

== Alabama Department of Revenue ==

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Business Privilege and Corporate Shares Tax Law Amended

Montgomery, June 9, 2000--Legislation passed during the 2000 Regular Session amended portions of Alabama's Business Privilege and Corporate Shares Tax Law passed last November.

Key changes made by Act 2000-705 will:

■ **Clarify and expand election requirements for family limited liability entities.**

The new law requires an annual election on the part of a limited liability entity seeking to be taxed as a family limited liability entity. To qualify as a family limited liability entity, the entity must meet either a gross receipts test or an assets test set out in the law. The law also defines familial relationships as to who may be included as a family member for tax purposes.

■ **Allow taxpayers to elect either (1) market/current use or (2) book values in determining the corporate shares tax base for real property, but limit personal property to book value.**

■ **Set a minimum aggregate amount of business privilege tax and corporate shares tax to be paid by members of a financial institution group beginning on or after Jan. 1, 2000.** In computing the amount of tax due, financial institution groups will calculate the amount of tax due using the rates set out in the 1999 law applicable to financial institutions and calculate the amount of tax due using a graduated rate

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formula applicable to deposits. The new law provides that the financial institution group must pay the greater amount of tax that is produced by either method. The computation for the business privilege tax liability for financial institution groups will be calculated using the *Schedule G*, soon to be available on the department's Web site at www.ador.state.al.us.

The alternative minimum tax is a graduated tax and is based on the financial institution group's total deposits. For financial institutions with total deposits inside Alabama, within the financial institution group, as reported to the Federal Deposit Insurance Corporation (FDIC), Office of Thrift Supervision (OTS), or the National Credit Union Insurance Fund (NCUIF) as of June 30, 1999:

Institutions having total deposits of:	The tax rate is:
Less than \$1 billion	12.5 cents per \$1,000 of deposits
From \$1 billion to \$6 billion	17 cents per \$1,000 of deposits
More than \$6 billion	22.5 cents per \$1,000 of deposits.

The maximum privilege tax for any financial institution group is set at \$3 million.

- **Require that Business Privilege and Corporate Shares Tax returns of all members of an "affiliated financial institution group" be filed on or before July 10, 2000, for the tax year beginning on or after Jan. 1, 2000.** The new law requires an affiliated financial institution group to contain at least one financial institution subject to Alabama's financial institution excise tax as a member of its group. The new law also provides for an extension request to be used in acquiring additional time to pay any additional tax liability determined to be due under the new law. Note, however, for the extension request to be valid, the request must be filed on or before the due date of the return, July 10, 2000, and must be accompanied by 90 percent of the tax liability for the affiliated financial institution group. Sept. 15, 2000, is the extended due date for affiliated financial institution groups filing the Form PSA. Any corporate shares taxes and business privilege taxes paid by any member of the financial institution group before July 10, 2000, will be applied against the minimum tax amount determined to be due. For tax years beginning after Dec. 31, 2000, the tax returns for all members of a financial institution group will be due March 15, of the taxable year.

- **Require the Alabama Department of Revenue and the Alabama Secretary of State to establish regulations permitting a taxpayer's return preparer to sign the required returns and extension requests on the taxpayer's behalf.**

- **Amend an amortization deduction established in the 1999 business privilege tax and corporate shares tax law by limiting the amortization deductions to those items set out by Pronouncement 106 of the Financial Accounting Standards Board.**

For additional information concerning changes made in Alabama's Business Privilege and Corporate Shares Tax law, contact the Individual and Corporate Tax Division at (334) 353-7923 or visit the department's Web site at www.ador.state.al.us. Forms and schedules will be available via the Web site or at any of the department's ten taxpayer service centers located in Auburn/Opelika, Birmingham, Decatur, Dothan, Gadsden, Huntsville, Mobile, Montgomery, Muscle Shoals, or Tuscaloosa in the near future.

During July and August, the department will host free workshops in conjunction with the Alabama Chapter of the National Association of Tax Practitioners, chambers of commerce, and small business development centers in the Birmingham, Dothan, Tuscaloosa, Montgomery, Huntsville, and Mobile county areas to review changes in the Business Privilege and Corporate Shares Tax law. Watch for local announcements in your area.