

# Alabama Department of Revenue

## News Release

Nov. 4, 2011

### ADOR Announces Penalty Relief Available to Certain Taxpayers

Montgomery—The Alabama Department of Revenue announced that it would waive penalties for taxpayers whose 2011 estimated tax payments were insufficient due to the recent “gross income regulation” rule change.

The “gross income regulation” was an amendment to three income tax regulations that require Alabama resident taxpayers to include in their Alabama gross income their distributable share of partnership, limited liability company, and s-corporation income derived from both in-state and out-of-state activities.

Prior to the administrative rule change, the existing gross income tax regulation allowed residents to apportion income from partnerships, limited liability companies, and s-corporations, and exclude non-Alabama source income from the tax base. Because the administrative rule change became effective during the 2011 tax year, the ADOR is offering relief to affected taxpayers who, after filing their 2011 annual individual income tax return, are billed for underestimation tax penalties.

Generally, the underestimation tax penalty is applied if the amount a taxpayer owes is over \$500 and the taxpayer’s prepaid taxes do not equal at least 90 percent of the taxpayer’s current tax liability or 100 percent of the taxpayer’s prior-year tax.

Taxpayers affected by the gross income tax rule and who receive a penalty billing from the ADOR should contact the department’s Individual and Corporate Tax Division by telephone at 334.242.1011 or by email at [craig.davis@revenue.alabama.gov](mailto:craig.davis@revenue.alabama.gov).

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