

Revenue REVIEW

3rd Quarter
FY 2008
(April, May, June 2008)

A Quarterly Publication of the Alabama Department of Revenue

Recent Organizational Changes



Assistant Revenue Commissioner Cynthia Underwood (ctr) recognizes (left to right) newly-designated Chief Legal Counsel Ron Bowden and Deputy Commissioner Mike Mason.

State Revenue Commissioner Tim Russell announces two new designations within the Alabama Department of Revenue, effective Wednesday, June 18, 2008.

Mike Mason has been named Deputy Commissioner, a position which provides support to the Office of the Commissioner. Mason will relocate to the front office, while still serving as Tax Policy and Research Division Director.

Ron Bowden, previously serving as acting legal counsel for the

department's Legal Division, has been named Chief Legal Counsel. As such, Bowden will be involved in all agency litigation, meeting with the Governor's Office advisor and the Attorney General's Office.

"Both Mr. Mason and Mr. Bowden have years of invaluable experience and impeccable reputations in their fields of expertise," said Commissioner Russell. "I look forward to working with them in their new roles within this department."

Counties Receive Grants for Mapping Project



Alabama Revenue Commissioner Tim Russell (3rd from right) and Alabama Revenue Department Property Tax Division Director Bill Bass (left) present Etowah County officials with a check representing federal grant money to be used in implementing geographic system technology. On hand to receive the check are (left to right) County Commission Chairman Willie Brown, Chief Appraiser Pinky Hooks, County Commissioner Perry Guin, and County Administrator Pat Sims.

Seven Alabama counties recently received federal grant money to be used in implementing a statewide geographic system aimed at assisting counties in property tax administration.

Crenshaw, Dale, Etowah, Franklin, Greene, Marengo, and Tallapoosa counties received a combined award totaling over \$491,000.

The federal grant awards were secured through the U.S. Department of Commerce, National Oceanographic and Atmospheric Administration (NOAA).

According to State Revenue Commissioner Tim Russell, since 2005, the (ADOR) has assisted 47 counties in acquiring the needed technology to implement a statewide geographic information system (GIS) aimed at supporting property tax administration functions through federal grant awards. Digital orthophotography base

mapping is the initial step in the process. The 2008 grant award provides the basis for the seven additional counties to acquire the technology.

2008 Awards	
Crenshaw	\$45,803.28
Greene	\$57,854.33
Dale	\$89,699.04
Marengo	\$65,790.41
Etowah	\$74,131.68
Tallapoosa	\$72,589.40
Franklin	\$85,158.98

Qualifications for the grant award are based on an individual county's commitment to acquire GIS technology. The individual grant awards supplement 40 percent of a county's budget allocation for GIS; the individual county is responsible for the remaining 60 percent funding.

Administrative Rules

Effective July 11, 2008:

Adopted:

810-3-70-.03

Provisional construction employers

810-3-73.1-.01

Security instrument requirements

810-3-73.1-.02

Compliance requirements and procedures concerning provisional construction employees

810-3-73-.01

Withholding exemption certificates



Steve Kalina, of 3M Motor Vehicle Systems, responds to an inquiry from a county official.



ADOR's Jay Starling, Motor Carrier Services Supervisor, listens intently to a vendor's presentation.

License Plate-issuing Officials Attend Seminar

Motor Vehicle representatives hosted a seminar June 20 for county license plate-issuing officials and their IT vendors or in-house IT staff. According to ADOR Vehicle Services Section Manager Mike Gamble, the seminar topic was a standardized inventory management system for license plates. Following are some photos from the event.

IRS Increases Mileage Rates through Dec. 31, 2008

WASHINGTON — The Internal Revenue Service announced an increase in the optional standard mileage rates for the final six months of 2008. Taxpayers may use the optional standard rates to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

The rate will increase to 58.5 cents a mile for all business miles driven from July 1, 2008, through Dec. 31, 2008. This is an increase of eight (8) cents from the 50.5 cent rate in effect for the first six months of 2008, as set forth in Rev. Proc. 2007-70.

In recognition of recent gasoline price increases, the IRS made this special adjustment for the final months of 2008. The IRS normally updates the mileage rates once a year in the fall for the next calendar year.

“Rising gas prices are having a major im-

pact on individual Americans. Given the increase in prices, the IRS is adjusting the standard mileage rates to better reflect the real cost of operating an automobile,” said IRS Commissioner Doug Shulman. “We want the reimbursement rate to be fair to taxpayers.”

While gasoline is a significant factor in the mileage figure, other items enter into the calculation of mileage rates, such as depreciation and insurance and other fixed and variable costs.

The optional business standard mileage rate is used to compute the deductible costs of operating an automobile for business use in lieu of tracking actual costs. This rate is also used as a benchmark by the federal government and many businesses to reimburse their employees for mileage.

The new six-month rate for computing

deductible medical or moving expenses will also increase by eight (8) cents to 27 cents a mile, up from 19 cents for the first six months of 2008. The rate for providing services for charitable organizations is set by statute, not the IRS, and remains at 14 cents a mile.

The new rates are contained in Announcement 2008-63 on the optional standard mileage rates.

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

Mileage Rate Changes

Purpose	Rates	
	1/1-6/30/08	7/1-12/31/08
Business	50.5	58.5
Medical/Moving	19	27
Charitable	14	14

Tax Calendar

(Continued from Page 8)

- 31** • Quarterly withholding return and payment due from employer.
- Quarterly IFTA tax return and payment due.
 - Annual business privilege licenses delinquent after this date.
 - 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** • Property tax on real and personal property delinquent after this date.

- Last day to claim exemptions/abatements on property tax assessments.
- Expiration of the previous calendar year’s motor fuel identification markers.

Judge Hands Down Maximum \$100,000 Fine in State Tax Evasion Case

Ricky Gene Haddock, 50, of 2037 Kirkland Drive, Auburn, Ala., pleaded guilty May 19, 2008, in Lee County Circuit Court to state tax charges filed by the Alabama Department of Revenue for income tax evasion and willful failure to pay Alabama business privilege taxes. Lee County Circuit Judge Jacob Walker ordered Haddock to pay the maximum fine of \$100,000 for the charge of state income tax evasion and ordered Haddock to make restitution to the state of Alabama for tax, interest, and penalty amounts totaling over \$54,000. Judge Walker also ordered Haddock to serve a seven-year suspended jail term and a nine-year probationary period.

Haddock pleaded guilty to one count of state income tax evasion for calendar year 2001 and two counts of willful failure to pay business privilege tax for tax year 2001.

According to court records, Haddock owns and operates HDK, Inc., a towing company, Visions Collision Center, Inc., and

Auburn Automotive Specialties, automotive body and mechanical repair businesses. All business locations are in the Auburn area.

“The fine imposed by Judge Walker is the largest criminal fine ever imposed under Alabama’s tax evasion laws and certainly sends a clear message to offenders. No one wants to pay more taxes than they have to, but it is not fair to those honest citizens who do pay their fair share to allow others to circumvent our tax laws and avoid taxes they rightly owe. In the long run, the cost of tax offenses far outweighs any chance of personal gain,” said Charles E. Crumbley, Investigations director of the Alabama Department of Revenue.

State income tax revenues are earmarked for the state’s Education Trust Fund (ETF) and are one of the major funding components for the ETF. Alabama Business Privilege tax revenues are earmarked for Alabama counties and the State General Fund.

2008 Revenue-related Legislation

Regular Session

General revenue-related acts

Act 2008-151 (HB 395) Establishes a statewide program for solid waste management to be coordinated by the Department of Environmental Management

The bill further authorizes fees for disposal of solid waste within the state and the proceeds shall be used to adequately fund the solid waste management program.

ADOR will collect and administer disposal fees from generators; impose appropriate interest on disposal fees; owner/operator shall certify to ADOR the volumes of solid waste received for disposal; ADOR may retain one percent of the solid waste fees collected as an administrative collection allowance. *Effective date: April 15, 2008*

Act 2008-275 (HB 234) Alternative and Renewable Energy Act of 2008

This bill provides for tax credits and abatements for various energy-related expenditures. It further provides for the review by ADOR of payroll filings and withholdings for wages paid to certain construction workers. *Effective date: May 5, 2008. Section 6: effective Aug. 6, 2008 (90 days after bill became law)*

Act 2008-377 (HB 43) Provides income tax deduction for APACTP/ACESP

This provides for an income tax deduction for contribution, subsequent to Dec. 31, 2007, to the Alabama Prepaid Affordable College Tuition Program or the Alabama College Education Savings Program, and provides a recapture provision for nonqualified withdrawals. *Effective date: Aug. 1, 2008 (contingent upon HB 357 being enacted)*

Act 2008-393 (SB 4) Increases limits of Motor Vehicle Safety-Responsibility Act

This bill increases the required liability insurance limits to \$25,000 for bodily injury to or death of one person in any one acci-

dent, and \$50,000 for bodily injury to or death of two or more persons in any one accident, and \$25,000 because of injury to or destruction of property of others in any one accident. This bill also increases certain proof of financial responsibility. *Effective date: Aug. 30, 2008, for new policies (90 days from the first day of the month following passage and approval) Nov. 28, 2008, for renewal policies (180 from the first day of the month following passage and approval)*

Act 2008-504 (HB 357) Withholding tax on the sale or transfer of real property and associated tangible property by nonresidents

This bill creates a new Section 40-18-86, relating to withholding tax on the sale or transfer of real property and associated tangible property by nonresidents. *Effective date: Aug. 01, 2008*

Local revenue-related Acts

Act 2008-74 (HB 307) Establishes the Franklin County Community Development Commission

This bill further provides for the membership of the commission. It also establishes a community development fund with the county treasury and provides for the source and distribution of revenue. *Effective date: June 1, 2008*

Act 2008-75 (HB 184) Establishes the Colbert County Community Development Commission

This bill further provides for the membership of the commission. It also establishes a community development fund with the county treasury and provides for the source and distribution of revenue. *Effective date: June 1, 2008*

Act 2008-83 (HB 4) Establishes the DeKalb County Community Development Commission

This bill further provides for the membership of the commission. It also establishes a community development fund with the county treasury and provides for the

source and distribution of revenue. *Effective date: April 1, 2008*

Act 2008-125 (HB 362) Establishes the Lauderdale County Community Development Commission

This bill further provides for the membership of the commission. It also establishes a community development fund with the county treasury and provides for the source and distribution of revenue. *Effective date: July 1, 2008*

Act 2008-174 (SB 213) Amends legislation relating to the two percent county privilege license tax in Morgan County

This bill further defines the terms "sale" and "sales" and clarifies that the tax is due on all transactions closed in the tax area, regardless of where a vendor's place of business is located. It also provides that the act will prevail over regulations of ADOR that are inconsistent with the act. It also provides retroactive application to sales occurring on and after May 13, 1993. *Effective date: April 21, 2008*

Act 2008-243 (SB 343) Exempts Mobile Regional Senior Community Center Foundation, Incorporated, from county and municipal sales and use taxes

This bill exempts the Mobile Regional Senior Community Center Foundation, Incorporated, from county and municipal sales and use taxes, except for sales and use taxes owed and collected under the Education First Amendment, Amendment no. 706 to the Alabama Constitution. *Effective date: April 24, 2008*

Act 2008-256 (SB 436) Excludes the corporate limits of Smiths Station from additional sales and use tax

This bill authorizes the Lee County Commission to exclude the corporate limits of the City of Smiths Station from the levy of an additional sales and use tax (Act 2007-399). *Effective date: May 6, 2008*

Act 2008-289 (HB 681) Additional vehicle license plate issuance fee in Blount County

This bill provides for an additional vehicle license plate issuance fee in Blount County and provides for distribution of the fee, pending approval upon election. *Effective date: May 8, 2008*

Act 2008-292 (HB 830) Continuation of nine and one-half mills ad valorem tax in Conecuh County

This bill authorizes the Conecuh County Commission to continue to levy an ad valorem tax in the amount of nine and one-half mills on each dollar of taxable property to be used for public school purposes in the county, pending approval upon election. *Effective date: May 8, 2008*

Act 2008-295 (HB 882) Authorizes the State Revenue Commissioner to appoint up to six additional members to the Baldwin County Board of Equalization

This bill authorizes the State Revenue Commissioner to appoint up to six additional members to the Baldwin County Board of Equalization for the limited purpose of hearing objections to any assessments or valuations fixed by the county revenue commissioner official or other authorized taxing official, pending approval upon election. *Effective date: May 8, 2008*

Act 2008-415 (HB 634) Authorizes Russell County Commission to set certain business license fees

This bill authorizes the Russell County Commission to set certain business license fees, and to provide for collection by the judge of probate. *Effective date: May 16, 2008*

Act 2008-425 (HB 741) Authorizes Choctaw County Commission to levy an additional sales and use tax

This bill authorizes the Choctaw County Commission to levy an additional

sales and use tax. Proceeds of the sales and use tax will be used exclusively for the operational fund of the county mandatory solid waste disposal program, pending approval upon election. *Effective date: May 16, 2008*

Act 2008-436 (HB 841) Consolidates tax offices in Chilton County under the supervision of county revenue commissioner

This bill provides for the establishment of a consolidated and unified system for assessing and collecting taxes under the supervision of an elected county official designated as county revenue commissioner. This bill also abolishes the offices of tax assessor and tax collector, pending approval upon election. *Effective date: Aug. 1, 2008*

Act 2008-437 (HB 842) Authorizes Washington County Commission to levy additional sales and use tax

This bill authorizes the Washington County Commission to levy an additional sales and use tax, pending approval upon election. *Effective date: Aug. 1, 2008*

Act 2008-445 (HB 865) Provides for distribution of sales and use tax in Bibb County

This bill provides for the distribution of the proceeds from a sales and use tax in Bibb County (Act 91-514) to go to economic development and tourism. *Effective date: May 16, 2008*

Act 2008-447 (HB 879) Authorizes Hale County Commission to levy an additional ad valorem tax

This bill authorizes the Hale County Commission to levy an additional ad valorem tax for bonds to be issued for educational purposes in the county. This bill also provides that the tax shall end upon repayment of the bonds, pending approval upon election. *Effective date: Aug. 1, 2008*

Act 2008-458 (HB 877) Exempts tourist camps and campgrounds in Franklin County from lodging tax

This bill exempts tourist camps and campgrounds in Franklin County from the

Interest Rates Dropped to 5% for Quarter Beginning July 1, 2008

The interest rate for the calendar quarter beginning July 1, 2008, dropped to five percent (5% a.p.r.) for underpayments, according to the Internal Revenue Service's News Room webpage, (News Release: IR-2008-76, citing Rev. Rul. 2008-27).

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 (5%); however, land sold by the state for taxes, shall be calculated at 12% in accordance with Sect. 40-5-9. (Historical rates shown below.)

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%	

levy of a lodging tax (Act 2007-500). *Effective date: May 19, 2008*

Act 2008-463 (HB 352) Authorizes funds received from severance tax on minerals in Macon County to be expended for the purpose of the Macon County Economic Development Authority

This bill authorizes funds received from the severance tax on minerals in Macon County to be expended for the purpose of the Macon County Economic Development Authority, and retroactively ratifies prior expenditures for that purpose. *Effective date: Aug. 1, 2008*

Act 2008-482 (SB 556) Increases the percent of total value of equalized taxable property for all tax increment districts created by the municipal governing body

This bill amends Section 11-99-4, as amended by Act 2007-204, relating to Class 3 municipalities. This bill increases the percent of total value of equalized taxable property for all tax increment districts created by the municipal governing body. *Effective date: May 29, 2008*

Act 2008-494 (HB 914) Authorizes Talladega County Commission to levy additional two percent lodging tax

This bill authorizes the Talladega County Commission to levy an additional two percent lodging tax in the county, and to provide for the collection of the tax and the distribution of the proceeds. *Effective date: Aug. 1, 2008*

Act 2008-496 (HB 920) Increases rate at which an ad valorem tax is levied in City of Enterprise

This bill approves the proposal of the city council of the City of Enterprise in Coffee County to increase the rate at which an ad valorem tax is levied in the city pursuant to Amendment 373 to the Alabama Constitution, now appearing as Section 217, as amended. *Effective date: May 29, 2008*

First Special Session

General revenue-related Acts

Act 2008-543 (HB 62) Defines the term "Captive REIT" and limits Captive REITs the preferential dividend treatment afforded ordinary REITs for Alabama corporate income tax purposes

This bill amends Sections 10-13-21, 40-18-1, and 40-18-35; defines the term "Captive REIT" and limits Captive REITs the preferential dividend treatment afforded ordinary REITs for Alabama corporate income tax purposes; clarifies Section 40-18-35(b) regarding the exceptions in the original add-back provisions; and requires ADOR to waive certain penalties. *Effective date: For all tax years beginning after Dec. 31, 2006; was contingent upon passage of HB61 of the 2008 First Special Session*

Act 2008-549 (HB 56) Excludes federal rebate checks from Alabama income tax

This bill provides for an exclusion from Alabama individual income tax for federal tax rebates received in 2008 and to prohibit additional federal deductions or credits. *Effective date: June 9, 2008*

Act 2008-554 (SB 104) Distinctive license tag, "God Bless America"

This bill provides for personalized "God Bless America" distinctive license plates; provides for an annual additional fee of \$50; and provides for the distribution of the fee to the Alabama Veterans Living Legacy. *Effective date: Sept. 1, 2008*

Act 2008-559 (HB 61) Income tax deduction allowed for health insurance premiums paid by small businesses

The bill increases the income tax deductions allowed for health insurance premiums paid by qualifying small businesses and their employees. *Effective date: June 10, 2008*

Statement of Gross Tax Collections

FYTD 2007-2008

Through End of 3rd Quarter FY 2008 (April, May, June 2008)

	FYTD '2007-2008	FYTD '2006-2007	% Change
Business Privilege Tax	89,870,098.26	89,704,870.46	0.18
Gasoline	301,436,083.50	306,330,469.13	(1.60)
Income Tax-Corporate	440,923,842.34	404,768,314.61	8.93
Income Tax-Individual	2,824,975,355.59	2,725,062,483.45	3.67
Income Tax (Total)	3,265,899,197.93	3,129,830,798.06	4.35
Motor Fuels	102,098,010.15	111,033,532.48	(8.05)
Oil & Gas Privilege (8%)	90,887,246.25	73,114,620.98	24.31
Oil & Gas Production (2%)	36,424,569.38	29,608,906.95	23.02
Sales	1,511,793,068.71	1,517,047,280.75	(0.35)
Use Tax	205,035,278.55	205,481,529.89	(0.22)
Utility Gross Receipts	310,484,408.28	298,606,815.81	3.98
SUBTOTAL	5,913,927,961.01	5,760,758,824.51	2.66
SUBTOTAL (OTHER TAXES)	981,881,580.57	943,468,636.46	4.07
TOTAL (ALL TAXES)	6,895,809,541.58	6,704,227,460.97	2.86

Tax Calendar

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.

17th • 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.
- 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.

30th • Hazardous waste fee return and payment due.

Last day

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

Quarterly/Annual Tax Activity

(August-Dec. 2008)

Sept.

15 • 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.

- Property 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.

(Continued on Page 4)