first electronically-filed individual income tax return on Jan. 16, 1998. That year, 116,000 taxpay-

ers e-filed; 1999 saw 211,233 e-filers; 2000 saw 367,165 e-filers; 2001 saw 445,933 e-filers.

ADOR statistics through April 28, 2002, showed 538,955 state e-filers, with the numbers growing every day.

## Federal Depreciation Provisions within the Job Creation and Worker Assistance Act of 2002

**T**he Alabama Department of Revenue will follow the federal rules for computing the additional depreciation deduction provided under the recently-enacted Job Creation and Worker Assistance Act of 2002, according to State Revenue Commissioner Cynthia Underwood.

Alabama will allow the 30 percent bonus depreciation and the modified depreciation limits on certain types of

assets as outlined in the economic stimulus bill. **The assets must be acquired and placed in service after Sept. 10, 2001, and before Sept. 11, 2004.** In addition to the bonus depreciation, the taxpayer is also entitled to the regular first-year depreciation on the remaining value of the asset. The deduction will remain through 2004 unless new legislation is enacted by the legislature.

"The department wants to ensure that all affected taxpayers are aware of these changes," explained Underwood. "Additional information concerning other provisions of the Job Creation and Worker Assistance Act of 2002 and the effect on Alabama income tax law will be forthcoming. Notices and information bulletins will be posted on the department's Web site at [www.ador.state.al.us](http://www.ador.state.al.us)."

For more information concerning Alabama's individual and corporate income tax reporting and filing requirements, contact the department at (334) 242-1000 or visit the department's Web site at [www.ador.state.al.us](http://www.ador.state.al.us).

## IRS Interest Rate Remains at 6% for Quarter Beginning April 1, 2002

**T**he quarterly interest rate for the calendar quarter beginning April 1, 2002, will remain at six percent (6% a.p.r.) for underpayments, according to Internal Revenue Service News Release No. 2002-29.

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 (6%), with the exception of land sold by the state for taxes, which shall be calculated at 12% as provided for under §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
<b>1982</b>	20%	20%	20%	20%
<b>1983</b>	16%	16%	11%	11%
<b>1984</b>	11%	11%	11%	11%
<b>1985</b>	13%	13%	11%	11%
<b>1986</b>	10%	10%	9%	9%
<b>1987</b>	9%	9%	9%	10%
<b>1988</b>	11%	10%	10%	11%
<b>1989</b>	11%	12%	12%	11%
<b>1990</b>	11%	11%	11%	11%
<b>1991</b>	11%	10%	10%	10%
<b>1992</b>	9%	8%	8%	7%
<b>1993</b>	7%	7%	7%	7%
<b>1994</b>	7%	7%	8%	9%
<b>1995</b>	9%	10%	9%	9%
<b>1996</b>	9%	8%	9%	9%
<b>1997</b>	9%	9%	9%	9%
<b>1998</b>	9%	8%	8%	8%
<b>1999</b>	7%	8%	8%	8%
<b>2000</b>	8%	9%	9%	9%
<b>2001</b>	9%	8%	7%	7%
<b>2002</b>	6%	6%		

## REQUIRED MONTHLY RETURNS TAX ACTIVITY

- 10<sup>th</sup>**
- Medicaid-related tax return and payment due for nursing facilities.
  - Tobacco use tax return and payment due.
- 15<sup>th</sup>**
- 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.
- 20<sup>th</sup>**
- Aviation fuel tax return and payment due.
  - Cellular telecommunication services 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.
  - 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.
  - 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.
- 30<sup>th</sup>**
- Hazardous waste fee return and payment due.
- Last day of month
- State horse wagering fee return and payment due.

## QUARTERLY/ANNUAL TAX ACTIVITY

(June, July, August, September 2002)

### 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.

### August

- 15**
- Quarterly insurance premiums tax return and payment due.

### September

- 15**
- Third installment of estimated corporate income tax due (for calendar-year taxpayers.)
  - Third installment of estimated personal income tax due.
- 25**
- Hydroelectric gross receipts return and payment due.

January 18, 2002

# 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 399 projects creating approximately 46,476 jobs with a total of \$9,884,883,367 in total estimated capital costs for the capital credit. Of the 399 projects approved, 144 projects have filed reports of being placed in service with a total of \$4,219,060,654 in actual costs and at least 15,261 actual jobs created.

Since enactment, a total of \$14,305,969 in capital credits has been claimed. Currently, the department is holding several additional applications for the capital credit pending receipt of requested additional information.

## 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
<b>TOTAL</b>	<b>399</b>	<b>46,476</b>	<b>\$9,884,883,367</b>	<b>144</b>	<b>15,261</b>	<b>\$4,219,060,654</b>	<b>\$14,305,969</b>

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