

Alabama Department of Revenue

News Release
Jan.16, 2008

Ready for 2008?

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 updates and reminders.

What's New This Year?

Increased standard deduction

Alabama's standard deduction has been increased for some taxpayers up to a maximum of \$7,500, depending on the adjusted gross income and filing status of the taxpayer. The standard deduction remains at \$2,000 or \$4,000 for other taxpayers whose incomes exceed certain income thresholds.

Increased dependent exemption

Alabama's dependent exemption has been increased for some taxpayers up to a maximum of \$1,000 per dependent, depending upon the adjusted gross income of the taxpayer. The dependent exemption remains at \$300 per dependent for other taxpayers whose incomes exceed certain income thresholds.

Federal Changes Affecting Alabama Return

Small business expensing: Alabama will follow *Internal Revenue Code* Section 179 changes. The dollar and investment limitations for expensing were increased by federal law retroactively to Jan. 1, 2007, and were extended through 2010. (See 2007 Small Business Tax Act at www.irs.gov for more information.)

2005 Hurricane Victims: Alabama will follow federal provisions pertaining to 2005 Hurricane victims allowing an additional year to sell vacant land connected to principal residence. The IRS is extending for an additional year the time limit within which victims of Hurricanes Katrina, Rita, and Wilma have to sell vacant land that they had owned and used as part of their principal residence that was destroyed as a result of the hurricanes. (See IR-2007-134, *Victims of 2005 Hurricanes Get Additional year to Sell Vacant Land*, Issued July 31, 2007, for more information.)

Mortgage Forgiveness Debt Relief Act of 2007: Alabama Code Section 40-18-14(h) and (i) directly tie Alabama to *Internal Revenue Code* Sections 108 and 121. As a result, Alabama will follow *Internal Revenue Code* Section 108 and Section 121 changes. Taxpayers can exclude up to \$2 million of debt forgiven on their principal residence. The limit is \$1 million for a married person filing a separate return. This provision applies to debt forgiven in 2007, 2008 or 2009. Debt reduced through mortgage restructuring, as well as mortgage debt forgiven in connection with a foreclosure qualify for this relief. (See IRS FS-2008-1, January 2008, at www.irs.gov for more information.)

—MORE—

Ready for 2008?
Add One
Jan. 16, 2008

New Alabama Refund Donation Check-off

A new refund donation check-off, the Alabama Alternative Fuel Fund, has been added to the Alabama return this year. With the addition of the Alabama Alternative Fuel Fund the Alabama return now offers 16 refund donation check-offs to taxpayers. Taxpayers use a separate Alabama tax schedule, *Alabama Schedule DC*, to designate a portion or all of their Alabama refund to their favorite check-off, if they choose to do so.

Electronic Filing Now Includes Part-Year Residents

Taxpayers who moved to Alabama during 2007 may now electronically file their part-year resident returns. This is the first year the e-file option has been available to part-year residents.

Electronic Opt Out Form

The Electronic Opt Out (EOO) form is a new form requirement that applies to taxpayers whose returns are prepared by a paid preparer using electronic software to complete the return, but who chooses to file a paper return in place of an electronic return. The EOO form must be signed by the taxpayer and attached to the paper return when filed.

New Payment Option for E-filers

Taxpayers who electronically file their 2007 returns and owe additional tax can now pay their tax liability using their bank routing and account numbers on an e-filed return. (This payment feature is not available for 2D barcode paper returns or traditional paper-filed returns.)

Important Reminders

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.

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

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.

Ready for 2008?
Add Two
Jan. 16, 2008

Consumer Use Tax Reporting Line Item: Taxpayers who purchased items online or through catalog or mail-order or sales during 2007 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 2007 tax year returns. The consumer use tax line item was first offered on the 2000 Alabama return.

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.

FORM 40V—Payment Voucher

Taxpayers who pay additional tax due by check or money order 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 electronically or by credit card.) 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.

Six-Month Extensions Available

Alabama taxpayers who find that they will not be able to meet the April 15 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.

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, 427,117 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.

—MORE—

Ready for 2008?
Add Three
Jan. 16, 2008

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.

-30-

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