

ALABAMA DEPARTMENT OF REVENUE - SALES AND USE TAX RULES
Code of Alabama 1975, Sections 40-23-31 and 40-23-83

810-6-4-.21. Reporting and Paying Sales or Sellers Use Tax on Collections of Accounts Receivable on the Seller's Books at the Time of a Rate Increase.

(1) The correct rate of tax due on credit sales made prior to the effective date of a rate increase is the old rate in effect prior to the rate change.

(2) Tax due on collections on credit sales subject to the old rate of tax may be reported and paid by the seller as follows. The seller shall make a written declaration of the amount of accounts receivable on the seller's books as of the close of business the day before the effective date of the rate increase. This letter of declaration should be attached to the seller's next tax return. The seller will then be allowed to report and pay tax on all collections on accounts receivable at the old rate until the declared balance is consumed. A copy of the declaration letter should be attached to each subsequent return on which the old rate is applied to collections on accounts receivable. The seller should note on the attached letter the unused balance carried forward from the previous tax reporting period, the amount of the balance being used on the current return, and the remaining unused balance carried forward to the return for the next tax reporting period. Once the declared balance is exhausted, all collections on credit sales must be reported and paid at the new rate.

(3) The declaration and computation of tax at the old rate only applies to collections on accounts receivable. All cash sales are subject to the new rate of tax as of the effective date of the rate increase and must be reported and paid at the new rate. Section 40-23-8, Code of Alabama 1975. (Adopted through APA effective December 6, 1990, amended October 20, 1998)