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Reminder: Alabama Internet Retailers Should Collect Sales Tax on Retail Sales to Alabama Customers

Montgomery, Feb 1, 2000—The Alabama Department of Revenue reminds Alabama retailers that they are required to collect and report applicable state and local sales taxes on items sold to Alabama customers over their Internet retail Web sites, just as they normally collect and report tax on items or products sold through traditional Alabama retail outlets.

“The fact that Alabama retailers may be selling their products or items to Alabama customers over the Internet does not relieve them of their state tax collecting and reporting responsibilities. The federal 1998 Internet Tax Freedom Act does not exempt from state and local sales tax those items sold over the Internet by Alabama retailers to Alabama customers. It does not bar the state or local governments from imposing sales taxes on these online purchases,” explained State Revenue Commissioner George E. Mingledorff III.

The Internet Tax Freedom Act specifically provides for a three-year moratorium on taxing Internet access charges. Alabama does not tax Internet access charges. The federal law also prohibits double taxation and prohibits taxes which treat Internet sales transactions differently than other sales transactions. The Internet Tax Freedom Act also established an Advisory Commission on Electronic Commerce to study tax policy issues related to electronic commerce. The Advisory Commission is responsible for issuing a report to Congress in April 2000, recommending policies addressing electronic commerce and the electronic marketplace.

“Many of the issues surrounding Internet taxation are largely based on interstate commerce issues—issues involving sales made by out-of-state retailers to residents of another state.

“Sales by Alabama retailers to Alabama customers over the Internet are not interstate sales transactions. These sales transactions are subject to Alabama sales tax. The Alabama Internet

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retailer should collect and report tax on such sales just as the Alabama retailer would collect and report tax on items purchased by customers at the company's retail store," advised Mingledorff.

For additional information concerning Alabama sales tax reporting responsibilities, visit the department's Web site at www.ador.state.al.us or contact the Sales, Use, and Business Tax Division at (334) 242-1490.