

Alabama Department of Revenue

News Release

Jan. 22, 2007

Ready for 2007?

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.

What's New?

Exemption of Death Benefits for Beneficiaries of Peace Officers or Firemen

Death benefits received by a beneficiary of a peace officer or fireman killed in the line of duty, or whose death results from a heart attack or stroke caused by participating in a non-routine, stressful activity, suffered either while on duty or within 24 hours of the activity, are exempt from Alabama income tax.

More Choices Available for Refund Donation Check-offs

Three new refund donation check-offs have been added to the Alabama return this year. They are the Alabama Organ Center Donor Awareness Fund, Alabama National Guard Foundation, Inc., and the Cancer Research Institute. Taxpayers will use a separate Alabama tax schedule to designate a portion or all of their Alabama refund to their favorite check-off, if they choose to do so.

Alabama Higher Education 529 Fund: Qualified withdrawals or distributions from the Alabama-sponsored qualified college savings program are now exempt from Alabama income tax.

2007 Withholding Tables

Recent changes in Alabama's income tax laws concerning dependent exemptions, standard deductions, and filing thresholds affect the amount of income tax withheld from an employee's wages or salaries beginning Jan. 1, 2007, but **do not** affect deductions or exemptions claimed on taxpayers' 2006 individual income tax returns filed this year. These changes will be reflected on the 2007 tax year return filed in 2008.

Important Reminders

GULF OPPORTUNITY ZONE ACT OF 2005 (GO Zone Act)

For individuals, Alabama tax law complies with the federal changes concerning:

- Bonus Depreciation
- Section 179 Expense Deduction
- Charitable Contribution 50% AGI Limitation
- Casualty Loss \$100 Floor and 10% AGI Floor
- Replacement Period for Involuntary Conversions
- Demolition and Cleanup Costs
- Environmental Remediation Costs

Alabama counties covered under the GO Zone Act include: Baldwin, Choctaw, Clarke, Greene, Hale, Marengo, Mobile, Pickens, Sumter, Tuscaloosa, and Washington.

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Federal Deduction for Educator Expenses: Alabama does **not** allow a state tax deduction for educators' qualified out-of-pocket expenses for books and classroom supplies.

Consumer Use Tax Reporting Line Item: Taxpayers who purchased items online or through catalog or mail-order or sales during 2006 and did not pay any sales or use tax to the out-of-state retailer are able to report and pay the Alabama consumer use tax due when filing their 2006 tax year returns.

April 16 Filing Date

Returns are due April 16 this year because the traditional deadline date of April 15 falls on a Sunday. The due date is automatically moved to the next business day—Monday, April 16, 2007.

Six-Month Extensions Available

Alabama taxpayers who find that they will not be able to meet the April 16 filing deadline date should file an Alabama Form 4868A, *Application for Extension*. The extension period is a single six-month period. Alabama extensions can be filed electronically through the department's Web site. Bulk filing is available for tax preparers.

FORM 40V—Payment Voucher

Taxpayers owing additional Alabama tax should complete a FORM 40V and include it along with their checks or money orders. (Taxpayers should not complete a FORM 40V if they pay their taxes by credit card.) Complete a FORM 40V for both paper-filed and electronically-filed returns. The Form 40V will be used by the department to identify the taxpayer's payment by check or money order, apply it, and match it to the taxpayer's return for processing.

Helpful Tips

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 file a blank return and always review the return before signing it. Question any item shown on the return that you do not understand.

E-file—It's easy, quick and guarantees a quicker refund.

Alabama's e-file program is underway. More than 1 million Alabamians electronically filed their tax returns last year. 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. Further, taxpayers who meet certain eligibility requirements may be able to e-file their state and federal returns free-of-charge. For more information concerning eligibility requirements and a listing of online service providers offering free filing programs, visit the department's Web site at www.revenue.alabama.gov or the I.R.S. site at www.irs.gov.

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Direct Deposit

Taxpayers due a refund may have their refunds direct deposited into their checking or savings accounts. Direct deposit is available to taxpayers filing refund electronic and computer-generated returns. Last year, 367,194 Alabama taxpayers opted to have their state income tax refunds direct-deposited into their accounts.

Owe Additional Taxes? Consider E-Check

Taxpayers owing additional taxes can pay their state taxes electronically by authorizing an electronic funds withdrawal from their checking or savings accounts. Electronic funds withdrawal is free, and the taxpayer decides when the tax payment is scheduled for withdrawal from his or her bank account by calling the state's service providers, Official Payments Corporation at 1-800-2PAY-TAX or Link2Gov at 1-866-9PAY-TAX or by registering online at www.revenue.alabama.gov. Click on the category entitled "Electronic Services" and follow the prompts related to individual payments. The E-Check payment option is available to both Alabama e-filers and paper-filers and provides taxpayers with the convenience of initiating their tax payments 24 hours a day, seven days a week. Taxpayers may also pay individual income tax invoices and assessments using the E-Check option.

Credit Card Payment Option

Alabama taxpayers can use their Discover/NOVUS, MasterCard, American Express, or VISA card to pay their taxes by making a toll-free phone call to the state's service providers, Official Payments Corporation, at 1-800-2PAY-TAX or Link2Gov at 1-866-9-PAY-TAX. Taxpayers can also pay by Internet, by logging onto www.officialpayments.com or www.ALTaxPayment.com. The credit card customer pays a convenience fee for using the credit card payment services. The state receives no part of the convenience fee.

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