

Alabama Department of Revenue

News Release

Jan. 31, 2013

Alabama Tax Filing Tips for 2013

Montgomery—As W-2s, 1099s, and other financial statements are being distributed to taxpayers this month, the Alabama Department of Revenue offers the following tax-filing reminders and tips for the 2013 tax filing season.

What's New?

Free ADOR E-file Option

This year the Alabama Department of Revenue is offering a free electronic filing option to all Alabama taxpayers filing a state tax return. No income limitations or other qualifications must be met to take advantage of the department's free online filing system. See [e-Services](#) for more information.

Last year more than 1.3 million Alabamians electronically filed their tax returns. E-file is a safe, secure method of filing one's tax return and guarantees a quicker turnaround time on refund processing than traditional paper returns.

Alabama Tax Refund Card

This year the ADOR is introducing taxpayers to a new refund payment choice. Taxpayers, filing a refund return, can opt to receive their 2012 individual income tax refund in the form of a new refund debit card, the [Alabama Tax Refund Card](#). The Alabama Tax Refund Card is a prepaid VISA debit card and can be used just like cash at retail locations. Free teller-assisted cash withdrawals can be made at banks and credit unions that accept VISA.

To receive the card, taxpayers simply check the box on their 2012 Alabama tax return, indicating they wish to receive their refund in the form of a refund debit card. The Alabama Tax Refund Card is a safe and secure way for taxpayers to receive their 2012 Alabama refunds.

Alabama Gross Income Calculation

Resident individual taxpayers who are partners or members of a partnership, limited liability company or S-Corporation must include in calculations of their Alabama gross income their proportionate share of income from such entities, regardless of whether the income is earned within or outside of Alabama. Resident individuals are also allowed an income tax credit for a portion of the tax paid by the entity to another state (Reference: Act 2012-427).

New Irrigation Equipment/Reservoir Tax Credit

Alabama allows an income tax credit for the purchase and installation of irrigation equipment or for the purchase and installation of a qualified reservoir. The credit is equal to 20 percent of the cost of purchase and installation of the irrigation equipment or the qualified reservoir, but cannot exceed \$10,000. Taxpayers are allowed to claim a credit for either the irrigation equipment or reservoir, but not both. The credit is available for all tax years beginning after Dec. 31, 2011 (Reference: Act 2012-391).

Windstorm Catastrophe Savings Account Deduction

This is a new deduction available beginning with the 2012 tax year. Residential property owners may establish and designate a catastrophe savings account to provide for reimbursements for insurance deductible amounts and other uninsured losses. Taxpayers are allowed a limited deduction against the income earned on deposits into a catastrophe savings account. The deduction is limited, based on the taxpayer's insurance deductible (Reference Act 2012-413).

Heroes for Hire Credit

New for this tax year, the "Heroes for Hire Credit" provides an additional \$1,000 tax credit for job creation to employers who hire recently deployed, and now discharged, unemployed veterans. Additionally, any recently deployed, and now discharged, unemployed veteran who holds at least 50 percent interest in a start-up business is eligible for a one-time \$2,000 income tax credit for expenses associated with the start-up business (Reference Act 2012-168).

New Refund Donation Check-offs

Alabama taxpayers have two new refund donation check-offs from which to choose this year, bringing the total number of available refund donation check-offs on the 2012 return to nineteen. The Alabama Veterinary Medical Foundation Spay/Neuter Program provides assistance to low income Alabamians to spay or neuter their dog or cat. The second new check-off is the Alabama Association of Rescue Squads. This fund provides for training for member rescue squads and inspections to ensure that members' equipment and buildings meet standards (Reference: Act 2012-305 and Act 2012-543, respectively).

Alabama Injured Spouse Provisions

Legislation passed in 2012 allows Alabama's tax laws to follow federal law provisions in *Title 26 U.S.C. §6015* which address "injured spouse." A taxpayer requesting this relief must complete and attach [Alabama Form AL 8379, Injured Spouse Allocation](#) to his or her tax return. Previously, Alabama's tax laws recognized only "innocent spouse" relief (Reference: Act 2012-474).

Roth IRA Treated as Qualified Trust

Alabama's code section relating to qualified trusts was amended in 2012 to include ROTH IRAs as a qualified trust (Reference: Act 2012-381).

New Filing/Payment System for Alabama Withholding Tax

Effective July 1, 2013, business taxpayers must use My Alabama Taxes (MAT) to file and pay Alabama withholding taxes online. The department encourages all employers to register in MAT as soon as possible to allow time to become familiar with the new system.

Other Important Reminders

Homeowners Insurance Retrofitting Deduction

Homeowners who retrofit or upgrade their homes to make their residences more resistant to losses due to hurricane, tornado, or other natural disasters may claim an income tax deduction on their annual income tax returns. The deduction is limited to the lesser amount of either 50 percent of the retrofit cost or \$3,000. This deduction is available to taxpayers who itemize their deductions, as well as to those who claim the standard deduction.

Disaster Relief Payments

Alabama's tax treatment of disaster relief payments follows that of the Internal Revenue Service (IRS) treatment of qualified disaster relief payments under the Internal Revenue Code §139. Generally, such payments are not taxable as long as they are not payments received in lieu of income. *Note:* Unemployment compensation is not taxable for Alabama purposes.

Treatment of ROTH Individual Retirement Accounts

Alabama's tax treatment will follow the IRS Code provision that allows a 2010 rollover from a traditional Individual Retirement Account to a Roth Individual Retirement Account. Any gain will be equally distributed and reported over tax years 2011 and 2012.

Consumer Use Tax

Taxpayers who purchased items online or through catalog or telephone mail-order sales during 2012 and did not pay any sales or use tax to the out-of-state retailer should report and pay the Alabama consumer use tax due when filing their 2012 Alabama returns.

Tax Relief, Unemployment Insurance Reauthorization & Jobs Creation Act of 2010

Alabama will follow the increased deduction allowed under the federal Tax Relief, Unemployment Insurance Reauthorization and Jobs Creation Act of 2010, pertaining to Section 168(k) of the *Internal Revenue Code*. Section 168(k) provides that qualifying assets acquired after Sept. 8, 2010, through Dec. 31, 2011, will have a 100 percent bonus depreciation.

Small Business Jobs Act of 2010

Alabama follows the increased deductions allowed by the federal Small Business Jobs Act of 2010, which amended Section 179 and Section 168 of the *Internal Revenue Code*.

Small Business Health Insurance Premiums

Qualifying employers can deduct an additional 100 percent of the amount paid as health insurance premiums on qualifying employees in connection with an employer-provided health insurance plan. Qualifying employers have less than 25 employees. Qualified employees are Alabama residents who earn no more than \$50,000 of wages and report no more than \$75,000 in adjusted gross income. Income threshold is limited to \$150,000, if married filing jointly. Sole proprietors claim this deduction on the Form Schedule C under "other expenses." Pass-through-entities claim this deduction on the Alabama partnership return Schedule K. The amount is then distributed to the partners or shareholders on the Schedule K-1. More information on the Small Business Health Insurance Premiums deduction is available at www.revenue.alabama.gov. See [Current Issues](#) under the Practitioner's Corner. The Small Business Health Care deduction is available for all tax years after Dec. 31, 2010.

Reemployment Act of 2010 (effective for tax years 2011 and 2012)

The Reemployment Act of 2010 provides an income tax deduction to employers who hire individuals collecting unemployment or whose unemployment benefits have expired. Employers will receive an income tax deduction up to 50 percent of the gross wages paid to each individual hired from these categories who remains with the employer for 12 consecutive months. The deduction is limited, depending on the wage rates paid to employees. It is effective for tax years 2011 and 2012 for employees hired during 2010 and 2011, respectively.

Full Employment Act of 2011

The Full Employment Act of 2011 provides small business employers, having 50 or fewer employees, with a \$1,000 tax credit for each newly-created job, with a set hourly wage of \$10 or more. The credit is available to the employer after the employee has completed 12 months of consecutive employment in the new job. It is effective for tax years beginning after Jan. 1, 2011.

Review your return

Before mailing or electronically filing, be sure to review all the information on your return one more time. Errors will delay the processing of your return.

Where's My Refund?

If you file an accurate 2012 refund return, the ADOR advises that you can expect to have your refund approved by the ADOR and issued by the state within 15 weeks from the date the return is received.

To check on the processing status of your refund return, go to ["Where's My Refund"](http://www.revenue.alabama.gov) at www.revenue.alabama.gov or call the Refund Hotline at 1.800.558.3912. Please allow at least four weeks after you electronically file or mail your Alabama refund return before using the automated systems.

Last year the ADOR processed over 1.8 million individual income tax returns and approved over 1 million individual income tax refunds for issuance to taxpayers, totaling over \$519 million.

Direct Deposit

You can choose to receive your refund by the new Alabama Tax Refund Card, by check, or by direct deposit. Last year, approximately two-thirds of Alabama taxpayers opted to have their state income tax refunds direct-deposited into their bank accounts. Direct deposit is safe, secure, and provides taxpayers with quick access to their refunds. Be sure to check out the benefits of direct deposit.

Owe Additional Taxes?

The ADOR offers taxpayers a variety of electronic payment options—from E-check to credit card payment options. See "e-Services" at www.revenue.alabama.gov for more information.

Estimated Tax Reminder

April 15, 2013, also marks another important date on the tax calendar for individuals—the start of the 2013 tax-filing period for individuals who are required to file quarterly estimated income tax reports and payments. Self-employed individuals are required to report and pay estimated income tax on a quarterly basis, based on the current maximum individual rate of five percent. In addition, individuals who receive taxable income from income sources other than wages or salaries on which no tax has been withheld are also required to report and pay estimated tax on a quarterly basis, if the taxable income received exceeds certain amounts. The estimated tax filing and payment threshold for individuals is set at \$500 in tax liability annually. Examples of such taxable income would include interest income or capital gains distributions. The reporting and payment dates for individuals are April 15, June 15, Sept. 15, and Jan. 15 of the following year.

Choose Your Preparer Carefully

The ADOR cautions taxpayers to be wary of claims by preparers offering larger refunds than other preparers. Take time to check out the preparer's credentials. While most preparers provide excellent service to their clients, it is important to be aware that even if someone else prepares the return, the taxpayer is ultimately responsible for all of the information reported on his or her return. The department urges taxpayers to never sign a blank return and always review the return before signing it. Question any item shown on the return that you do not understand.

Protect Your Personal Information

Be on the alert for tax scams. During the tax-filing season, various tax scams are reported. If you receive an e-mail from someone claiming to represent the ADOR and seeking personal or financial information, do not reply. The Alabama Department of Revenue does not initiate taxpayer communications through e-mail.

Alabama Tax Assistance

The ADOR is committed to providing quality customer service to taxpayers. Assistance is available at taxpayers' convenience through the department's Web site at www.revenue.alabama.gov or by calling 334.242.1000. The ADOR also operates nine Taxpayer Service Centers located across the state for walk-in assistance. For a listing of ADOR Taxpayer Service Center locations, visit www.revenue.alabama.gov. See [About Us](#).

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