

Revenue REVIEW

A Quarterly Publication of the Alabama Department of Revenue

3rd
Quarter
FY 2004

(April, May,
June 2004)



Buddy Bray holds the Commissioner's Recognition Award presented to him by Alabama Revenue Commissioner Tom Surtees (far left). Joining in the presentation are (left to right) Kathleen Campbell, Supervisor, Audit and Computer Support; Richard Henninger, Director, Individual and Corporate Tax Division; Cynthia Underwood, Assistant Revenue Commissioner, ADOR.

Alabama Earns E-file Awards

The National Association of Computerized Tax Processors (NACTP) awarded Alabama first place last year for e-file record layout specifications, according to State Revenue Commissioner Tom Surtees.

Additionally, the NACTP recognized Alabama in third place, out of all the Joint Electronic Filing (JELF) states, for its receipt of the Uniformity Award for Exceptional Conformity to the Standards in Communication.

Surtees praised the efforts of the department's Electronic Filing Coordinator of the Individual and Corporate Tax Division, Buddy Bray, and recently presented Bray with an ADOR Commissioner's Recognition Award.

In his role as coordinator, Bray develops specifications for the Alabama electronic return to be used by software vendors as a model for their electronic return preparation/transmission software.

Founded in 1969, the NACTP is a non-profit association with membership of over 50 tax preparation software companies, electronic filing processors, tax form publishers, and tax processing service bureaus. In its work with government taxing agencies to promote streamlined income tax preparation, the association states among its goals "to promote the standardization and simplification of electronic and alternative filing systems."

ADOR Anticipates 2005 E-file Surge

Over 740,000 Alabama households filed their annual individual income tax returns electronically during the 2004 income tax filing season. Alabama Department of Revenue officials anticipate a substantial increase in the e-filing numbers for the

ADOR Joins National White Collar Crime Center

The Alabama Department of Revenue recently received a Certificate of Membership in the National White Collar Crime Center (NW3C). With membership in all 50 states, the center is a non-profit organization composed of law enforcement agencies, state regulatory bodies, and state and local prosecution offices. Federally funded, it provides support services through investigative support, case funding, research and training.

Charles Crumbley, Director of the ADOR Investigations Division, serves as the agency representative for NW3C. "The Alabama Department of Revenue is already a member of the Economic Crime Alliance of Alabama, with 10 other state agencies as participants," said Crumbley.

"Our membership in this national organization will only strengthen our efforts here in Alabama to combat economic and cyber crime."

Revenue Review is published quarterly by the Alabama Department of Revenue Media Affairs Section. Comments or suggestions should be sent to: cblackstock@revenue.state.al.us, telephone (334) 242-1390 or (334) 242-1175. Tom Surtees, Commissioner; Cynthia Underwood, Assistant Commissioner; Lewis A. Easterly, Department Secretary; Carla A. Snellgrove, Public Information Manager; Carolyn Blackstock, Editor; and Mickey Godwin, layout and design.

2005 season, only a few months away.

"Building on the success of the IRS e-file program, the Free File Alliance, and the support of Alabama's tax practitioner community, our state e-file numbers have significantly increased with each filing season," said ADOR Commissioner Tom Surtees. "In 2005, we look forward to even greater participation."

The ADOR will rely on a newly-implemented regulation to drive state e-file numbers up. *Administrative Rule 810-3-27-.09, effective July 9, 2004, directs certain tax preparers and practitioners who use tax preparation software to electronically file their clients' returns. The mandatory e-filing applies to the following preparers:*

- Beginning Jan. 1, 2005, those pre-

parers who prepared 250 or more individual income tax returns in 2004 and who expect to prepare 100 or more in 2005

- Beginning Jan. 1, 2006, those preparers who will prepare 50 or more returns.

"This regulation allows us to adopt a measured approach to mandatory e-filing," said Surtees. "Although the department is committed to advancing the use of electronic filing, the ultimate decision regarding the choice of electronic filing or paper filing is left up to the taxpayer.

"Additionally, if for some reason, an electronically-prepared return cannot be filed or electronically transmitted by the tax preparer, then a paper return can be prepared even if the preparer meets the e-filing requirement."

Tobacco Tax Notice re Act 2004-545

To all counties with local tobacco taxes administered by the Alabama Department of Revenue:

In addition to increasing the state taxes on tobacco and other tobacco products (OTP), the Act added subsection (i) to Section 40-25-2, *Code of Alabama 1975*, which provides:

"Local taxes and/or license fees, county or municipal, imposed on the sale of cigarettes shall be paid to said local government through the use of stamps affixed to the product as provided herein for the state tax. Provided, however, this requirement shall not be interpreted to require the Department of Revenue to prepare all stamps or to collect all local taxes. Local governments may contract with another entity to collect their local cigarette tax but all local taxes must be collected as provided herein."

Subsection (g) in the same Section, 40-25-2, provides the method to collect the tobacco taxes with the use of a stamp. This section directs the Department to prepare and issue stamps unless it is not economical to prepare stamps. If it is not economical, regulatory authority is provided to the Commissioner of Revenue to collect the tax with the use of a monthly report. Based on Revenue Rule 810-7-1-.09, your local tobacco taxes are presently collected with the use of a tax report.

After considering the economic impact of Code Section 40-25-2, the Department will continue to collect your local tobacco taxes with the use of a monthly report. You will not incur any additional expenses to collect your local tobacco tax.

Legislation 2004

The following synopses highlight significant revenue-related legislation passed during the 2004 Regular Session of the Alabama Legislature.

Local Legislation

Act 2004-62 (HB148) Chambers County; Lodgings Tax

Relating to Chambers County; to levy a four percent lodgings tax in the county; provides for the collection of the tax and for the distribution of proceeds from the tax. *Effective June 1, 2004.*

Act 2004-79 (HB312) City of Jacksonville; Ad Valorem Tax

Relating to the City of Jacksonville in Calhoun County; authorizes the city governing body to levy an additional ad valorem tax up to nine mills; provides for a referendum.

Act 2004-98 (HB167) Constitutional Amendment; City of Prichard; Alabama Foreign Trade Investment Zone

Proposes an amendment to the *Constitution of Alabama of 1901*, authorizing the governing body of the City of Prichard to establish an Alabama Foreign Trade Investment Zone as a special tax district, for the purpose of importing duty-free and quota-free articles eligible under the United States General System of Preferences and the Africa Growth and Opportunities Act; authorizes the special tax district to specify that the value of land and improvements on the land within the district shall be assessed and taxed for ad valorem tax purposes by county tax officials under a single site valuation system; provides further for the contractual powers of nonprofit organizations. *Effective upon voter approval.*

Act 2004-112 (HB440) Municipal Sales and Use Tax Exemption
Relating to Class 2 municipalities;

exempts from municipal sales and use tax the gross proceeds from the sale of materials or supplies for use in fulfilling a contract for the painting, repair, conversion, modification, or reconditioning of aircraft of a certain 30,000 pounds and greater weight, if the materials and supplies enter into and become a component part of the aircraft; provides for a retroactive effect. *Effective Oct. 1, 2003.*

Act 2004-232 (HB450) Constitutional Amendment; City of Selma; Alabama Foreign Trade Investment Zone

Proposes an amendment to the *Constitution of Alabama of 1901*, authorizing the governing body of the City of Selma in Dallas County to establish an Alabama Foreign Trade Investment Zone as a special tax district for the purpose of importing duty-free and quota-free articles eligible under the United States General System of Preferences and the Africa Growth and Opportunities Act; authorizes the special tax district to specify that the value of land and improvements on the land within the district shall be assessed and taxed for ad valorem tax purposes by county tax officials under a single site valuation system. *Effective upon voter approval.*

Act 2004-245 (HB116) Brownfield Development Tax Abatement

Provides local tax abatement for brownfield development properties that are voluntarily cleaned up pursuant to Chapter 30E of Title 22, *Code of Alabama 1975* (the Alabama Land Recycling and Economic Redevelopment Act). *Effective Oct. 1, 2004.*

Act 2004-259 (HB591) Constitutional Amendment; City of Trussville; Property Annexation and Ad Valorem Tax
Proposes an amendment to the *Constitution of Alabama of 1901*, authorizing the City of Trussville to annex certain property; provides for the levy of an ad valorem tax for public school purposes in the City

of Trussville; provides for the rate of levy and conducting of elections with respect to the tax. *Effective upon voter approval.*

Act 2004-264 (HB330) Clarke County; Lodgings Tax

Relating to Clarke County; to levy a lodgings tax; provides for the collection of the tax and for the distribution of proceeds from the tax. *Effective July 1, 2004.*

Act 2004-275 (HB 672) Covington County; Sales Tax

Relating to Covington County; to amend Act 86-703, 1986 1st Special Session (Acts 1986 First Special Session, p. 109), as last amended by Act 93-610, which authorizes the county commission to levy a sales tax; to further provide for the distribution to Lurleen B. Wallace Community College. *Effective April 21, 2004.*

Act 2004-287 (HB634) Marengo County; Sales and Use Tax

Relating to Marengo County; authorizes the county commission to levy an additional sales and use tax; provides for the collection, distribution, and use of the proceeds of the tax; prescribes penalties and fixes punishment for violation of this act. *Effective April 21, 2004.*

Act 2004-312 (SB434) Constitutional Amendment; City of Madison; Ad Valorem Rate Equalization

Proposes an amendment to the *Constitution of Alabama of 1901*; provides for the equalization of the rate of ad valorem taxation levied for school purposes in the portion of the City of Madison located in Limestone County, with the portion of the City of Madison located in Madison County. *Effective upon voter approval.*

Act 2004-319 (SB 451) Choctaw County; Clarification of Tobacco Products Tax
Relating to Choctaw County; amends Act 2001-913, 2001 Third Special Session, (Acts 2001, p. 767), which levies a tax on tobacco products in the county, to clarify

the tax imposed on packages of little cigars. *Effective March 29, 2004.*

Act 2004-320 (SB491) Washington County; Sales, Use and Excise Tax

Relating to Washington County; authorizes the county commission to levy an additional sales and use tax in the county, not to exceed one-half of one percent, and an excise tax on the business of selling, distributing, storing, or withdrawing from storage, for any purpose whatsoever, gasoline or motor fuel and substitutes in the county, not to exceed two cents (\$.02) per gallon; provides for the collection and payment of the taxes and for the distribution of the tax proceeds; authorizes the county commission to make reasonable rules and regulations for the collection and enforcement of any taxes levied; provides for a referendum. *Effective upon voter approval.*

Act 2004-325 (HB700) Escambia County; Privilege and License Tax

Relating to Escambia County; to levy an additional privilege and license tax of three percent in certain areas of the county; provides for disposition of the proceeds from the additional tax levied by this act. Automobiles, agricultural equipment, and forestry equipment shall be exempted. *Effective on the first day of the first month following its passage and approval by the Governor, or its otherwise becoming law. Effective May 1, 2004.*

Act 2004-366 (HB717) Fayette County; Sales and Use Tax

Relating to Fayette County; authorizes the county commission to levy an additional one-cent sales and use tax; provides for the collection, distribution, and use of the proceeds of the tax; prescribes penalties and fixes punishment for violation of this act; provides for a referendum.

Act 2004-371 (SB487) Lee County; Visual Cassette/Visual Entertainment Device Rental Fee

Relating to Lee County; amends Sections 1 and 2 of Act 91-280, 1991 Regular Session (Acts 1991, p. 534), imposing a fee on the rental of video cassettes; further provides that the fee shall be applicable to other visual entertainment devices. *Effec-*

tive July 1, 2004.

Act 2004-381 (HB738) Washington

County; Sales, Use and Excise Tax
Relating to Washington County; authorizes the county commission to levy an additional sales and use tax in the county, not to exceed one-half of one percent, and an excise tax on the business of selling, distributing, storing, or withdrawing from storage, for any purpose whatsoever, gasoline or motor fuel and substitutes in the county, not to exceed two cents (\$.02) per gallon; provides for the collection and payment of the taxes and for the distribution of the tax proceeds; authorizes the county commission to make reasonable rules and regulations for the collection and enforcement of any taxes levied; provides for a referendum.

Act 2004-388 (HB761) Blount County; Tobacco Tax

Relating to Blount County; authorizes the county commission to levy an additional tax, not to exceed ten cents (\$.10), on tobacco products; provides for a referendum.

Act 2004-394 (HB449) Constitutional Amendment; City of Tuskegee; Alabama Foreign Trade Investment Zone

Proposes an amendment to the *Constitution of Alabama of 1901*; authorizes the governing body of the City of Tuskegee in Macon County to establish an Alabama Foreign Trade Investment Zone as a special tax district, for the purpose of importing duty-free and quota-free articles eligible under the United States General System of Preferences and the Africa Growth and Opportunities Act; to authorize the special tax district to specify that the value of land and improvements on the land within the district shall be assessed and taxed for ad valorem tax purposes by county tax officials under a single site valuation system. *Effective upon voter approval.*

Act 2004-418 (HB774) Madison County; Lodgings Tax

Relating to Madison County; to levy a one-percent lodgings tax in the county; provides for the collection of the tax and for distribution of the proceeds from the

tax; provides for a termination date of Sept. 30, 2014. *Effective Aug. 1, 2004.*

Act 2004-430 (HB804) Crenshaw County; Amendment of Sales and Use Tax
Relating to Crenshaw County; amends

Act 89-486, 1989 Regular Session (Acts 1989, p. 1016), as amended, which levied a sales and use tax, so as to provide further for the tax for industrial development. *Effective May 11, 2004.*

Act 2004-459 (HB675) Henry County; Sales and Use Tax

Relating to Henry County; authorizes the county commission to levy an additional one percent sales and use tax in the county; provides for a referendum.

Act 2004-471 (HB724) Lee County; Visual Cassette/Visual Entertainment Device Rental Fee

Relating to Lee County; amends Sections 1 and 2 of Act 91-280, 1991 Regular Session (Acts 1991, p. 534), imposing a fee on the rental of video cassettes, to further provide that the fee shall be applicable to other visual entertainment devices. *Effective July 1, 2004.*

Act 2004-481 (HB787) Macon County; Tobacco and Tobacco Products Tax

Relating to Macon County; authorizes the levy, collection, and distribution of an additional tax on tobacco and tobacco products. *Effective June 1, 2004.*

Act 2004-482 (HB803) Bullock County; Lodgings Tax

Relating to Bullock County; to levy a four percent lodgings tax; provides for the collection of the tax and for the distribution of the proceeds from the tax. *Effective Aug. 1, 2004.*

Act 2004-493 (HB812) Chilton County; Ad Valorem Tax

Authorizes the Chilton County Commission, pursuant to Amendment No. 373 to the *Constitution of Alabama of 1901*, to continue until Dec. 31, 2004, to levy an ad valorem tax for a trade school and rural and industrial development in Chilton County, now levied at the rate of three mills. *Continuation of levy contingent upon voter approval.*

Act 2004-499 (HB839) Bullock County; Sales and Use Tax Exemption
Relating to Bullock County; amends Act No. 99-257, 1999 Regular Session (Acts 1999, p. 340), which levies a sales and use tax in the county, to exempt farm machinery from the levy of the tax and impose the tax on the sale of motor vehicles, boats, and certain machinery; *provides for a retroactive effect to May 26, 1999.*

Act 2004-507 (HB710) Municipal Tax Exemption
Relates to Class 3 municipalities; exempts the Centre for the Living Arts, Inc., from all municipal ad valorem and sales and use taxes. *Effective May 17, 2004.*

Act 2004-536 (HB526) Constitutional Amendment; Macon County
Proposes an amendment to the *Constitution of Alabama of 1901*; authorizes the Legislature to enact a local law authorizing the Macon County Commission to levy a tax on the sale of all tobacco products and liquor or wine and, by local law, provide for the collection and distribution of the proceeds therefrom. *Effective upon voter approval.*

Act 2004-542 (HB840) Constitutional Amendment; Hale County
Relating to Hale County; proposes an amendment to the *Constitution of Alabama of 1901*; provides for an increase in the ad valorem tax on certain classes of taxable property; increases the homestead exemption from \$2,000 to \$5,000 for tax levies subject to the homestead exemption; provides that the increase in the countywide ad valorem tax shall be distributed by local act. *Effective upon voter approval.*

General Legislation

Act 2004-292 (HB221) Initial Registration/Proration of Certain Motor Vehicle Fees
Amends Sections 40-12-258 and 40-12-259, *Code of Alabama 1975*, relating to the registration of motor vehicles, to provide for the payment of the annual registration fee when the vehicle has been stored and not used on the highways, instead of the

existing system of pro rata payment based on declared, but unverifiable, months of use; campers and farm equipment remain proratable; provides for registration fees to be prorated on a monthly basis when a vehicle is initially acquired or brought into Alabama. *Effective Jan. 1, 2005.*

Act 2004-397 (HB529) Telecommunications Services; Taxation Required if Nontaxable Services/Charges Cannot Be Identified
Amends Sections 40-21-82 and 40-21-102, *Code of Alabama 1975*; provides for the taxation of only the taxable portion of bundled telecommunications service, providing the utility identifies and has record of the non-taxable portion of bundled service charges. *Effective May 5, 2004.*

Act 2004-490 (SB304) Mortgage Recordation Tax Clarification
Amends Section 40-22-2, *Code of Alabama 1975*, relating to payment of recording fees involving revolving lines of credit, to extend the options involving residential property, to include transactions involving commercial properties. *Effective Aug. 1, 2004.*

Act 2004-505 (HB303) Income Tax Refund Setoff for Court Costs
Amends Section 40-18-100, *Code of Alabama 1975*; allows the Unified Judicial System to setoff from income tax refunds, the fines and court costs that are owed by certain taxpayers. *Effective May 17, 2004.*

Act 2004-520 (SB81) Motor Vehicles; Registration Fees and Ad Valorem Taxes on Motor Vehicles
Amends Section 40-12-248, *Code of Alabama 1975*; creates a new motor vehicle registration weight bracket for trucks of 8,001 to 10,000 pounds gross weight (to comply with federal), and establishes a fee for the new weight bracket; amends Section 40-12-253, *Code of Alabama 1975*, to provide that any credit voucher may be immediately presented for credit against ad valorem taxes payable on any other motor vehicle or vehicles, and increases the period for claiming any credit due; requires that any credit voucher issued be used at the time of issuance; provides for a credit

refund when credit is not applied at time of issuance; and authorizes the issuance of distinctive tags for trucks not exceeding 10,000 pounds. *Effective Jan. 1, 2005.*

Act 2004-529 (SB75) Motor Vehicle Registration; Additional Time Allowed
Amends Sections 32-6-61, 32-6-65, 40-12-242, 40-12-260, and Section 40-12-264, *Code of Alabama 1975*; extends the period of time from ten to twenty days in which to register a vehicle after acquisition; increases delinquent registration penalty from \$10 to \$15. *Effective Aug. 1, 2004.*

Act 2004-532 (HB266) Nursing Facility Privilege Tax
Amends Sections 40-26B-21 and 40-26B-26, *Code of Alabama 1975*, relating to the privilege tax on nursing facilities, to increase the supplemental privilege tax for each bed in a nursing facility from \$200.04 to \$900.00, and to increase the nursing facility provider's cap on actual allowable reported direct cost per patient day from cost plus 10 percent to cost plus 11 percent. *Effective May 17, 2004.*

Act 2004-534 (SB344) Off-Site Motor Vehicle Sales by Dealers Authorized
Amends Sections 40-12-390, 40-12-395, and 40-12-400, *Code of Alabama 1975*; provides that dealers of new and used motor vehicles may conduct sales from locations off-site of their permanent locations; sales are limited to three per year, each not to exceed 10 days' duration. *Effective May 17, 2004.*

Act 2004-537 (HB657) Constitutional Amendment: Excise Tax in-lieu of Certain Ad Valorem Taxes
Proposes an amendment to Amendment 93, as amended by Amendment 354 of the *Constitution of Alabama of 1901*, to provide for an excise tax to be levied by the Legislature in lieu of an ad valorem tax on motor vehicles (see Act 2004-550), and to provide the revenue distribution to be: the current recipients of vehicle ad valorem tax. *Effective upon voter approval.*

Act 2004-545 (HB716) Increased Tobacco Products Taxes
Amends sections 40-25-2 and 40-25-23,

Code of Alabama 1975; increases the rate of tax on cigarettes (from 16.5 cents to 42.5 cents per pack of 20) and other tobacco products by 50%; provides that the increased tax shall be exclusive and prohibits future local tax increases on cigarettes and other tobacco products; requires local cigarette taxes to be collected through the use of stamps. *Effective May 18, 2004.*

Act 2004-546 (HB317) Diesel Fuel Excise Tax and Exemption

Amends Sections 8-17-87, 8-17-91, 40-17-220 and 40-17-222, *Code of Alabama 1975*; facilitates trucker operations (IFTA included) by exempting diesel fuel subject to excise taxes from the \$.02 per gallon inspection fee; increases the excise tax from \$.17 to \$.19 per gallon. Certain off-road gallonage remains subject to inspection fees. *Effective Oct. 1, 2004.*

Act 2004-550 (HB658) Excise Tax on Certain Motor Vehicles in-lieu of Ad Valorem Tax

Amends Sections 40-9-1, 40-12-252, and 40-12-268, *Code of Alabama 1975*; revises the registration of certain trucks, truck tractors, and trailers based in Alabama and vehicles registered under the International Registration Plan, to remove the ad valorem tax liability and substitute an excise tax applicable to vehicles that are doing

business in Alabama, irrespective of home base; provides for a permanent trailer registration plate in certain circumstances. The excise tax on each vehicle to be based on: vehicle gross weight, age, and Alabama road mileage driven. *Effective upon ratification of the constitutional amendment proposed by Act 2004-537 (HB 657).*

Act 2004-554 (HB34) Motor Vehicle Registration Timing

Amends Section 32-6-61, *Code of Alabama 1975*; revises Alabama's motor vehicle staggered registration law by shifting the expiration date from the last day of the month **prior** to the designated renewal month to the last day of the **designated renewal** month (conforms to other states' practices). *Effective Jan. 1, 2005.*

Act 2004-629 (HB126) Natural Mineral Severance Tax

Levies a statewide severance tax on all natural minerals; provides for exemptions; provides for collection procedures and distribution of the tax proceeds; repeals or replaces conflicting local laws, thereby

establishing a single schedule of severance tax rates for like products. Counties may opt out, as desired. *Effective Oct. 1, 2004.*

Act 2004-635 (HB815) Oil and Gas Severance Taxes; Temporary Increase

Levies a temporary oil and gas privilege tax; provides for the administration and collection. *Effective: Applies to production beginning July 1, 2004, and terminates June 30, 2005.*

Act 2004-638 (HB 846) Repeal Exemption for Certain Contractors' Work

Repeals Section 40-9-33, *Code of Alabama 1975*, an exemption from sales and use taxes for certain sales made to contractors engaged on government projects; amends Section 40-23-2 to temporarily distribute a larger share of state sales taxes on automobiles to the State General Fund as a means of transferring the revenue gain from this action (the repeal) from earmarked Education Trust Fund revenues to the General Fund. *Effective Repeal - July 1, 2004.*

IRS Interest Rate Decreases to 4%

The interest rate for the calendar quarter beginning July 1, 2004, decreased to four percent (4% APR) for underpayments, according to the Internal Revenue Service's "News Room" webpage, citing News Release IR-2004-76.

According to §40-1-44, *Code of Alabama 1975*, the Alabama Department of Revenue will calculate interest on underpayments and overpayments (where applicable) at this same annual rate (4%), with the exception of land sold by the state for taxes, which shall be calculated at 12% as provided for under Sec. 40-5-9.

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
1982	20%	20%	20%	20%
1983	16%	16%	11%	11%
1984	11%	11%	11%	11%
1985	13%	13%	11%	11%
1986	10%	10%	9%	9%
1987	9%	9%	9%	10%
1988	11%	10%	10%	11%
1989	11%	12%	12%	11%
1990	11%	11%	11%	11%
1991	11%	10%	10%	10%
1992	9%	8%	8%	7%
1993	7%	7%	7%	7%
1994	7%	7%	8%	9%
1995	9%	10%	9%	9%
1996	9%	8%	9%	9%
1997	9%	9%	9%	9%
1998	9%	8%	8%	8%
1999	7%	8%	8%	8%
2000	8%	9%	9%	9%
2001	9%	8%	7%	7%
2002	6%	6%	6%	6%
2003	5%	5%	5%	4%
2004	4%	5%	4%	

Notices Regarding 2004 Legislation

Attn: County Commissions

Summary Points for Act 2004-629/Alabama Uniform Severance Tax Act/Eff. 10/1/04

- Repealed or replaced Act 99-255 (Macon County), Act 94-478 (Cleburne County), Act 91-609 (Hale County), and other conflicting local laws.
 - Levies ten cents (\$.10) per ton statewide tax on all natural minerals severed and sold as tangible personal property. This tax is not applicable in any county in which on October 1, 2004, the severance tax is an amount of 25 cents (\$.25) or more per ton. (Coosa County)
 - Within ninety days after the passage of this act or no later than August 23, 2004, any county may elect to have the provisions of this act not apply to their county. Such election must be made by an affirmative, majority vote of the county commission. Any county making such election shall not receive the proceeds or benefits of any tax collected under this act.
- (Note: If your county chooses not to have the provisions of this act apply to your county, please notify the Department of Revenue in writing no later than AUGUST 23, 2004.)**

- Any county later electing to have the provisions of this act apply to their county must repeal such previous election by a majority vote of such county commission.
- **A copy of your county's resolution to have the provisions of this act not apply to your county must be filed with the Department of Revenue no later than AUGUST 23, 2004.**
- Producers are required to remit the tax and file the tax return by the twentieth (20th) day of the month next succeeding the month the tax accrues.
- The first Alabama Uniform Severance Tax Return will be due by November 20, 2004 for the October 2004 activity.
- All revenue collected from this tax, less an amount to cover the cost of collection and one-half of all interest and penal-

ties collected, shall be remitted quarterly to the governing body of the county from which the severed material was severed within 60 days following the end of a calendar quarter.

- The aggregate amount retained by the department to defray the expenses shall not exceed 1.5 percent of the total revenues collected.
- Severed material is defined as all natural minerals, including, but not limited to, sand, gravel, sandstone, granite, shale, clay, except clay that produces lightweight aggregate, dolomite, and limestone.
- Severed material does not include lime or limestone used for agricultural purposes or for pollution control or abatement purposes, nor rock dust used for settling coal dust in underground mines or similar uses, nor any natural minerals used for the purpose of producing portland cement, nor processed sand used in the foundry cores, mold, and linings, nor clay that produces lightweight aggregate, marble and marble by-products, iron ore, quartzite, coal, oil and natural gas.

Attn: All Persons Severing Natural Materials within Alabama

Summary Points for Act 2004-629/Alabama Uniform Severance Tax Act/Eff. 10/1/04

- Repealed or replaced Act 99-255 (Macon County), Act 94-478 (Cleburne County), Act 91-609 (Hale County), and other conflicting local laws. The local tax of any county in which on October 1, 2004, the severance tax is an amount of 25 cents (\$.25) or more per ton is not repealed.
- Levies ten cents (\$.10) per ton statewide tax on all natural minerals severed and sold as tangible personal property.
- The Act does not affect the current \$0.25 per ton tax for Coosa County. The Coosa County tax return must still be filed, as before.
- Producers are required to remit the tax and file the tax return by the twentieth

(20th) day of the month next succeeding the month the tax accrues.

- Severed material is defined as all natural minerals, including, but not limited to, sand, gravel, sandstone, granite, shale, clay, except clay that produces lightweight aggregate, dolomite, and limestone.
- Severed material does not include lime or limestone used for agricultural purposes or for pollution control or abatement purposes, nor rock dust used for settling coal dust in underground mines or similar uses, nor any natural minerals used for the purpose of producing portland cement, nor processed sand used in the foundry cores, mold, and linings, nor clay that produces lightweight aggregate, marble and marble by-products, iron ore, quartzite, coal, oil and natural gas.
- The tax is due on all minerals that are sold to a purchaser for use outside the state when such minerals are transported on public roads in Alabama.
- The severance tax does not apply to severed material moved from one place to another on the same site or transported to another site owned by the same operator or producer.
- In addition, the severance tax does not apply to severed material used for fill or to any cherts including county or municipality-owned chert facilities.
- The tax levied by this Act shall be collected by the producer from the purchaser at the time of sale or delivery, whichever occurs first, provided the tax is identified as a severance tax on the bill of sale, invoice or similar sales document.
- Any tax not identified and collected from the purchaser must still be paid by the producer.
- The first Alabama Uniform Severance Tax Return will be due by November 20, 2004 for the October 2004 activity.
- Returns are being prepared and will be mailed to each taxpayer in time to file the October 2004 return.

Attn: County Officials**Summary Points for Act 2004-534/Revisions to MV Dealer Regulatory License Laws/Eff. 5/17/04**

OFF-SITE SALES - Sales away from the regulatory licensee's permanent, licensed location may now be conducted under the following conditions:

- Applicants must present their State off-site license to the county license official prior to being sold a Section 40-12-51 county license.

- Section 40-12-51 license cannot be purchased for a half-year in conjunction with off-site sales.

- Section 40-12-51 license may be purchased for one-half the price if the dealer has a permanent location within the same city as an off-site sale.

- The cost of the Section 40-12-51 license for an off-site sale is based on the same criteria as the full-year's Section 40-12-51 license.

- A separate Section 40-12-51 license is required for each off-site sales event even if the sales event is held at a previous off-site sales location.

- More than one dealer may participate in the off-site sale, and each dealer participating in the off-site sale must purchase a county Section 40-12-51 dealer's license for **each** off-site location.

- The county license must be purchased after the issuance of the state license and prior to the start of the sales event, or penalties and citation fees will apply.

- The State off-site sales license fee is \$25.00 per off-site sale.

- No more than 3 off-site sales events per license year.

- Off-site sales events cannot last longer than 10 consecutive calendar days.

- The State off-site license must be obtained no later than 14 days prior to start of an off-site sale.

- Used motor vehicles may be sold off-site only at locations in the county or city where the dealer has a currently licensed permanent location.

- New motor vehicles may be sold off-site only at locations within the area defined in the dealer's franchise agreement.

- All dealers at the off-site sale must display a temporary sign that identifies them by the name shown on the dealer's current regulatory license.

- All advertisements/notices of the sale must be in the dealer's name as shown on the current regulatory license.

Questions concerning these Acts should be directed to:

Severance & License Tax Section
Sales, Use & Business Tax Division
P. O. Box 327550
Montgomery, Alabama 36132-7550
(334) 353-7827

Attn: All Oil & Gas Severance Tax Filers**Summary Points for Act 2004-635/Addition to Oil & Gas Privilege Tax Laws/Eff. 5/26/04**

- An additional privilege tax on **off-shore** production of one percent of the gross value of the oil or gas at the point of production is being levied.

- An additional privilege tax on **onshore wells** of one half of one percent of the gross value of the oil or gas at the point of production is being levied.

- This increase will be levied on production occurring between July 1, 2004, and June 30, 2005.

- This increase shall not be levied on any well that began production after December 31, 2003.

- This increase shall not be levied on any well producing 25 barrels or less of oil per day or to any well producing 200,000 cubic feet or less of gas per day.

- The revenue collected as a result of this tax shall be deposited directly to the State General Fund.

- The first returns to include the additional privilege tax will be due September 15, 2004, for July 2004 production.

- Revised returns are being prepared and will be mailed to each taxpayer in time to file the first return. Once the new forms are received, you may revise your own computer-generated returns to match the revisions. Returns not conforming to the revised department returns will not be accepted.

- The additional tax is not distributed

in the same manner as the other privilege tax collections and therefore may not be added to the existing privilege tax. An additional line on the detail pages and the coversheet will be added to the returns in order to report the new privilege tax.

- Oil wells producing 25 barrels or less of oil per day or gas wells producing 200 MCF or less of gas per day are exempt from this tax, but should the volume produced in one month rise above these thresholds, the additional privilege tax rate will apply.

If you would like a copy of this Act or if you have any questions please contact:

Anita Gregory, Severance & License Tax Section

Sales, Use & Business Tax Division
P. O. Box 327560

Montgomery, Alabama 36132-7560
(334) 242-9660

agregory@revenue.state.al.us

State Implements Online Personalized Tag System

The State of Alabama implemented its new Personalized Message Reservation System (PMRS) Aug. 5, 2004. Vehicle owners wishing to make reservations for their personalized license plates can access the system by typing in the website address <https://www.alabamainteractive.org/dorpt/UserHome.str> or by visiting the Department's website at www.ador.state.al.us and under the "Divisions and Services" tab choosing "Motor Vehicle," then "License Plate Information."

For a non-refundable fee of \$2 (which is paid online via credit card to the private vendor responsible for maintaining the database), vehicle owners may reserve a personalized tag message for five business days. The vehicle owner must then visit his or her county license plate-issuing official's office to pay all applicable registration fees and taxes. The actual order for the personalized license plate is then placed by the county license plate-issuing official.

(Continued on Page 10)

Required Monthly Returns Tax Activity

- 10th**
- Medicaid-related tax return and payment due for nursing facilities.
 - Tobacco use tax return and payment due.
- 15th**
- Gasoline information return due from carriers, transporters, and warehouses.
 - Lubricating oils information return due from carriers, transporters, and warehouses.
 - Motor carrier mileage tax return and payment due.
 - Oil and gas production tax and privilege tax return and payment due two months following month of production.
 - Withholding return and payment due from those employers required to remit on a monthly basis.
- 20th**
- Aviation fuel tax return and payment due.
 - Coal severance tax return and payment due.
 - Coal transporters' and purchasers' returns due.
 - Contractors' gross receipts tax return and payment due.
 - Gasoline tax return and payment due.
 - Iron ore severance tax return and payment due.
 - Local solid minerals tax returns and payments due.
 - Lodgings tax return and payment due.
 - Lubricating oils tax return and payment due.
 - Medicaid tax return and payment due from pharmaceutical service providers.
 - Mobile telecommunications tax return and payment due.
 - Motor fuel tax return and payment due.
 - Natural minerals severance tax return and payment due.*
- *The first Alabama Uniform Severance Tax Return will be due Nov. 20, 2004, for the October 2004 activity.
- Pari-mutuel pool tax return and payment due.
 - Rental or leasing tax return and payment due.
 - Sales tax (state and local) return and payment due.
 - Scrap Tire Environmental Fee due.
 - Tobacco tax (state and county) return and payment due.
 - Underground and aboveground storage tank trust fund charge due.
 - Use tax return and payment due.
 - Utility gross receipts tax return and payment due.

(Continued on Page 10)

Quarterly/Annual Tax Activity

(Sept., Oct., Nov., Dec. 2004)

Sept.

- 15**
- First return due for temporary oil and gas privilege tax (for July 2004 production).
 - Third installment of estimated corporate income tax due (for calendar-year taxpayers).
 - Third installment of estimated personal income tax due.

25

- Hydroelectric gross receipts return and payment due.

Oct.

1

- Ad valorem tax on real and personal property due.
- Automotive dismantlers and parts recyclers license due.
- Business privilege license fee due.
- Quarterly Dry Cleaning Trust Fund Fee return and payment due.
- Manufactured home registration and fee due.
- Motor fuel identification markers issued.
- Motor vehicle dealers, reconditioners, rebuilders and wholesalers license tax due.
- Store and chain store license tax due.
- Utility license (2.2%) return and first quarterly payment due.

14

- Annual wholesale oil license 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.

30

- Forest products severance tax return and payment due.

31

- Quarterly withholding return and payment due from employer.
- Quarterly IFTA tax return and payment due.
- Annual business privilege licenses delinquent after this date.

(Continued on Page 10)

Online Tag System

(Continued from Page 8)

The new online system benefits both the tag purchasers and the county license plate-issuing officials. Online options now exist for a county license plate issuing official to place an order for a new personalized tag, view a list of personalized tags pending Motor Vehicle Division approval, or search for the status of a particular personalized tag.

Required Monthly Returns Tax Activity

(Continued from Page 9)

30th • Hazardous waste fee return and payment due.

Last day of month • State horse wagering fee return and payment due.

Quarterly/Annual Tax Activity

(Continued from Page 9)

- Store and chain store licenses delinquent after this date.

Nov.

30 • Last day to register and pay fee for manufactured homes without penalty.

Dec.

15 • Fourth installment of estimated corporate income tax due (for calendar-year taxpayers).

31 • Ad valorem tax on real and personal property delinquent after this date.

- Expiration of the previous calendar year's motor fuel identification markers.

Administrative Rules

Effective July 9, 2004:

Adopted:

810-3-27-.09 Alabama Requirements for Mandatory E-File of Original Income Tax Returns

810-3-27-.10 Requirements for Compliance with Administrative Rule 810-3-27-.09

Amended:

810-6-5-.11.05 Casual Sales Tax and Use Tax on Automotive Vehicles, Motorboats, Truck Trailers, Trailers, Semitrailers, Travel Trailers, and Manufactured Homes

Effective July 23, 2004:

Adopted:

810-5-1-.210 Extending the Period for Use of Standard and Distinctive License Plates

Effective Aug. 26, 2004:

Amended:

810-3-74-.01 Withholding Returns and Payments

Effective Sept. 17, 2004:

Adopted:

810-7-1-.14 Tobacco Product Manufacturers Certificate of Compliance

810-7-1-.15 Directory of Cigarettes Approved for Stamping and Sale in Alabama

810-7-1-.16 Updates and Changes to the Directory of Cigarettes Approved for Stamping and Sale and Appeals Therefrom

817-7-1-.17 Quarterly Certifications and Escrow Deposits

810-7-1-.18 Disclosures of Information

Statement of Gross Tax Collections

FY 2004 Through End of Third Quarter
(April, May, June 2004)

	FYTD 2003-2004	FYTD 2002-2003	% Change
Business Privilege Tax	\$ 67,224,653.13	\$ 64,939,639.82	3.52
Gasoline	302,220,488.71	292,613,419.03	3.28
Income Tax (Corporate)	237,512,049.75	173,268,907.80	37.08
Income Tax (Ind.)	2,061,690,950.16	1,882,190,715.68	9.54
Motor Fuels (Diesel)	96,366,223.66	89,062,007.61	8.20
Oil & Gas Privilege	50,899,943.72	48,479,348.58	4.99
Oil & Gas Production	20,378,275.16	19,499,664.96	4.51
Sales	1,275,202,187.13	1,182,428,240.81	7.85
Use	156,169,577.10	143,984,527.99	8.46
Utility Gross Receipts	254,669,296.28	255,480,044.11	(0.32)
Subtotal (Listed Taxes)	4,522,333,644.80	4,151,946,516.39	8.92
Subtotal (Other Taxes)	733,314,271.44	687,699,789.17	6.63
Total All Taxes	\$5,255,647,916.24	\$4,839,646,305.56	8.60