Revenue Review

1st Quarter FY 2013 (October, November, December 2012)

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Magee Announces Senior Management Reorganization

Commissioner Julie P. Magee recently announced the appointment of Michael E. Mason to the post of assistant state revenue commissioner, effective Dec. 1, 2012, following the retirement of Ms. Cynthia Underwood on Nov. 30, 2012. Commissioner Magee also appointed Joe W. Garrett Jr., ADOR Tax Policy Administrator, to fill the post of deputy commissioner, vacated by Mason, December 1.

Commenting on the appointments, Commissioner Magee said, "I am confident in their leadership capabilities and know they will continue to lead the department in the utmost professional and progressive way."

Mason, a 38-year career employee, most recently served as deputy commissioner, prior to his appointment. Mason is a certified public accountant and holds a BS degree in accounting from the University of Alabama and a Master of Business Administration degree from Troy University. Most recently, he was named the 2012 recipient of the prestigious Wade Anderson Memorial Medal, awarded annually by the Multistate Tax Commission and the Federation of Tax Administrators. In 1999, he received the Outstanding Certified Public Accountant in Government Award by the Alabama Society of Certified Public Accountants.

Garrett began his career with the ADOR in 2002 as a legal and policy advisor to the commissioner of revenue. Prior to joining the department, Garrett was a manager with PricewaterhouseCoopers' state and local tax group in Atlanta, Ga., and served as a tax consultant. Garrett holds degrees from the University of Florida Levin College of Law, the University of Alabama School of Law, and Auburn University. He is a member of both the Georgia and Alabama bar associations and is a recognized speaker at state and national tax forums and conferences. In 2012, Garrett was named to the State and Local Taxation Technical Resource Panel (TRP) of the American Institute of Certified Public Accountants, marking a unique distinction for the ADOR in that Alabama is the only state from which a state government representative has been selected. Prior to Garrett's appointment, Assistant Commissioner Michael E. Mason served on the TRP for 10 years.

Commenting on the recent senior staff changes, Commissioner Magee said, "Ms.

Underwood Retires

Assistant Revenue Commissioner Cynthia Underwood retired Nov. 30, 2012, after a 30-year career in Revenue. A lovely reception for friends, family and co-workers was held in the Persons Cafeteria.

Rep. Thad McClammy presents Cynthia with a special Legislative Proclamation.

Assistant Revenue Commissioner Mike Mason (ctr) and Deputy Commissioners Joe Garrett and Curtis Stewart review proposed legislation for this year's Regular Session, which convened February 5.

Underwood's retirement brings to a close a very distinguished and accomplished career in state government. She will indeed be missed," said Magee. "I am confident that both Mr. Mason and Mr. Garrett will continue to lead the department with the same dedication to taxpayer service as Ms. Underwood and look for new opportunities to improve our service commitment to Alabama taxpayers," said Magee.

Effective Jan. 1, 2013, Magee named Curtis Stewart, former Tax Policy and Research Division director, to the post of deputy revenue commissioner. Commissioner Magee also appointed Mike Gamble, former Motor Vehicle Division assistant director, to fill the director post vacated by Stewart.

"Over the last year, we have worked to realign and reorganize the department into a more successive organization that will be better prepared to meet new operational and administrative responsibilities," said Magee. "I have every confidence in Mr. Stewart's and Mr. Gamble's leadership capabilities and know they will serve the department well."

Stewart joins Joe Garrett, ADOR deputy commissioner, as serving as one of the two deputy commissioners now heading the department's senior management team, along with Assistant Commissioner Michael E. Mason.

Stewart, a certified public accountant, brings to his new assignment 11 years of combined experience in the private sector as a sole practitioner in the Atlanta, Ga., area and as a former audit and tax manager with KPMG accounting firm. Stewart began his career with the ADOR in 1991, and since that time has held management positions within the department in various tax administration areas, including regulatory licenses, severance, tobacco, fuel, sales and use taxes. Mr. Stewart has served as director of the department's Tax Policy and Research Division since 2008.

Stewart, a native of Greenville, Ala., received a Bachelor of Science degree from the Commerce School of Washington and Lee University in Lexington, Va.

Mike Gamble, a certified public manager, began his career with the ADOR in 1992. Prior to his appointment as director of the Tax Policy and Research Division, Gamble served as assistant director of the department's Motor Vehicle Division. Most recently, he served as project manager for implementation of the department's electronic title application processing system, ETAPS, which significantly reduced the title issuance processing time from weeks to days. ETAPS is used statewide by 4,000 designated agents to process annually over 1.2 million applications for certificate of title.

Gamble, a native of Huntsville, Ala., received a Bachelor of Science degree in accounting from the Auburn University and a Master of Business Administration degree from Troy University.

Commenting on the recent senior staff changes, Commissioner Magee said, "Both Mr. Stewart and Mr. Gamble set high standards for taxpayer service, and I am confident they will look for new opportunities to improve our service commitments."

Tax Policy and Research Division Director Mike Gamble

What's New for 2013?

Free ADOR E-file Option

This year the Alabama Department of Revenue is offering a free electronic filing option to all Alabama taxpayers filing a state tax return. No income limitations or other qualifications must be met to take advantage of the department's free online filing system. See e-Services for more information.

Last year more than 1.3 million Alabamians electronically filed their tax returns. 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.

Alabama Tax Refund Card

This year the ADOR is introducing taxpayers to a new refund payment choice. Taxpayers, filing a refund return, can opt to receive their 2012 individual income tax refund in the form of a new refund debit card, the Alabama Tax Refund Card. The Alabama Tax Refund Card is a prepaid VISA debit card and can be used just like cash at retail locations. Free teller-assisted cash withdrawals can be made at banks and credit unions that accept VISA.

To receive the card, taxpayers simply check the box on their 2012 Alabama tax return, indicating they wish to receive their refund in the form of a refund debit card. The Alabama Tax Refund Card is a safe and secure way for taxpayers to receive their 2012 Alabama refunds.

Alabama Will Follow Federal Filing Relief Offered to Alabama Farmers and Fishermen

The Internal Revenue Service recently announced that it will issue guidance to provide relief from the federal estimated tax penalty for those farmers and fishermen who are unable to file and pay their 2012 federal taxes by the March 1 deadline, due to the delayed start of the tax filing season. (Reference "IRS Provides Penalty Relief to Farmers and Fisherman," IR-2013-7, issued Jan. 18, 2013.) Alabama will offer similar relief. Normally, farmers and fishermen who choose not to make Alabama quarterly estimated tax payments are not subject to an estimated tax penalty if they file their Alabama annual tax returns and pay the full amount of Alabama tax due by February 28 each year.

Alabama farmers and fishermen who miss the state February 28 deadline this year will not be subject to the Alabama estimated tax penalty if they file and pay by April 15, 2013. Alabama farmers and fishermen seeking this state relief should contact the Alabama Department of Revenue at 334.242.1000 or by email at Contact Us www.revenue.alabama.gov, if the underestimation penalty is applied.

Alabama Gross Income Calculation

Resident individual taxpayers who are partners or members of a partnership, limited liability company or S-Corporation must include in calculations of their Alabama gross income their proportionate share of income from such entities, regardless of whether the income is earned within or outside of Alabama. Resident individuals are also allowed an income tax credit for a portion of the tax paid by the entity to another state (Reference: Act 2012-427).

New Irrigation Equipment/Reservoir Tax Credit

Alabama allows an income tax credit for the purchase and installation of irrigation equipment or for the purchase and installation of a qualified reservoir. The credit is equal to 20 percent of the cost of purchase and installation of the irrigation equipment or the qualified reservoir, but cannot exceed $10,000. Taxpayers are allowed to claim a credit for either the irrigation equipment or reservoir, but not both. The credit is available for all tax years beginning after Dec. 31, 2011 (Reference: Act 2012-391).

Windstorm Catastrophe Savings Account Deduction

This is a new deduction available beginning with the 2012 tax year. Residential property owners may establish and designate a catastrophe savings account to provide for reimbursements for insurance deductible amounts and other uninsured losses. Taxpayers are allowed a limited deduction against the income earned on deposits into a catastrophe savings account. The deduction is limited, based on the taxpayer's insurance deductible (Reference Act 2012-413).

Heroes for Hire Credit

New for this tax year, the "Heroes for Hire Credit" provides an additional $1,000 tax credit for job creation to employers who hire recently deployed, and now discharged, unemployed veterans. Additionally, any recently deployed, and now discharged, unemployed veteran who holds at least 50 percent interest in a start-up business is eligible for a one-time $2,000 income tax credit for expenses associated with the start-up business (Reference Act 2012-168).

New Refund Donation Check-offs

Alabama taxpayers have two new refund donation check-offs from which to choose this year, bringing the total number of available refund donation check-offs on the 2012 return to nineteen. The Alabama Veterinary Medical Foundation Spay/Neuter Program provides assistance to low income Alabamians to spay or neuter their dog or cat. The second new check-off is the Alabama Association of Rescue Squads. This fund provides for training for member rescue squads and inspections to ensure that members' equipment and buildings meet standards (Reference: Act 2012-305 and Act 2012-543, respectively).

Alabama Injured Spouse Provisions

Legislation passed in 2012 allows Alabama's tax laws to follow federal law provisions in Title 26 U.S.C. §6015 which address "injured spouse." A taxpayer requesting this relief must complete and attach Alabama Form AL 8379, Injured Spouse Allocation to his or her tax return. Previously, Alabama's tax laws recognized only "innocent spouse" relief (Reference: Act 2012-474).

Roth IRA Treated as Qualified Trust

Alabama's code section relating to qualified trusts was amended in 2012 to include ROTH IRAs as a qualified trust (Reference: Act 2012-381).

New Filing/Payment System for Alabama Withholding Tax

Effective July 1, 2013, business taxpayers must use My Alabama Taxes (MAT) to file and pay Alabama withholding taxes online. The department encourages all employers to register in MAT as soon as possible to allow time to become familiar with the new system.

Other Important Reminders

Homeowners Insurance Retrofitting Deduction

Homeowners who retrofit or upgrade their homes to make their residences more resistant to losses due to hurricane, tornado, or other natural disasters may claim an income tax deduction on their annual income tax returns. The deduction is limited to the lesser amount of either 50 percent of the retrofit cost or $3,000. This deduction is available to taxpayers who itemize their deductions, as well as to those who claim the standard deduction.

Disaster Relief Payments

Alabama's tax treatment of disaster relief payments follows that of the Internal Revenue Service (IRS) treatment of qualified disaster relief payments under the Internal Revenue Code §139. Generally, such payments are not taxable as long as they are not payments received in lieu of income. Note: Unemployment compensation is not taxable for Alabama purposes.

Treatment of ROTH Individual Retirement Accounts

Alabama's tax treatment will follow the IRS Code provision that allows a 2010 rollover from a traditional Individual Retirement Account to a Roth Individual Retirement Account. Any gain will be equally distributed and reported over tax years 2011 and 2012.

Consumer Use Tax

Taxpayers who purchased items online or through catalog or telephone mail-order sales during 2012 and did not pay any sales or use tax to the out-of-state retailer should report and pay the Alabama consumer use tax due when filing their 2012 Alabama returns.

Tax Relief, Unemployment Insurance Reauthorization & Jobs Creation Act of 2010

Alabama will follow the increased deduction allowed under the federal Tax Relief, Unemployment Insurance Reauthorization and Jobs Creation Act of 2010, pertaining to Section 168(k) of the Internal Revenue Code. Section 168(k) provides that qualifying assets acquired after Sept. 8, 2010, through Dec. 31, 2011, will have a 100 percent bonus depreciation.

Small Business Jobs Act of 2010

Alabama follows the increased deductions allowed by the federal Small Business Jobs Act of 2010, which amended Section 179 and Section 168 of the Internal Revenue Code.

Small Business Health Insurance Premiums

Qualifying employers can deduct an additional 100 percent of the amount paid as health insurance premiums on qualifying employees in connection with an employer-provided health insurance plan. Qualifying employers have less than 25 employees. Qualified employees are residents who earn no more than $50,000 of wages and report no more than $75,000 in adjusted gross income. Income threshold is limited to $150,000, if married filing jointly. Sole proprietors claim this deduction on the Form Schedule C under "other expenses." Pass-through-entities claim this deduction on the partnership return Schedule K. The amount is then distributed to the partners or shareholders on the Schedule K-1. More information on the Small Business Health Insurance Premiums deduction is available at www.revenue.alabama.gov. See Current Issues under the Practitioner's Corner. The Small Business Health Care deduction is available for all tax years after Dec. 31, 2010.

Reemployment Act of 2010 (effective for tax years 2011 and 2012)

The Reemployment Act of 2010 provides an income tax deduction to employers who hire individuals collecting unemployment or whose unemployment benefits have expired. Employers will receive an income tax deduction up to 50 percent of the gross wages paid to each individual hired from these categories who remains with the employer for 12 consecutive months. The deduction is limited, depending on the wage rates paid to employees. It is effective for tax years 2011 and 2012 for employees hired during 2010 and 2011, respectively.

Full Employment Act of 2011

The Full Employment Act of 2011 provides small business employers, having 50 or fewer employees, with a $1,000 tax credit for each newly-created job, with a set hourly wage of $10 or more. The credit is available to the employer after the employee has completed 12 months of consecutive employment in the new job. It is effective for tax years beginning after Jan. 1, 2011.

Review your return

Before mailing or electronically filing, be sure to review all the information on your return one more time. Errors will delay the processing of your return.

Where's My Refund?

If you file an accurate 2012 refund return, the ADOR advises that you can expect to have your refund approved by the ADOR and issued by the state within 15 weeks from the date the return is received.

To check on the processing status of your refund return, go to "Where's My Refund" at www.revenue.alabama.gov or call the Refund Hotline at 1.800.558.3912. Please allow at least four weeks after you electronically file or mail your refund return before using the automated systems.

Last year the ADOR processed over 1.8 million individual income tax returns and approved over 1 million individual income tax refunds for issuance to taxpayers, totaling over $519 million.

Direct Deposit

You can choose to receive your refund by the new Alabama Tax Refund Card, by check, or by direct deposit. Last year, approximately two-thirds of Alabama taxpayers opted to have their state income tax refunds direct-deposited into their bank accounts. Direct deposit is safe, secure, and provides taxpayers with quick access to their refunds. Be sure to check out the benefits of direct deposit.

Owe Additional Taxes?

The ADOR offers taxpayers a variety of electronic payment options—from E-check to credit card payment options. See "e-Services" at www.revenue.alabama.gov for more information.

Estimated Tax Reminder

April 15, 2013, also marks another important date on the tax calendar for individuals—the start of the 2013 tax-filing period for individuals who are required to file quarterly estimated income tax reports and payments. Self-employed individuals are required to report and pay estimated income tax on a quarterly basis, based on the current maximum individual rate of five percent. In addition, individuals who receive taxable income from income sources other than wages or salaries on which no tax has been withheld are also required to report and pay estimated tax on a quarterly basis, if the taxable income received exceeds certain amounts. The estimated tax filing and payment threshold for individuals is set at $500 in tax liability annually. Examples of such taxable income would include interest income or capital gains distributions. The reporting and payment dates for individuals are April 15, June 15, Sept. 15, and Jan. 15 of the following year.

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.

Protect Your Personal Information

Be on the alert for tax scams. During the tax-filing season, various tax scams are reported. If you receive an e-mail from someone claiming to represent the ADOR and seeking personal or financial information, do not reply. The Alabama Department of Revenue does not initiate taxpayer communications through e-mail.

Alabama Tax Assistance

The ADOR is committed to providing quality customer service to taxpayers. Assistance is available at taxpayers' convenience through the department's Web site at www.revenue.alabama.gov or by calling 334.242.1000. The ADOR also operates nine Taxpayer Service Centers located across the state for walk-in assistance. For a listing of locations, visit www.revenue.alabama.gov. See About Us.

2013 Sales Tax Holiday for Severe Weather Preparedness Items Set Feb. 22 through Feb. 24

Alabama's second annual Severe Weather Preparedness Sales Tax Holiday will be held Friday, Feb. 22, 2013, through Sunday, Feb. 24, 2013.

Alabamians are encouraged to stock up on a variety of supplies for protecting their homes or businesses during Alabama's tornado and hurricane seasons.

A provision in the Severe Weather Preparedness Sales Tax Holiday law allows counties and municipalities to join the state by removing their own local sales and use taxes from the same items during the same weekend (Reference: Act 2012-256).

To allow retailers sufficient time to prepare for the upcoming sales tax holiday in February, local governments should notify the ADOR by Jan. 22, 2013, of their decision regarding their participation. The ADOR will use this information to compile a listing of all cities and counties participating in the 2013 Severe Weather Preparedness Tax Holiday. The city and county listing will be available at http://www.revenue.alabama.gov/salestax/WPSalesTaxHol.htm and provide guidance to both retailers and consumers.

The following list contains examples of items covered under the Severe Weather Preparedness holiday.

Items below that have a sales price of $60 or less per item

- Batteries: AAA-cell batteries, AA-cell batteries, C-cell batteries, D-cell batteries, 6-volt batteries, 9-volt batteries. (NOTE: coin batteries, automobile batteries, and boat batteries are not exempt.)
- Cellular phone battery
- Cellular phone charger
- Portable self-powered or battery-powered radio, two-way radio, weather-band radio or NOAA weather radio
- Portable self-powered light source, including battery-powered flashlights, lanterns, or emergency glow sticks
- Tarpaulin, plastic sheeting, plastic drop cloths, and other flexible, waterproof sheeting
- Ground anchor system, such as bungee cords or rope, or tie-down kits
- Duct tape
- Plywood, window film or other materials specifically designed to protect window coverings
- Non-electric food storage cooler or water storage container
- Non-electric can opener
- Artificial ice, blue ice, ice packs, reusable ice
- Self-contained first aid kit
- Fire extinguisher
- Smoke detector
- Carbon monoxide detector
- Gas or diesel fuel tank or container

Items below that have a sales price of $1,000 or less:

- Portable generators and power cords

For more information about Alabama's annual Sales Tax Holiday for Severe Weather Preparedness, visit ADOR's Website at www.revenue.alabama.gov.

Farmers' Fuel Tax Refund Deadline April 1

The Alabama Department of Revenue (ADOR) reminds Alabama farmers that April 1, 2013, is the deadline date for filing their 2012 state fuel tax refund claims with the ADOR.

Due to recent changes in Alabama's motor fuel tax law, the 2012 refund period covers fuel purchases made between Jan. 1, 2012, through Sept. 30, 2012. Effective Oct. 1, 2012, Alabama's motor fuel tax law no longer provides for this refund for fuel purchases made after Sept. 30, 2012 [Reference: Act 2011-565].

The 2012 refund claims are based on portions of the state excise tax paid by farmers on gasoline and "clear" motor fuel used in tractors or any auxiliary engines attached to tractors during 2012 for agricultural purposes. The refund rate is 11 cents per gallon for gasoline and "clear" motor fuel.

The refund provision also allows Alabama farmers transporting biomass to electricity-generating facilities to receive a fuel tax refund up to $1,000.

Farmers who have previously filed refund claims with the ADOR were mailed forms early this month. Any individual qualifying for a refund may obtain a claim form by writing to the following address: Alabama Department of Revenue, Business and License Tax Division, Motor Fuels Section, Post Office Box 327540, Montgomery, AL 36132-7540, or telephone (334) 242-9608.

For more information on the fuel tax refund, farmers may contact the department's Motor Fuels Section at (334) 242-9608, or email Bonita.Calhoun@revenue.alabama.gov.

ADOR Meetings and Seminars

One Spot Taxpayer Advisory Committee Meeting

A subcommittee of the One Spot Advisory Committee, the Taxpayer Advisory Committee, met Friday, Nov.1, 2012, in the ADOR Commissioner's Conference Room. Local members representing the cities and counties in Alabama listened as Commissioner Julie Magee began presiding over the assembly.

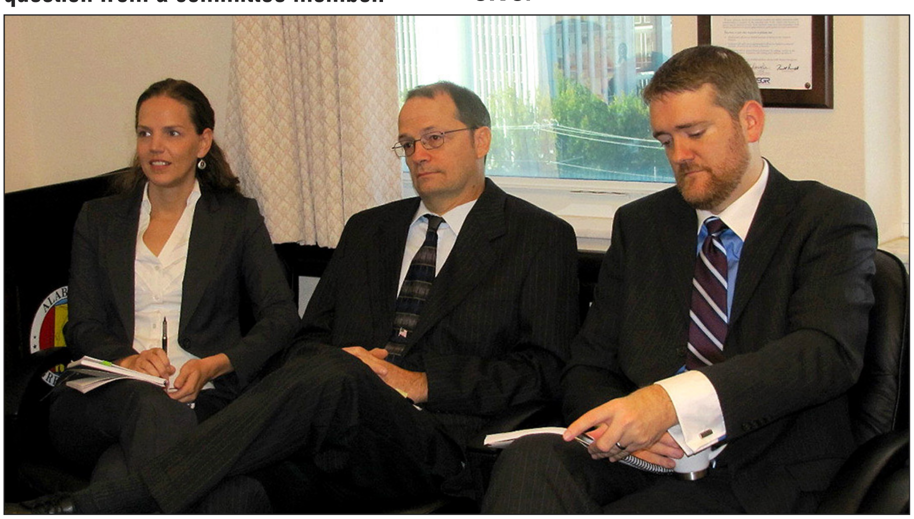
Commissioner Julie Magee responds to a question from a committee member.

ADOR Holds OIVS Training for Counties

Jay Starling and Sherry Helms held an informative seminar Tuesday, Dec. 4, 2012, for county officials who will be part of the state's new Online Insurance Verification System, in accordance with the Mandatory Liability Insurance Law, effective Jan. 1, 2013.

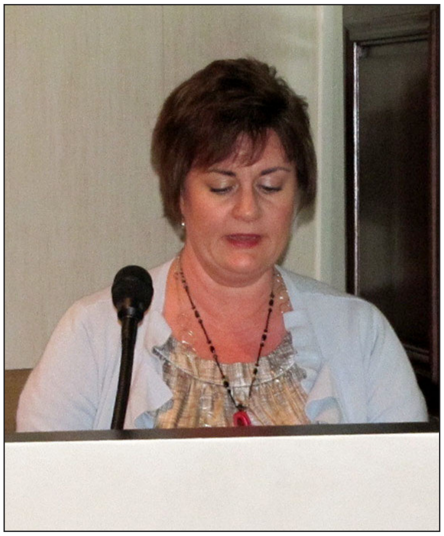
Visual displays, a walk-through of the liability insurance verification process, and a question-and-answer session proved helpful to the attendees, who asked pertinent questions relevant to the topics they will face in the registration process.

County personnel gather in the Persons Building Auditorium to learn more about OIVS.



Processing Division Assistant Director Don Graham (ctr) is joined by FAST Enterprises representatives Christina McIvor and Nathan Scafe.

Jay Starling outlines the OIVS process, step-by-step.



Sherry Helms prepares her notes to display, on screen, how each county employee will verify an applicant's insurance.

Collection Services Field Supervisors' Meeting

Field supervisors met in Montgomery recently for their annual meeting. Attending were (left to right) 1st row: Roxanne Moore (Jefferson/Shelby TPSC), Director Voncile Catledge, Assistant Director Joan Crumbley, Mike Kelly (Auburn TPSC), Louie Hughes (Tuscaloosa TPSC); back row: John Q. Davis (Montgomery TPSC), Dwight Bush (Gadsden TPSC), Field Coordinator Paul Harshman, Mark Flagge (Mobile TPSC), Mark Peterson (Muscle Shoals TPSC), Keith Crowley (Dothan TPSC).

Foreign Audit Specialists Attend Annual Meeting

The 2012 annual meeting of ADOR foreign Audit Specialists (FAS) included the following representatives: Seated: Shirley Aiken, Melissa Jones, Jackayla Baker, LaCynthia Holt, Adesha Tate, Kap White; standing: Lyvonda McKee, Harold Daniels, Dan Lawrence, Lyle Palmer, Mac Sadler, Barry King, Richard Friar, Dewey Staggs, John Dixon, Albert McDonald, Pat Estes, Pettus Strong, Kevin White, Audrey Jones. Not pictured: B K. Arora.

AG, REVENUE COMMISSIONER ANNOUNCE ARREST OF BIRMINGHAM WHOLESALERS FOR TOBACCO TAX EVASION AND CRIMINAL POSSESSION OF FORGED INSTRUMENTS

(MONTGOMERY)—Attorney General Luther Strange and Revenue Commissioner Julie P. Magee announced a 242-count indictment resulting in the arrests of two Birmingham business partners who own and operate a wholesale distribution company that supplies goods to retail convenience stores.

Farhad Jiwani, 57, and Allaudin Merchant, 65, have been arrested by the Jefferson County Sheriff's Office. Jiwani surrendered on December 21 and has been released on bond. Merchant surrendered Jan. 7, 2013.

Jiwani and Merchant are the vice president and president, respectively, and the owners of "Joey Enterprises, Inc." The company is located in Birmingham and does business as "Northstar Wholesale." In all, Jiwani and Merchant are accused of evading $1,050,244.74 in state tobacco taxes.

This is the second time in the past year that the Attorney General's Office has partnered with the Alabama Department of Revenue, a member of the Attorney General's Special Prosecution Alliance, to prosecute individuals for evading Alabama's tobacco taxes. On November 20, 2012 Shamim Ahmed Khan, also the operator of a wholesale distributer, pled guilty in Shelby County to criminal possession of a forged instrument in an attempt to evade state tobacco taxes. Khan was sentenced to 10 years, which was split for the defendant to serve six months imprisonment and five years probation. In addition, Khan was ordered to pay restitution to the State of Alabama for taxes owed plus interest and penalties, totaling $1,721,996.

In this case, Attorney General Strange's Office presented evidence to a Jefferson County grand jury on December 7, which resulted in Jiwani and Merchant's indictment.* Specifically, the indictment charges the two men with the following:

44 counts each (for a total of 88 counts) of willful tobacco tax evasion, in violation of Alabama Code Section 40-29-110, with each month of tax evasion constituting a separate count, beginning in January 2007 and continuing through August 2010; and

77 counts each (for a total of 144 counts) of second-degree possession of a forged instrument in violation of Section 13A-9-6, with separate counts for each commercial invoice presented to the Alabama Department of Revenue by the defendants.

If convicted, both men face up to five years imprisonment and fines of up to $100,000 for each of the 44 tax evasion counts, as well as a maximum of 10 years imprisonment and fines of up to $15,000 for each of the 77 class C felony counts of second-degree possession of a forged instrument. If found guilty, the men also could be subject to other financial penalties plus interest on the taxes evaded.

Attorney General Strange and Commissioner Magee commended those involved in this case, noting Deputy Attorney General Mike Duffy and Assistant Attorney General Pete Smyczek of the Attorney General's Special Prosecutions Division and Special Agent Jerome Dangerfield of the Alabama Department of Revenue's Investigations Division.

**An indictment is merely an accusation. The defendants are presumed innocent unless and until proven guilty.*

Reminder: Prescription Items for Animals Not Exempt from Tax

The Alabama Department of Revenue (ADOR) reminds business taxpayers that prescription veterinary items, as well as non-prescription veterinary items, are taxable sales under Alabama sales and use tax laws.

"Unlike prescription drugs sold for human consumption, there is no similar exemption for medications or drugs sold for animal consumption," said Joe Walls, ADOR Sales and Use Tax Division director. "Prescription items sold by licensed veterinarians, as well as prescription items sold by retail pharmacies, etc., for animal consumption are taxable."

"Reportedly, there has been some confusion regarding the taxability of veterinary prescription items sold by retail pharmacies, and we want to address that and offer any assistance that we can," said Walls. "While the majority of their prescription items and drug sales are exempt, those sold for animal consumption are not," reminded Walls.

Please note that this advisory does not address the exemption allowed for livestock, poultry, or fish raised in commercial or farming enterprises. Reference *Code of Alabama 1975* as amended, and view Section 40-23-4 Exemptions.

For more information, taxpayers should contact the Sales and Use Tax Division at 334.242.1490 or visit ADOR's website at www.revenue.alabama.gov.

Administrative Rules

Effective Nov. 27, 2012:

Adopted:

810-5-8-.09 Identification Numbers

Repealed:

810-5-75-.41 DEALER REQUIRED TO TITLE VEHICLE-Title Application Submitted to Department and is Returned to Dealer Because Transfer of Vehicle was not consummated.

Amended:

810-5-8-.08 Refunds of Mandatory Liability Insurance (MLI) Reinstatement Fees
810-5-1-.230 License Plates for Truck Tractors Limited to Travel within Fifteen Miles of its Domiciled Corporate Limits
810-5-1-.247 Vehicle Identification Number (VIN) Inspections
810-5-75-.27 Title Procedure-First Title for a Vehicle Reconstructed with a Glider Kit
810-5-75-.48 Defining "Junk," "Parts Only," and "Scrap" Vehicles and Requiring Notice
810-5-75-.68 Exemptions from Titling

Effective Dec. 24, 2012:

Adopted:

810-6-5-.36 Prepaid Wireless 9-1-1- Charge

Amended:

810-5-8-.04 Registration Denial—Mandatory Liability Insurance Law

Effective Jan. 2, 2013:

Adopted:

810-3-21-.03 Maximum Credit for Tax Paid Other Jurisdictions

Effective Jan. 11, 2013:

Adopted:

810-8-7-.02 Definitions
810-8-7-.04 Sales Subject to the Tax
810-8-7-.05 Producer's Responsibility to Collect and Remit the Tax
810-8-7-.06 Purchaser's Responsibility to Remit the Tax
810-8-7-.07 Application of the Tax
810-8-7-.08 Conversion of Cubic Yards to Tons

Effective Jan. 23, 2013:

Amended:

810-5-12-.05 Evidence of Liability Insurance for Licensed Motor Vehicle Dealers, Motor Vehicle Reconditioners, Motor Vehicle Rebuilders, and Motor Vehicle Wholesalers
810-6-3-.65 Sales Tax Holiday
810-6-3-.07.05 Charitable Organizations and Institutions

Montgomery TSC Moves to New Location

The Alabama Department of Revenue Montgomery Taxpayer Service Center, previously located at 1021 Madison Avenue, is now located at 2545 Taylor Road.

The telephone and fax numbers for the Montgomery Taxpayer Service Center, 334.242.2677 and 334.265.9887, respectively, have remained unchanged, along with the mailing address.

"We are very pleased with the accessibility our new office space offers to taxpayers in the central Alabama area," said State Revenue Commissioner Julie P. Magee. "Accessibility and taxpayer convenience are so important to our agency's service commitment," added Magee. "Our new office facility provides our taxpayers with both of these advantages."

The Montgomery Taxpayer Service Center serves area residents in Autauga, Bullock, Butler, Chilton, Crenshaw, Dallas, Elmore, Lowndes, Macon, Montgomery, and Pike counties. It is one of nine taxpayer service centers operated by the Alabama Department of Revenue.

As part of the department's continued effort to provide easier access and accommodations to Alabama taxpayers conducting business with the ADOR, the Motor Vehicle Division and several other offices within the ADOR which provide customer walk-in assistance, also relocated to the new Montgomery Taxpayer Service Center.

"These moves have allowed the department to consolidate all ADOR offices receiving high volumes of customer traffic and to relocate those offices to a much-needed convenient and accessible property location for our taxpayers. Prior to this consolidation effort, taxpayers conducting business with our agency have been required, in some instances, to visit several different offices within the ADOR, and in some cases, different buildings," said Magee. "The new taxpayer service center location also provides our customers with free, ample parking and easy interstate access—two important location considerations for all our taxpayers, but especially for trucking companies and their drivers, conducting business with the department," added Magee.

Business hours for the new Montgomery Taxpayer Service Center are 8:00 a.m. through 5:00 p.m., Monday through Friday.

DOJ NEWS

October 18, 2012

FAMILY MEMBERS IN ALABAMA PLEAD GUILTY IN MILLION DOLLAR STOLEN IDENTITY REFUND FRAUD SCHEME

WASHINGTON – Several family members, all residents of Montgomery, Ala., pleaded guilty in the Middle District of Alabama to their involvement in a million dollar stolen identity refund fraud scheme, according to the Department of Justice and the Internal Revenue Service.

Veronica Temple and Yolanda Moses both pleaded guilty to one count of conspiracy to defraud the United States, one count of theft of public funds and one count of aggravated identity theft. Barbara Murry pleaded guilty to one count of conspiracy to defraud the United States and one count of aggravated identity theft. Douglas Murry pleaded guilty to one count of conspiracy to defraud the United States and one count of aggravated identity theft. Lee Moses and Jeffrey Temple both pleaded guilty to one count of filing a false tax return. Veronica Temple and Yolanda Moses are scheduled to be sentenced on Feb. 6, 2013. Sentencing dates for the other defendants have not been scheduled.

"The Tax Division is committed to prosecuting those who steal the personal identities of American taxpayers to commit tax refund fraud," said Assistant Attorney General for the Justice Department's Tax Division Kathryn Keneally. "We continue to work closely with the IRS to protect the public from these criminals."

"Honest and law abiding citizens are frustrated by those who use deceit and fraud to line their pockets with other people's money as well as skirt their own tax obligations," said Richard Weber, Chief, IRS-Criminal Investigation. "The U.S. government and the people of the United States will not tolerate the misuse of our nation's tax system to facilitate identity theft. IRS-Criminal Investigation will use every means available to investigate and bring to justice those who engage in the illegal use of other taxpayer's information."

On April 25, 2012, Barbara Murry, Douglas Murry, Yolanda Moses, Lee Moses, Veronica Temple, Jeffrey Temple and others were charged in a 33-count indictment by a federal grand jury on a variety of counts stemming from a stolen identity refund fraud scheme. According to court documents, all of the defendants are family members. Barbara Murry owned and operated B & B Weaving Shop, located in Montgomery. B & B Weaving Shop was located in the same building as B & B Tax Service. Barbara Murry's daughter, Yolanda Moses, owned and operated B & B Tax Service.

The indictment alleges that Veronica Temple and her sister, Yolanda Moses, obtained stolen identities from multiple sources. Veronica Temple, Yolanda Moses and others filed false tax returns from B & B Tax Service and from their homes and directed the tax refunds from these returns to be deposited into over ten different bank accounts that were controlled by the defendants and their co-conspirators. Veronica Temple, Yolanda Moses and Barbara Murry recruited individuals in order to have false tax refunds deposited into their bank accounts, including Douglas Murry. Between January 2006 and April 2012, the defendants and their co-conspirators directed over 700 false tax refunds claiming in excess of $1.3 million to several bank accounts controlled by the defendants and their co-conspirators.

This case was investigated by Special Agents of the IRS - Criminal Investigation. Trial Attorneys Jason H. Poole and Michael Boteler of the Justice Department's Tax Division and Assistant United States Attorney Jared Morris are prosecuting this case.

Additional information about the Tax Division and its enforcement efforts may be found at www.justice.gov/tax.

October 24, 2012

ALABAMA WOMAN SENTENCED TO PRISON FOR USING STOLEN IDENTITIES TO OBTAIN TAX REFUNDS

WASHINGTON – Jacqueline Slaton was sentenced to 70 months in prison and order to pay restitution of over $100,000 for her involvement in stolen identity refund fraud scheme, according to the Justice Department and the Internal Revenue Service.

According to court documents, in 2012, Slaton was in the midst of filing false tax returns using stolen identities when IRS special agents executed a search warrant and ended her operation. At the time, Slaton had access to hundreds of stolen identities.

According to the plea agreement, between December 2011 and March 2012, Slaton filed at least 102 fraudulent federal income tax returns using stolen identities. She also filed 102 fraudulent Alabama state tax returns. The total federal and state tax refunds requested was $154,904. Slaton had the tax refunds directed to prepaid debit cards and had the cards mailed to various addresses on a U.S. carrier's route. A postal employee agreed to collect the prepaid debit cards for a fee.

"The Justice Department remains committed to investigating and prosecuting tax fraud perpetrated by identity thieves," said Assistant Attorney General for the Justice Department's Tax Division Kathryn Keneally. "The lengthy prison sentences handed down by this court, in this and other cases, show that criminals will pay a high price for committing stolen identity refund fraud."

"Be assured that IRS has made an unwavering commitment to the pursuit of identity theft," stated Richard Weber, Chief, IRS Criminal Investigation. "Identity theft is not a victimless crime. Identity theft is a contemptible crime that victimizes honest taxpayers and causes immense hardship. IRS Criminal Investigation works in concert with our partners at the U.S. Attorney's Office and together we will hold those who engage in similar conduct accountable."

Assistant Attorney General Keneally and George L. Beck Jr., U.S. Attorney for the Middle District of Alabama, commended the efforts of special agents of IRS - Criminal Investigation, who investigated the case, and Tax Division Trial Attorneys Jason H. Poole and Michael Boteler and Assistant U.S. Attorney Todd Brown, who prosecuted the case.

Additional information about the Tax Division and its enforcement efforts may be found at www.justice.gov/tax.

October 31, 2012

Alabama Woman Pleads Guilty to a Sophisticated Million Dollar Identity Theft Scheme

Defendant Also Pleads Guilty in a Separate Case for Filing False Returns for Clients

Antoinette Djonret pleaded guilty in two cases: one involving the filing of more than a million dollars' worth of false tax returns using stolen identities and the other case involving the filing of false tax returns for clients, according to the Justice Department and the Internal Revenue Service.

On Aug. 9, 2012, a federal grand jury in Montgomery, Ala., returned a superseding indictment charging Djonret and five others for conspiring to file false tax returns using stolen identities and various other charges. Djonret had earlier been charged with making false claims in a criminal complaint that was filed on Feb. 22, 2012, and in an indictment that was filed on March 28, 2012. Djonret pleaded guilty in this case to one count of conspiring to file false tax returns and one count of aggravated identity theft.

"The Justice Department will not tolerate criminals stealing people's identities and robbing the public fisc," said Kathryn Keneally, Assistant Attorney General for the Justice Department's Tax Division. "We will prosecute and seek just punishment against those who commit stolen identity refund fraud."

"Identity theft causes victims great harm," stated George L. Beck, U.S. Attorney for the Middle District of Alabama. "It victimizes honest taxpayers and causes them an enormous amount of hardship. We will continue to work tirelessly to rid our citizens of this horrible crime."

According to the court documents, between October 2009 and April 2012, Djonret and her co-conspirators filed more than 1,000 false tax returns that claimed more than $1.7 million in fraudulent tax refunds. Djonret obtained stolen identities from multiple sources, including Alabama state databases. She and her co-conspirators filed most of the tax returns from her residence in Montgomery. They used an elaborate network of individuals to launder the tax refunds and recruited individuals to purchase prepaid debit cards to which the fraudulent tax refunds were directed. Djonret and her co-conspirators would then use the prepaid debit cards to obtain the proceeds.

In March 2012, the owner of a Montgomery tax preparation business and five return preparers, one of whom was Djonret, were charged with conspiring to defraud the United States and aiding in the filing of false tax returns. According to court documents, in 2007 and 2008, Djonret was employed as a tax preparer at Premier Tax in Montgomery. Djonret received instructions on how to file false tax returns and admitted to filing false tax returns for real clients. She pleaded guilty to one count of aiding and abetting the presentation of a false tax return in relation to this case.

Sentencing has been scheduled for Feb. 6, 2013. Djonret faces between two and 15 years in prison, three years of supervised release, restitution and a maximum fine of $750,000, or twice the loss caused by the offense.

Kathryn Keneally, Assistant Attorney General for the Justice Department's Tax Division, and U.S. Attorney George L. Beck, Jr. commended the efforts of special agents of IRS – Criminal Investigation, who investigated the case, and Tax Division Trial Attorneys Jason H. Poole, Justin Gelfand and Michael Boteler, and Assistant U.S. Attorney Jared Morris, who are prosecuting the case.

Additional information about the Tax Division and its enforcement efforts may be found at www.justice.gov/tax.

November 2, 2012

Owner of Tax Preparation Firm Operating in Alabama and Georgia Pleads Guilty to Fraud and Filing False Returns

Nine Defendants Convicted for Crimes Committed at Premier Tax

Bruce King, the owner and operator of Premier Tax, pleaded guilty in federal court to charges of conspiring to defraud the United States and filing false tax returns, according to the Justice Department and the Internal Revenue Service. Additionally, Vonecia Orum, a return preparer who worked at Premier Tax, pleaded guilty to delivering false tax returns to the IRS.

With the guilty pleas of King and Orum, a total of nine people associated with Premier Tax have now been convicted of crimes. Six were named in a 28-count indictment that was returned on March 28, 2012. These six were King and Orum, as well as Antoinette Djonret, Nakesha Donaldson, Angela Smith and Jenika Williams, all of whom had previously pleaded guilty. In July and August of 2011, three other defendants – Tonja Toney, Kimberly Womack and Kina Lane – pleaded guilty to criminal informations charging them with filing false tax returns.

According to court documents, **Premier Tax was a tax preparation business operated by King that had several locations in Alabama and in Georgia.** King held training sessions in which he taught preparers how to falsify tax returns in order to fraudulently increase clients' tax refunds. Those he taught went on to work at Premier Tax and filed numerous false tax returns. According to court documents, the tax loss caused by these fraudulent returns exceeded $1 million.

Court records also indicated that in addition to falsifying tax returns , some preparers working at Premier Tax also used false dependents on tax returns – they would use people's personal identifying information, without their consent, as dependents on clients' tax returns. Four of the defendants—Djonret, Donaldson, Smith, and Williams—were involved in this aspect of Premier Tax and they pleaded guilty to charges of aggravated identity theft, in addition to charges of conspiracy to defraud the United States or filing false tax returns.

This case was investigated by Special Agents of the IRS - Criminal Investigation. Trial attorneys Jason Poole and Justin Gelfand of the Justice Department's Tax Division and Assistant U.S. Attorney Jared Morris of the Middle District of Alabama are prosecuting this case.

IRS News

Issue Number: IR-2012-77

October 18, 2012

IRS Announces 2013 Pension Plan Limitations; Taxpayers May Contribute up to $17,500 to their 401(k) plans in 2013

WASHINGTON — The Internal Revenue Service announced cost of living adjustments affecting dollar limitations for pension plans and other retirement-related items for Tax Year 2013. In general, many of the pension plan limitations will change for 2013 because the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. However, other limitations will remain unchanged because the increase in the index did not meet the statutory thresholds that trigger their adjustment. Highlights include:

- The elective deferral (contribution) limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased from $17,000 to $17,500.
- The catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan remains unchanged at $5,500.
- The deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are covered by a workplace retirement plan and have modified adjusted gross incomes (AGI) between $59,000 and $69,000, up from $58,000 and $68,000 in 2012. For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range is $95,000 to $115,000, up from $92,000 to $112,000. For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between $178,000 and $188,000, up from $173,000 and $183,000.
- The AGI phase-out range for taxpayers making contributions to a Roth IRA is $178,000 to $188,000 for married couples filing jointly, up from $173,000 to $183,000 in 2012. For singles and heads of household, the income phase-out range is $112,000 to $127,000, up from $110,000 to $125,000. For a married individual filing a separate return who is covered by a retirement plan at work, the phase-out range remains $0 to $10,000.
- The AGI limit for the saver's credit (also known as the retirement savings contribution credit) for low- and moderate-income workers is $59,000 for married couples filing jointly, up from $57,500 in 2012; $44,250 for heads of household, up from $43,125; and $29,500 for married individuals filing separately and for singles, up from $28,750.

Below are details on both the unchanged and adjusted limitations.

Section 415 of the Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans. Section 415(d) requires that the Commissioner annually adjust these limits for cost of living increases. Other limitations applicable to deferred compensation plans are also affected by these adjustments under Section 415. Under Section 415(d), the adjustments are to be made pursuant to adjustment procedures which are similar to those used to adjust benefit amounts under Section 215(i)(2)(A) of the Social Security Act.

The limitations that are adjusted by reference to Section 415(d) generally will change for 2013 because the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. For example, the limitation under Section 402(g)(1) on the exclusion for elective deferrals described in Section 402(g)(3) is increased from $17,000 to $17,500 for 2013. This limitation affects elective deferrals to Section 401(k) plans, Section 403(b) plans, and the Federal Government's Thrift Savings Plan.

Effective January 1, 2013, the limitation on the annual benefit under a defined benefit plan under Section 415(b)(1)(A) is increased from $200,000 to $205,000. For a participant who separated from service before January 1, 2013, the limitation for defined benefit plans under Section 415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 2012, by 1.0170.

The limitation for defined contribution plans under Section 415(c)(1)(A) is increased in 2013 from $50,000 to $51,000.

The Code provides that various other dollar amounts are to be adjusted at the same time and in the same manner as the dollar limitation of Section 415(b)(1)(A). After taking into account the applicable rounding rules, the amounts for 2013 are as follows:

The limitation under Section 402(g)(1) on the exclusion for elective deferrals described in Section 402(g)(3) is increased from $17,000 to $17,500.

The annual compensation limit under

Sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) is increased from $250,000 to $255,000.

The dollar limitation under Section 416(i)(1)(A)(i) concerning the definition of key employee in a top-heavy plan remains unchanged at $165,000.

The dollar amount under Section 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5 year distribution period is increased from $1,015,000 to $1,035,000, while the dollar amount used to determine the lengthening of the 5 year distribution period is increased from $200,000 to $205,000.

The limitation used in the definition of highly compensated employee under Section 414(q)(1)(B) remains unchanged at $115,000.

The dollar limitation under Section 414(v)(2)(B)(i) for catch-up contributions to an applicable employer plan other than a plan described in Section 401(k)(11) or Section 408(p) for individuals aged 50 or over remains unchanged at $5,500. The dollar limitation under Section 414(v)(2)(B)(ii) for catch-up contributions to an applicable employer plan described in Section 401(k)(11) or Section 408(p) for individuals aged 50 or over remains unchanged at $2,500.

The annual compensation limitation under Section 401(a)(17) for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost of living adjustments to the compensation limitation under the plan under Section 401(a)(17) to be taken into account, is increased from $375,000 to $380,000.

The compensation amount under Section 408(k)(2)(C) regarding simplified employee pensions (SEPs) remains unchanged at $550.

The limitation under Section 408(p)(2)(E) regarding SIMPLE retirement accounts is increased from $11,500 to $12,000.

The limitation on deferrals under Section 457(e)(15) concerning deferred compensation plans of state and local governments and tax-exempt organizations is increased from $17,000 to $17,500.

The compensation amount under Section 1.61 21(f)(5)(i) of the Income Tax Regulations concerning the definition of "control employee" for fringe benefit valuation purposes remains unchanged at $100,000. The compensation amount under Section 1.61 21(f)(5)(iii) remains unchanged at $205,000.

The Code also provides that several pension-related amounts are to be adjusted using the cost-of-living adjustment under Section 1(f)(3). After taking the applicable rounding rules into account, the amounts for 2013 are as follows:

The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for married taxpayers filing a joint return is increased from $34,500 to $35,500; the limitation under Section 25B(b)(1)(B) is increased from $37,500 to $38,500; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D), is increased from $57,500 to $59,000.

The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for taxpayers filing as head of household is increased from $25,875 to $26,625; the limitation under Section 25B(b)(1)(B) is increased from $28,125 to $28,875; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D), is increased from $43,125 to $44,250.

The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for all other taxpayers is increased from $17,250 to $17,750; the limitation under Section 25B(b)(1)(B) is increased from $18,750 to $19,250; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D), is increased from $28,750 to $29,500.

The deductible amount under Section 219(b)(5)(A) for an individual making qualified retirement contributions is increased from $5,000 to $5,500.

The applicable dollar amount under Section 219(g)(3)(B)(i) for determining the deductible amount of an IRA contribution for taxpayers who are active participants filing a joint return or as a qualifying widow(er) is increased from $92,000 to $95,000. The applicable dollar amount under Section 219(g)(3)(B)(ii) for all other taxpayers (other than married taxpayers filing separate returns) is increased from $58,000 to $59,000. The applicable dollar amount under Section 219(g)(7)(A) for a taxpayer who is not an active participant but whose spouse is an active participant is increased from $173,000 to $178,000.

The adjusted gross income limitation under Section 408A(c)(3)(B)(ii)(I) for determining the maximum Roth IRA contribution for married taxpayers filing a joint return or for taxpayers filing as a qualifying widow(er) is increased from $173,000 to $178,000. The adjusted gross income limitation under Section 408A(c)(3)(B)(ii)(II) for all other taxpayers (other than married taxpayers filing separate returns) is increased from $110,000 to $112,000.

The dollar amount under Section 430(c)(7)(D)(i)(II) used to determine excess employee compensation with respect to a single-employer defined benefit pension plan for which the special election under Section 430(c)(2)(D) has been made is increased from $1,039,000 to $1,066,000.

Issue Number: IR-2012-78

October 18, 2012

In 2013, Various Tax Benefits Increase Due to Inflation Adjustments

WASHINGTON — For tax year 2013, the Internal Revenue Service announced annual inflation adjustments for more than two dozen tax provisions.

- The annual exclusion for gifts rises to $14,000 for 2013, up from $13,000 for 2012.
- The amount used to reduce the net unearned income reported on a child's tax return subject to the "kiddie tax," is $1,000, up from $950 for 2012.
- The foreign earned income exclusion rises to $97,600, up from $95,100 in

2012.

Details on these inflation adjustments and others such as the low-income housing credit, the dollar limits for high-deductible health plans and other amounts can be found in

Revenue Procedure 2012-41, which will be published in Internal Revenue Bulletin 2012-45 on Nov. 5, 2012.

Issue Number: Corrected Special Edition Tax Tip 2012-13

October 25, 2012

Don't Fall for Phony IRS Websites

The Internal Revenue Service is issuing a warning about a new tax scam that uses a website that mimics the IRS e-Services online registration page.

The actual IRS e-Services page offers web-based products for tax preparers, not the general public. The phony web page looks almost identical to the real one.

The IRS gets many reports of fake websites like this. Criminals use these sites to lure people into providing personal and financial information that may be used to steal the victim's money or identity.

The address of the official IRS website is www.irs.gov. Don't be misled by sites claiming to be the IRS but ending in .com, .net, .org or other designations instead of .gov.

If you find a suspicious website that claims to be the IRS, send the site's URL by email to phishing@irs.gov. Use the subject line, 'Suspicious website'.

Be aware that the IRS does not initiate contact with taxpayers by email to request personal or financial information. This includes any type of electronic communication, such as text messages and social media channels.

If you get an unsolicited email that appears to be from the IRS, report it by sending it to phishing@irs.gov.

The IRS has information at www.irs.gov that can help you protect yourself from tax scams of all kinds. Search the site using the term "phishing."

Issue Number: IR-2012-95

Nov. 21, 2012

2013 Standard Mileage Rates Up 1 Cent per Mile for Business, Medical and Moving

WASHINGTON — The Internal Revenue Service issued the 2013 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on Jan. 1, 2013, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 56.5 cents per mile for business miles driven
- 24 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

The rate for business miles driven during 2013 increases 1 cent from the 2012 rate. The medical and moving rate is also up 1 cent per mile from the 2012 rate.

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on the variable costs.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after claiming a Section 179 deduction for that vehicle. In addition, the business standard mileage rate cannot be used for more than four vehicles used simultaneously.

These and other requirements for a taxpayer to use a standard mileage rate to calculate the amount of a deductible business, moving, medical, or charitable expense are in Rev. Proc. 2010-51. Notice 2012-72 contains the standard mileage rates, the amount a taxpayer must use in calculating reductions to basis for depreciation taken under the business standard mileage rate, and the maximum standard automobile cost that a taxpayer may use in computing the allowance under a fixed and variable rate plan.

Issue Number: IR-2012-97

Nov. 21, 2012

Fall 2012 Statistics of Income Bulletin Now Available

WASHINGTON — The Internal Revenue Service announced that the fall 2012 issue of the *Statistics of Income Bulletin* is available. This issue features individual income tax return data for Tax Year 2010.

Nearly 143 million individual income tax returns were filed for Tax Year 2010, an increase of 1.7 percent from 140.5 million returns filed for 2009. The adjusted gross income (AGI) reported on these returns totaled $8.1 trillion, a 6.1-percent increase from the previous year.

The Statistics of Income (SOI) Division produces the *SOI Bulletin* on a quarterly basis. Articles included in the publication provide the most recent data available from various tax and information returns filed by U.S. taxpayers. This issue of the *SOI Bulletin* also includes articles on the following topics:

- *Partnership Returns*, 2010. For 2010, the number of partnerships increased 2.5 percent, from the previous year. The number of partners increased by 6.1 percent, from the previous year, and this number has grown 9 out of the last 10 years. Nearly half of all partnerships and more than a third of all partners were classified in the real estate and rental and leasing sector.
- *Nonprofit Charitable Organizations, 2009.* For 2009, nonprofit charitable organizations (excluding private foundations) tax exempt under Internal Revenue Code (IRC) section 501(c)(3) reported $2.7 trillion in total assets and $1.5 trillion in revenue.
- *Transactions Between Large Foreign-*

Owned Domestic Corporations and Related Foreign Persons, 2008. The total value of nonloan transactions between large foreign-owned domestic corporations and related foreign parties totaled $1.187 trillion, a 36-percent decrease from the record high of $1.86 trillion in 2006.

The *Statistics of Income Bulletin* is available for download at IRS.gov/taxstats. Printed copies of the *Statistics of Income Bulletin* are available from the Superintendent of Documents, U.S. Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954. The annual subscription rate is $67 ($93.80 foreign), single issues cost $44 ($61.60 foreign).

For more information about these data, write to the Director, Statistics of Income (SOI) Division, RAS:S, Internal Revenue Service, P.O. Box 2608, Washington, DC 20013-2608.

Issue Number: IR-2012-98

Nov. 29, 2012

IRS Strengthens Integrity of ITIN System; Revised Application Procedures in Effect for Upcoming Filing Season

WASHINGTON — The Internal Revenue Service announced updated procedures to strengthen the Individual Taxpayer Identification Number (ITIN) program requirements. The new modifications and documentation standards further protect the integrity of the ITIN application and refund processes while helping minimize burden for applicants.

The changes build on previously announced interim procedures. During the last several months, the IRS gathered feedback from stakeholders and interested groups on how to best safeguard the integrity of and improve procedures for this important tax identification number.

ITINs play a critical role in the tax administration process and assist with the collection of taxes from foreign nationals, resident and nonresident aliens and others who have filing or payment obligations under U.S. law. Designed specifically for tax administration purposes, ITINs are only issued to people who are not eligible to obtain a Social Security Number.

"Our review allowed us to evaluate the program and gather feedback to make needed adjustments," said IRS Acting Commissioner Steven Miller. "We believe the final rules balance the need for greater integrity for the ITIN and refund processes while minimizing the impact on taxpayers."

The IRS will maintain its new, stronger standard for issuing ITINs. ITIN applications will continue to require original documentation or copies certified by the issuing agency. In addition, the IRS finalized its earlier decision to no longer accept notarized copies of documents for ITINs. Most of the interim guidelines have been made permanent. Those requirements that changed will provide additional flexibility for people seeking ITINs while continuing the stronger protections.

A key change is that, for the first time, new ITINs will expire after five years. This change will help ensure ITINs are being used for legitimate tax purposes. Taxpayers who still need an ITIN will be able to reapply at the end of the expiration period. This step will provide additional safeguards to the ITIN program to help ensure only people with legitimate tax purposes are using the numbers. In addition, the IRS will explore options, through engagement with interested groups, for deactivating or refreshing the information relating to previously issued ITINs.

As part of its review process, the IRS heard from stakeholders that it is difficult in some instances for individuals to be without documents such as passports for extended periods. As a result, the IRS determined that trusted outlets other than its centralized ITIN processing site need to be available to review original documentation. As part of this recognition, while original documents or copies certified by the issuing agency are still required for most applicants, there will be more options and flexibility for people applying for an ITIN. These options provide alternatives to mailing in passports and other original documents.

Certifying Acceptance Agents (CAAs) – an important intermediary in the ITIN application process – will be able to engage in the ITIN process by reviewing original documents or copies certified by the issuing agency, but will be subject to new safeguards. CAAs will be required to certify to the IRS that they have verified the authenticity of the documents supporting the ITIN application. For certain ITIN applicants, this provides an option where they will not need to mail original documents such as passports.

With respect to dependent children, in order to adequately substantiate identity and foreign status and protect important child tax credits, ITIN applications submitted to IRS by a CAA will continue to be required to include original documentation. For children under six, one of the documents can include original medical records. For school-age children, the documentation can include original, current year school records such as a report card.

CAAs will now need to meet new requirements and will face stronger due diligence standards to verify the accuracy of supporting documentation. For the first time, only those covered under Circular 230 are eligible to serve as a CAA. Exceptions are made for CAA applicants from financial institutions, gaming facilities, Low-Income Taxpayer Clinics and Volunteer Income Tax Assistance (VITA) Centers. CAAs will be required to take formal forensic training to help them identify legitimate identification documents. The IRS also plans greater oversight and compliance activities with CAAs to safeguard the ITIN process.

In addition to direct submission of documents to the IRS ITIN centralized site or use of CAAs, ITIN applicants will have several other avenues for verification of their documents. These options include some key IRS Taxpayer Assistance Centers (TACs), U.S. Tax Attachés in London, Paris, Beijing and Frankfurt, and at the Low-Income Taxpayer Clinics and Volunteer Income Tax Assistance (VITA) Centers that have CAAs. The procedure announced Oct. 2, 2012 for foreign students at educational institutions to be certified through the Student Exchange Visitors Program (SEVP) remains.

The finalized procedures are effective Jan. 1, 2013, in time for the 2013 tax-filing season when many ITIN applications are submitted along with a taxpayer's income tax return. Later in January, participating IRS Taxpayer Assistance Centers will be available to review and certify passports and national identification cards in person for primary, secondary and dependent applicants. The first set of TACs that will review and certify documents for ITINs are located in areas where past ITIN activity has been prevalent. Additional details on participating IRS locations and other rules will be available soon on IRS.gov.

As announced previously, some categories of applicants are not impacted by these documentation changes, including:

- Spouses and dependents of U.S. military personnel who need ITINs.
- Nonresident aliens applying for ITINs for claiming tax treaty benefits.

The IRS also stressed that it will continually monitor and work with interested stakeholders on the ITIN process and intends to make appropriate adjustments to ensure the process works in a fair, balanced fashion that meets the needs of taxpayers and tax administration. Individuals or organizations that want to comment on these procedures can do so by submitting an email to ITINProgramOffice@irs.gov.

More details on the permanent procedures and other important information for ITIN applicants are available on IRS.gov.

Issue Number: IR-2013-2

Jan. 8, 2013

IRS Plans Jan. 30 Tax Season Opening For 1040 Filers

WASHINGTON — Following the January tax law changes made by Congress under the American Taxpayer Relief Act (ATRA), the Internal Revenue Service announced it plans to open the 2013 filing season and begin processing individual income tax returns on Jan. 30.

The IRS will begin accepting tax returns on that date after updating forms and completing programming and testing of its processing systems. This will reflect the bulk of the late tax law changes enacted Jan. 2. The announcement means that the vast majority of tax filers — more than 120 million households — should be able to start filing tax returns starting Jan 30.

The IRS estimates that remaining households will be able to start filing in late February or into March because of the need for more extensive form and processing systems changes. This group includes people claiming residential energy credits, depreciation of property or general business credits. Most of those in this group file more complex tax returns and typically file closer to the April 15 deadline or obtain an extension.

"We have worked hard to open tax season as soon as possible," IRS Acting Commissioner Steven T. Miller said. "This date ensures we have the time we need to update and test our processing systems."

The IRS will not process paper tax returns before the anticipated Jan. 30 opening date. There is no advantage to filing on paper before the opening date, and taxpayers will receive their tax refunds much faster by using e-file with direct deposit.

"The best option for taxpayers is to file electronically," Miller said.

The opening of the filing season follows passage by Congress of an extensive set of tax changes in ATRA on Jan. 1, 2013, with many affecting tax returns for 2012. While the IRS worked to anticipate the late tax law changes as much as possible, the final law required that the IRS update forms and instructions as well as make critical processing system adjustments before it can begin accepting tax returns.

The IRS originally planned to open electronic filing this year on Jan. 22; more than 80 percent of taxpayers filed electronically last year.

Who Can File Starting Jan. 30?

The IRS anticipates that the vast majority of all taxpayers can file starting Jan. 30, regardless of whether they file electronically or on paper. The IRS will be able to accept tax returns affected by the late Alternative Minimum Tax (AMT) patch as well as the three major "extender" provisions for people claiming the state and local sales tax deduction, higher education tuition and fees deduction and educator expenses deduction.

Who Can't File Until Later?

There are several forms affected by the late legislation that require more extensive programming and testing of IRS systems. The IRS hopes to begin accepting tax returns including these tax forms between late February and into March; a specific date will be announced in the near future.

The key forms that require more extensive programming changes include Form 5695 (Residential Energy Credits), Form 4562 (Depreciation and Amortization) and Form 3800 (General Business Credit). A full listing of the forms that won't be accepted until later is available on IRS.gov.

As part of this effort, the IRS will be working closely with the tax software industry and tax professional community to minimize delays and ensure as smooth a tax season as possible under the circumstances.

Updated information will be posted on IRS.gov.

Jan 8, 2013

National Taxpayer Advocate Delivers Annual Report to Congress; Focuses on Tax Reform, IRS Funding and Identity Theft

WASHINGTON — National Taxpayer Advocate Nina E. Olson released her 2012 annual report to Congress, identifying the need for tax reform as the overriding priority in tax administration. The Advocate also expressed concern that the Internal Revenue Service is not adequately funded to serve taxpayers and collect tax, and identified ways in which this chronic underfunding harms taxpayers and the public fisc. She also found that the IRS is not doing enough to assist victims of tax-related identity theft and return preparer fraud.

TAX REFORM

The National Taxpayer Advocate's annual report designates the complexity of the tax code as the #1 most serious problem facing taxpayers and recommends that Congress take significant steps to simplify it. "The existing tax code makes compliance difficult, requiring taxpayers to devote excessive time to preparing and filing their returns," Olson wrote. "It obscures comprehension, leaving many taxpayers unaware how their taxes are computed and what rate of tax they pay; it facilitates tax avoidance by enabling sophisticated taxpayers to reduce their tax liabilities and provides criminals with opportunities to commit tax fraud; and it undermines trust in the system by creating an impression that many taxpayers are not compliant, thereby reducing the incentives that honest taxpayers feel to comply."

Compliance Burdens. The report states that the tax code imposes a "significant, even unconscionable, burden on taxpayers." Since 2001, Congress has made nearly 5,000 changes to the tax code, an average of more than one a day, and the number of words in the code appears to have reached nearly four million.

An analysis of IRS data by the Taxpayer Advocate Service (TAS) shows that individuals and businesses spend about 6.1 billion hours a year complying with tax-filing requirements. "If tax compliance were an industry, it would be one of the largest in the United States," the report says. "To consume 6.1 billion hours, the 'tax industry' requires the equivalent of more than three million full-time workers."

Individual taxpayers find return preparation so overwhelming that few do it on their own. Nearly 60 percent of taxpayers hire paid preparers, and another 30 percent rely on commercial software, with leading software packages costing $50 or more. In other words, taxpayers must spend money just to figure out how much money they owe.

Magnitude of "Tax Expenditures." To reduce taxpayer burden and enhance public confidence in the integrity of the tax system, the report urges Congress to greatly simplify the tax code. In general, this means Congress should reassess the need for existing income exclusions, exemptions, deductions and credits (generally known as "tax expenditures"). For fiscal year (FY) 2013, the Joint Committee on Taxation has projected that tax expenditures will come to about $1.09 trillion, while individual income tax revenue is projected to be about $1.36 trillion. To put these numbers in perspective, if Congress were to eliminate all tax expenditures, straight math indicates it could cut individual income tax rates by 44 percent and still generate the same amount of revenue it collects under current rules.

Tax Policy Decisions and Revenue Decisions Should Be Made Separately and Then Married Up. The report recommends that Congress approach tax reform in a manner similar to zero-based budgeting. The starting assumption would be that all tax expenditures would be eliminated. A tax break would be retained only if a compelling case can be made that the benefits of that break outweigh the complexity burden it creates. "In performing this analysis," Olson said in releasing the report, "we should look at each provision in the code and ask questions like: 'Does this government incentive make sense?'; 'If it does, is it better administered through the tax code or as a direct spending program?'; 'However well intentioned, is it doing what it was intended to do?'; and 'If yes, can it be administered without imposing unreasonable burdens on taxpayers or the IRS?'. At the same time, Congress can separately consider how much revenue it wants to raise, and it can then marry up our optimally designed tax system with our revenue needs by setting tax rates accordingly."

Recommendations. The report recommends that Members of Congress take several steps, including:

1) Lay the groundwork for tax reform by holding meetings with constituents to discuss the complexity of the existing tax code and the trade-offs between tax rates and tax breaks that tax reform will require.

2) Apply a "zero-based budgeting" approach to comprehensive tax reform that starts out with the assumption that all tax benefits will be eliminated and then adds a benefit back only if Members conclude that, on balance, the public policy benefits of providing that benefit through the tax code outweigh the complexity it imposes on taxpayers.

IRS FUNDING

The IRS budget has been reduced in each of the last two fiscal years, and appears likely to face further cuts in coming years. Although these cuts reflect across-the-board reductions in federal discretionary spending, underfunding the IRS makes no sense, Olson said. "The IRS is materially different from other discretionary programs in that it serves as the de facto Accounts Receivable Department of the federal government. Each dollar appropriated for the IRS generates substantially more than one dollar in additional revenue. It is therefore ironic and counterproductive that concerns about the deficit are leading to cuts in the IRS budget, when those cuts are making the deficit larger."

Olson added: "The plain truth is that the IRS's mission trumps all other agencies' missions, because without an effective revenue collector, you can't fund those other agencies."

IRS Funding Decisions Fail to Take Into Account "Return on Investment." On a budget of $11.8 billion, the IRS collected $2.52 trillion in FY 2012. That translates to an average return-on-investment (ROI) of about 214:1. Yet the appropriations process treats the IRS like any other discretionary spending program, with no explicit recognition that each dollar appropriated for the IRS generates substantially more than one dollar in additional revenue. Last year, the IRS Commissioner estimated in a letter to Congress that proposed reductions in the IRS budget would cause tax collections to fall seven times as much.

"No business would fail to fund a unit

that, on average, brought in $7 for every dollar spent. Shareholders would rebel and bring lawsuits, or at least oust the management or board of directors," Olson wrote in her preface to the report. "Yet this is precisely what we are doing with the IRS budget."

Lack of Funding Hampers Taxpayer Service. The report says that lack of funding is also preventing the IRS from meeting taxpayer needs. Since FY 2004, when taxpayer service levels peaked, the IRS's performance in handling telephone calls and correspondence has been declining. In FY 2004, the IRS answered 87 percent of all calls seeking to reach a live telephone assister, and the average wait time was just over 2½ minutes. In FY 2012, the IRS answered just 68 percent of its calls, and those who got through spent an average of nearly 17 minutes waiting on hold. In FY 2012, the IRS received over 10 million letters in response to proposed tax adjustments, and at the end of the year, 48 percent of all taxpayer correspondence in its inventory had not been processed within established timeframes – up dramatically from 12 percent in FY 2004.

"Congress has enacted laws that now require more than 140 million individuals to file income tax returns," Olson said. "When taxpayers are attempting to comply with laws that require them to turn over a significant portion of their incomes to pay our nation's bills, they have a right to expect that their government will do a better job of taking their telephone calls and answering their letters."

Lack of Funding Impairs Taxpayer Rights and Increases Taxpayer Burden. The report identifies numerous areas where lack of funding is causing taxpayer problems. "Nowhere is this more apparent than in the IRS's increasing use of automated enforcement procedures," Olson said. "To conserve resources, the IRS has largely automated its correspondence audits and its issuance of liens and levies. It typically moves forward with tax assessments without first talking to taxpayers to give them a chance to substantiate their return positions, and it proceeds with liens and levies before having a conversation to find out whether a tax delinquency is due to financial hardship, which would suggest that an installment agreement or offer-in-compromise should be considered." The report notes that the IRS's limited resources to conduct outreach and education to taxpayers (particularly small businesses) and to enforce the laws also contribute to its inability to close the annual tax gap, which was most recently estimated at nearly $400 billion in 2006. The report points out that noncompliance violates the rights of compliant taxpayers, who indirectly pay more tax to make up the shortfall. Based on Census Bureau data, the average household effectively paid an extra $3,300 in tax in 2006 to subsidize noncompliance by others.

Recommendations. The report recommends that Congress:

1) Consider revising the budget rules so that the IRS is "fenced off" from otherwise applicable spending ceilings and is funded at a level designed to maximize tax compliance, particularly voluntary compliance, with due regard for protecting taxpayer rights and minimizing taxpayer burden.

2) Keep in mind in allocating IRS resources that tax compliance requires an appropriate balance between high quality taxpayer service and effective tax-law enforcement, and funding should be provided in a manner that allows the IRS to maintain such a balance.

TAX-RELATED IDENTITY THEFT

The number of tax-related identity theft incidents has increased substantially in recent years. Within TAS, identity theft case receipts increased by more than 650 percent from FY 2008 to FY 2012. At the end of FY 2012, the IRS had almost 650,000 identity-theft cases in its inventory servicewide. The problem has grown worse as organized criminal actors have found ways to steal the Social Security numbers (SSNs) of taxpayers, file tax returns using those taxpayers' names and SSNs, and obtain fraudulent tax refunds. Then, when the real taxpayer files a return claiming the refund, that return is rejected. The impact on victims is significant. More than 75 percent of taxpayers filing returns are due refunds, which average some $3,000 and are not paid until the IRS fully resolves a case.

IRS Commitments. In 2008, the IRS Commissioner testified about identity theft before a Senate Finance Committee hearing. He stated: "My overall goal as the IRS Commissioner is that when a taxpayer [who is an identity theft victim] contacts us with an issue or concern, we have in place a seamless process that gets the issue resolved promptly." Later that year, the IRS established an "Identity Protection Specialized Unit" (or "IPSU"), which was designed to provide centralized assistance to victims of identity theft. The National Taxpayer Advocate supported the commitment to centralized and prompt victim assistance.

IRS Performance. The report says the IRS has created numerous task forces and other teams in recent years in an attempt to improve its identity theft processes, yet victims still face the same "labyrinth of procedures and drawn-out timeframes for resolution" that they faced five years ago. The IRS is instructing its employees to advise identity theft victims that it will take 180 days – half a year – to resolve their cases. Complicated cases inevitably will take longer. Thus, the IRS's procedural changes are not providing faster relief.

The report also says the IRS has decided to reverse course and decentralize victim assistance. It recently created specialized units within each of 21 individual functions to work on identity theft cases, apparently under the belief that most identity theft cases involve a single issue that the relevant specialized unit can work most efficiently. The report expresses concern about this backtracking from a centralized approach.

One-Stop Shopping Needed. TAS itself handled nearly 55,000 identity theft cases in FY 2012, most of which involved multiple issues that required actions by multiple units. The report expresses concern that creation of 21 specialized units will erode the centralized role of the IPSU, require taxpayers to speak with multiple functions, increase the time it takes to resolve cases, and heighten the risk that some issues may not be addressed.

"Taxpayers need 'one-stop shopping' – a single point of contact they can work with to resolve all issues in their cases – and the IRS needs a 'traffic cop' to make sure that all units complete their actions and that parts of cases do not fall through the cracks," Olson said. "And six months is an unacceptable period of time to expect taxpayer-victims to wait. The IRS must do more to provide the prompt and seamless assistance to identity theft victims that Commissioner Shulman promised."

OTHER KEY ISSUES ADDRESSED

Federal law requires the Advocate's Annual Report to Congress to identify at least 20 of the "most serious problems" encountered by taxpayers and make administrative and legislative recommendations to mitigate those problems. Overall, this year's report identifies 23 problems, provides updates on six previously identified problems, makes dozens of recommendations for administrative change, makes seven recommendations for legislative change, and analyzes the 10 tax issues most frequently litigated in the federal courts.

Among the "most serious problems" addressed are the following:

- **The IRS's failure to provide tax refunds to victims of preparer fraud.** When a taxpayer is victimized by a preparer who receives a fraudulent refund by paper check, the IRS will issue a replacement refund to the taxpayer. However, the IRS will not issue a replacement refund when a taxpayer is victimized by a preparer who receives the fraudulent refund by altering the bank routing number on a direct-deposit request, even though the IRS has received legal advice that it may do so. Olson says the taxpayer-victim is legally entitled to receive the refund, and the IRS has no legal basis for withholding it.
- **The IRS's extraordinarily high audit rate of taxpayers who claim the adoption tax credit.** Congress created the adoption tax credit to help low and middle income families afford the costs of an adoption, which are estimated to run as high as $40,000. Yet the IRS, partly using income-based rules, selected 69 percent of tax returns claiming the credit during the 2012 filing season for audit, compared with one percent of returns overall. These audits imposed significant burden on the affected taxpayers for several reasons, most notably because the median refund claim constituted nearly one-quarter of the taxpayers' adjusted gross income for the year, and the audits on average took over four months. Despite the burden, the payoff was relatively small. The IRS denied only about 10 percent of the amounts claimed in tax year 2010, and as of mid-November had denied only about 1.5 percent of the amounts claimed in tax year 2011. The excessive focus on returns claiming the adoption credit burdened many taxpayers and c
ould have the effect of negating Congress's intent to encourage adoptions, the report says.
- **The IRS's Offshore Voluntary Disclosure programs and their failure to distinguish adequately between "bad actors" and "benign actors."** The IRS has sought to increase enforcement of Foreign Bank and Financial Accounts (FBAR) reporting requirements in recent years and has offered a series of voluntary disclosure programs designed to settle with taxpayers who had failed to file required FBAR forms. However, the report says, the programs generally applied a "one-size-fits-all" approach that required the payment of significant penalties and did not distinguish between "bad actors" and "benign actors." By generally requiring taxpayers who make voluntary disclosures to "opt out" of the disclosure program and submit to comprehensive audits in order to avoid draconian penalties, the report argues that the program has caused excessive burden and fear for taxpayers who had reasonable cause for not filing FBAR forms or whose failure to file was inadvertent.

Research Study on Factors Influencing Voluntary Tax Compliance by Small Businesses. Volume 2 of the report contains six research studies, including preliminary results of a survey of sole proprietors that TAS commissioned to better understand factors that may affect income tax reporting compliance. The Advocate's office undertook the study because the IRS has estimated that only 43 percent of sole proprietor income is reported on tax returns, representing the largest portion of the tax gap (i.e., tax that is owed but is not timely and voluntarily paid). Developing a more complete picture of the attitudes of this category of taxpayers therefore could assist the IRS in improving tax compliance. Based on IRS computer scoring of the likely compliance level of tax returns, the Advocate's office selected a sample of the most compliant and the least compliant returns and commissioned an anonymous survey of certain groups of these taxpayers to determine attitudinal and other differences. Among the preliminary findings:

- Respondents in the high-compliance group expressed more trust in government and the IRS.
- Respondents from low-compliance communities were suspicious of the tax system and its fairness.
- Respondents in the high-compliance group were more likely to use return preparers.
- Taxpayers in the low-compliance groups expressed less trust in tax preparers and were less likely to use them or follow their advice.
- Low-compliance taxpayers tended to be clustered in certain communities.

* * * * *

Please visit www.taxpayeradvocate.irs.gov/2012AnnualReport for more information about this report, including an Executive Summary, downloadable infographics on the Most Serious Problems, and videos of the National Taxpayer Advocate discussing key issues.

Tax Calendar

Required Monthly Returns Tax Activity

10 ● Tobacco use tax return and payment due.
● Monthly Jenkins Act Report

15 ● Motor carrier mileage tax return and payment due.
● Oil and gas production tax and privilege tax return and payment due the second month following the month of production.
● Withholding return and payment due from those employers required to remit on a monthly basis.

20 ● Coal severance tax return and payment due.
● Coal transporters' and purchasers' returns due.
● Contractors gross receipts tax return and payment due.
● Iron ore severance tax return and payment due.
● Local solid minerals tax returns and payments due.
● Lodgings tax (state and local) return and payment due.
● Lubricating oils tax return and payment due.
● Medicaid-related tax return and payment due for nursing facilities.
● Medicaid tax return and payment due from pharmaceutical service providers.
● Mobile Telecommunication services tax return and payment due.
● Pari-mutuel pool tax return and payment due.
● Prepaid Wireless 9-1-1 Charge return and payment due.
● Rental or leasing tax (state and local) return and payment due.
● Sales tax (state and local) return and payment due.
● Schedule D (NPM Cigarette Activity) report due.
● Tobacco tax (state and county) return, reports and payment due.
● Underground and aboveground storage tank trust fund charge due.
● Uniform Natural Minerals Tax return and payment due.
● Scrap Tire Environmental Fee return and payment due.
● Use tax (state and local) return and payment due.
● Utility gross receipts tax return and payment due.

22 ● Blender return and payment due.
● Exporter return due.
● Importer return due.
● Supplier/Permissive Supplier return and payment due.

30 ● Hazardous waste fee return and payment due.

Last day of month ● State horse wagering fee return and payment due.
● Terminal Operator return due.
● Transporter return due.

Quarterly/Annual Tax Activity

(March, April and May 2013)

March

1 ● Freight line equipment return due.
● Public utility property tax return delinquent after this date.

15 ● Corporate income tax return and information return due (for calendar-year taxpayers).
● Business Privilege Tax return.

April

1 ● Annual Dry Cleaning Trust Fund Fee return and payment due by wholesalers of dry cleaning agents.
● Quarterly Dry Cleaning Trust Fund Fee return and payment due.
● Utility license (2.2%) third quarterly payment due.

10 ● Quarterly Hospital Assessment for Medicaid Tax due.

15 ● Annual NPM payment due into escrow.
● Estimated personal income tax and first installment due.
● Financial institutions' excise tax return and payment due.
● Business Privilege tax return due for limited liability entities.
● First installment of estimated corporate income tax due (for calendar-year taxpayers).
● Note: Other fiscal-period taxpayers pay their corporate estimated tax on the 15th day of the fourth, sixth, ninth, and twelfth months of their tax year and file their return on the 15th day of the third month following the close of their tax year.
● Partnership income tax return due.
● Personal income tax return and payment due.

20 ● Quarterly sales tax return and payment due.
● Quarterly use tax return and payment due.
● Quarterly rental or leasing tax return and payment due.
● Quarterly Solid Waste Disposal Fee return and payment due.

30 ● Annual TPM certification due.
● Annual NPM certification and bank verification due.
● Quarterly Construction Employer Fee due.
● Quarterly forest products' severance tax return and payment due.

(Continued on Page 22)

Interest Rates Remain the Same

Interest rates for the calendar quarter beginning Jan. 1, 2013, remain at three (3) percent, according to Internal Revenue Bulletin No. 2012-99, dated Nov. 30, 2012.

Under Sect. 40-1-44, *Code of Alabama 1975*, the Department of Revenue will calculate interest on underpayments and overpayments (where applicable) at this same annual rate (3 %); however, land sold by the state for taxes, shall be calculated at 12% in accordance with Sect. 40-5-9. (Historical rates shown right.)

State Auditor's Office Recognizes ADOR Property Management Section

State Auditor Samantha Shaw sent a letter to Commissioner Julie Magee, commending Revenue for achieving a perfect audit for the fifth consecutive year. The audit of ADOR's non-consumable personal property covered the time period Oct. 29, 2012, through Nov. 14, 2012.

Shaw's letter stated, "All items costing $500 or more were audited. Your agency had 3,460 items with an acquisition cost of $6,705,537.37. I am pleased to report that all items were located. While everyone in the agency is to be commended, I would like to congratulate your property manager on this achievement."

Quarterly/Annual Tax Activity

(Continued from Page 21)

- Quarterly NPM payment due into escrow.
- Quarterly withholding return and payment due from employer.
- Quarterly IFTA tax return and payment due.

May 10

- Quarterly NPM certification and bank verification due.

Interest Rates By Calendar Quarter

(Established by: 26 USCA §6621; §40-1-44, *Code of Alabama 1975*)

	1ST QTR	2ND QTR	3RD QTR	4TH QTR
2001	9%	8%	7%	7%
2002	6%	6%	6%	6%
2003	5%	5%	5%	4%
2004	4%	5%	4%	5%
2005	5%	6%	6%	7%
2006	7%	7%	8%	8%
2007	8%	8%	8%	8%
2008	7%	6%	5%	6%
2009	5%	4%	4%	4%
2010	4%	4%	4%	4%
2011	3%	4%	4%	3%
2012	3%	3%	3%	3%
2013	3%			

Statement of Gross Tax Collections

Through End of 1st Quarter FY 2013
(October, November, December 2012)

	FYTD 2012-13	FYTD 2011-12	% Change
Business Privilege Tax	$ 17,560,934.50	$ 11,279,957.54	55.68
Gasoline	97,931,778.90	98,258,998.39	(0.33)
Income Tax-Corporate	80,637,558.55	92,869,984.48	(13.17)
Income Tax-Individual	795,235,469.57	757,005,403.12	5.05
Income Tax (Total)	875,873,028.12	849,875,387.60	3.06
Motor Fuels	33,548,205.35	33,633,974.08	(0.26)
Oil & Gas Privilege (8%)	21,729,833.90	21,963,262.03	(1.06)
Oil & Gas Production (2%)	5,976,048.90	7,549,408.80	(20.84)
Sales	505,449,892.46	493,567,239.84	2.41
Use Tax	76,568,487.54	68,224,221.05	12.23
Utility Gross Receipts	95,816,878.14	101,668,571.38	(5.76)
SUBTOTAL	$1,730,455,087.81	$1,686,021,020.71	2.64
SUBTOTAL (OTHER TAXES)	$ 416,874,665.87	$ 425,143,376.19	(1.94)
TOTAL (ALL TAXES)	**$2,147,329,753.68**	**$2,111,164,396.90**	**1.71**