

# Revenue REVIEW

A Quarterly Publication of the Alabama Department of Revenue

4<sup>th</sup>  
Quarter  
FY 2005

(July, August,  
September 2005)

## ADOR Hosts Nexus Training School

State auditors and state attorneys from Louisiana, Nebraska, South Carolina, and South Dakota attended the Multistate Tax Commission's Nexus Training School held Sept. 20–21 in the Gordon Persons Building.

Hosted by the Alabama Department of Revenue, the two-day program provided an extensive study of state tax nexus issues.

According to ADOR Director of Tax Policy, Mike Mason, the first part of the course addressed constitutional nexus,

statutory nexus and certain legal cases that related to sales tax nexus and/or income tax nexus. "The second part addressed the need for careful and continuing internal

## Newman Named State Motor Vehicle Division Director



Johnny Newman

State Revenue Commissioner Tom Surtees announced the appointment of Johnny Newman as director of the Alabama Department of Revenue Motor Vehicle Division, effective Oct. 3, 2005.

As director of the Motor Vehicle Division, Newman has the responsibility of overseeing the issuance of approximately

1.5 million certificates of titles and the registration of over four million vehicles annually. In addition, the Motor Vehicle Division is responsible for administering provisions of the International Registration Plan and the International Fuel Tax Agreement as they relate to interstate motor carriers, as well as certain enforcement provisions related to the state's mandatory liability insurance law involving private and commercial vehicles' registration status.

Newman began his career with the Revenue Department in 1969 as an administrative trainee assigned to the Motor Vehicle Division. Throughout his 36-year career with the department's Motor Vehicle Division, Newman has held various supervisory posts within the division. In 1998, he was named assistant division director of the Motor Vehicle Division and has served in that position until his appointment as director.

"Johnny brings years of valuable experience to the post of director, working his way through the ranks. His experience and knowledge have made him a valuable asset to the operations of the Motor Vehicle Division. We welcome Johnny to our senior management team," said Commissioner Surtees.



MTC Instructor Sheldon Laskin, Washington, D.C., addresses the training class of state representatives.

communications within a revenue department in order to maximize nexus discovery resources," explains Mason. "We continued with external sources that can be used to identify non-filers and concluded with a comprehensive case study."

"I think the course was right on target and illustrates that we have much work ahead of us," said Christy Vandevender, the department's revenue examiner charged with investigating and finding non-filers for income tax, sales/use tax, business privilege tax and other taxes.

As one of 45 states which comprise the Multistate Tax Commission, Alabama works with the other members to adminis-

ter tax laws that apply to multi-state and multinational enterprises. According to the organization's Web site, its mission is as follows:

- To encourage tax practices that reduce administrative costs for taxpayers and states alike;
- To develop and recommend uniform laws and regulations that promote proper state taxation of multistate and multinational enterprises;
- To encourage business compliance with state tax laws through education, negotiation and enforcement, and
- To protect state fiscal authority in Congress and the courts.



Front row attendees include (left to right) Theodora Davis, ADOR Individual and Corporate Tax Division; Vince Arnold, ADOR Sales, Use and Business Tax Division; Glenmore Powers, ADOR Legal Division.



(Shown left, front row) LaCynthia Holt and Audrey Jones, ADOR Sales, Use and Business Tax Division; (back row) Henry Chappell, Chief Counsel, ADOR Legal Division; Nancy Butler, ADOR Individual and Corporate Tax Division, listen to an overview of sales and use tax nexus.



Viewing a presentation on nexus issues related to electronic commerce are (front row, left) Richard Henninger, Director, ADOR Individual and Corporate Tax Division; Barry Estes, ADOR Individual and Corporate Tax Division; (back row, left) Mike Mason, Director, ADOR Office of Tax Policy; Bob Glidden, MTC instructor retired from the Colorado Department of Revenue.

## Joyner to Serve on SST Advisory Council

**D**onna Joyner, Local Tax Unit Manager with the Alabama Revenue Department's Sales, Use and Business Tax Division, has been tapped to serve as state delegate to the State and Local Government Advisory

Council of the Governing Board of the Streamlined Sales Tax Project (SSTP).

According to Joyner, the State and Local Government Advisory Council advises the Board on administrative matters pertaining to the Streamlined Sales Tax Agreement, including the admission of states into membership, noncompliance and interpretations, and revisions or additions to the SST Agreement.

The goal of the Streamlined Sales Tax Project is to simplify and modernize the collection and administration of sales and use tax collection nationwide.

"The Streamlined Sales and Use Tax Agreement, which became effective Oct. 1, 2005, provides for simplification of the nation's varying sales tax laws through reducing the number of sales tax rates, bringing uniformity to definitions of items in the sales tax base, significantly reducing the paperwork burden on retailers, and incorporating new technology to modernize many administrative procedures," explains Joyner.



Donna Joyner

## Alabama Receives \$2.6 Million from MCI Settlement

**A**labama is one of 15 states, along with the District of Columbia, to settle certain tax claims filed in the bankruptcy proceedings of WorldCom, Inc., according to State Revenue Commissioner Tom Surtees.

Collectively, the participants will receive \$315 million, with Alabama receiving \$2.6 million.

The other participating states include Georgia, Arkansas, Connecticut, Florida, Iowa, Kentucky, Maryland, Massachusetts, Michigan, Missouri, New Jersey, Ohio, Pennsylvania, and Wisconsin, as well as the District of Columbia.

## Reminder: Alabama Estate Tax Filings No Longer Required

**T**he Alabama Department of Revenue reminds taxpayers that Alabama estate tax returns, Alabama Affidavits of Estate Tax, and Alabama Estate Tax Waivers are no longer required to be filed for estates whose owners died after Dec. 31, 2004.

Federal legislation passed in 2001 authorizes the elimination of the federal estate and gift tax by 2009 and its reinstatement in 2011. Alabama's filing requirement is based on the federal estate tax credit allowed under the federal estate tax law. As a result of the federal tax changes enacted in 2001, Alabama's federal estate tax credit has been reduced proportionately over a four-year period, with the final phase-out of the credit effective Jan. 1, 2005.

The end of September 2005 marked the final reporting date for any 2004 Alabama's estate tax liabilities with the exception of any filings resulting from extension requests. If filing thresholds are met, Alabama's estate tax filings are due nine months following the decedent's death.

For additional information concerning Alabama estate tax requirements, contact the Alabama Department of Revenue, Individual and Corporate Tax Division at (334) 242-1000.

### State E-filing Update

#### Total E-filed Alabama Returns for Tax Years:

1997	116,465
1998	211,303
1999	373,277
2000	445,933
2001	530,381
2002	653,825
2003	751,424
2004	915,763 (through October 2005)



(Shown left) Gwen McGrew Hall, Revenue Director, City of Mobile, shared the speakers' dais with Robin Hall, Revenue Examiner, ADOR Mobile Taxpayer Service Center, at a seminar sponsored by the Women's Business Center of Southern Alabama.

## ADOR Outreach Updates

Representatives from the Mobile Taxpayer Service Center were active participants this summer in both business seminars and new business workshops.

Revenue Examiner Robin Huffman spoke at a seminar presented by the Women's Business Center of Southern Alabama. Huffman appeared with City of Mobile Revenue Director Gwen McGrew Hall to address the primary topic, "Sales Taxes—Where, When and How Much."

Department representatives appeared at a New Business Workshop in Foley, Ala., Oct. 18 to address state tax topics of concern to the new business owner; topics included new business registration procedures and business licensing requirements.



ADOR's Angela Till (left) and Kelly Graham (right), Office of Economic Development, attended the Existing Industry Forum with Dusty Brown, Alabama Industrial Development Training.

## ADOR Representatives Attend Economic Incentive Forum

Kelly Graham and Angela Till, of Revenue's Office of Economic Development, participated in the Existing Industry Forum sponsored by the Greater Birmingham Chamber of Commerce on August 18.

With a primary focus on tax incentives, the forum was moderated by John Hansen, executive director of the Economic Development Association of Alabama. Both Graham and Till participated in the panel discussion, along with the following individuals: State Rep. Paul DeMarco; Bob Dickerson, Birmingham Business Resource Center; Charles Murray, Lawson State Community College; Dusty Brown, Alabama Industrial Development Training. Other topics included financial resources, available job training, human resources and minority issues, and legislative updates.



RITS Team Members include (left to right): 1st row, Jennifer Tuvell, Project Manager, FAST; Theodora Davis, Grace McDuffie, ADOR; LySreng Ou, FAST; 2nd row, Jeff Taylor, Ursula Kling, ADOR; Greg Slagel, FAST; Dave Bedingfield, ADOR; 3rd row, Allyson Nelson, Angela Free, Hugh Raynor, ADOR; 4th row, Robin Kister, FAST; Matthew Dyar, ADOR; Teka Steptore, Mel Lusk, FAST; 5th row, Don Graham, Special Projects Manager, ADOR; Anthony Raush, Ryan Kovach, FAST; George Howell, RITS Project Director. Not pictured: Catherine Naman, Felicha Fisher, ADOR.

## RITS Training Underway

**T**axpayer service center managers and supervisors attended an overview of the department's new Revenue Integrated Tax System, RITS, on Aug. 24, in the Gordon Persons Building.

Commissioner Tom Surtees opened the meeting with an account of the ADOR representatives' appearance before the Legislative Review Committee to explain the state's need for such a system. "I am glad to be a part of this program which is bringing us into the 21st century," he said. "This is a tax-driven, a tax-collecting program. We're going to change the basic way we do business."

Assistant Commissioner Cynthia Underwood, Project Sponsor,

explained the necessity for replacing the antiquated system, Automated Revenue Information System, or ARIS, which the department currently uses. RITS Project Director George Howell introduced the ADOR RITS Team and the team from the contracted vendor, Fast Enterprises, LLC, which developed the GenTax software.

After a Power Point overview of the project and the GenTax system from Fast Enterprises' Jennifer Tuvell, who serves as Project Manager, ADOR field personnel were shown a live demonstration of GenTax by Training Manager Teka Steptore.

# ADOR Hurricane Relief Efforts

*Relief efforts provided by the Alabama Department of Revenue parallel those of the Internal Revenue Service, with the exception of the imposition of interest. Although Alabama law does provide for the waiver of late filing and late payment penalty, there is no provision in Alabama law which provides for the waiver of interest.*

## ADOR to Follow Federal February 28 Extension Date for HURRICANE KATRINA Victims

Alabama's filing extension relief offered to Hurricane Katrina victims will follow the Feb. 28, 2006, extension date set by the recently enacted Katrina Emergency Tax Relief Act of 2005 (H.R. 3768).

The disaster areas designated for Alabama's tax relief include the same geographical areas as those designated for federal tax relief.

The Alabama tax extensions offered allow affected taxpayers until Feb. 28, 2006, to file Alabama tax returns and submit tax payments for the following taxes: individual income tax, corporate income tax, income tax withholding, and business privilege tax. Alabama's tax extension includes the Sept. 15, 2005, and Jan. 15, 2006, due dates for estimated taxes for individuals; the Sept. 15 and Dec. 15, 2005, due dates for estimated taxes for corporations; the Sept. 15 due date for calendar-year corporate returns with automatic extensions; the Oct. 17, 2005, deadline for individuals who received a second extension for filing their 2004 Alabama individual income tax returns; and the Oct. 31, 2005, and Jan. 31, 2006, deadlines for filing quarterly income tax withholding returns.

Late filing and payment penalties will be waived for those affected taxpayers seeking this relief. Alabama's tax laws have no provision for the waiver of interest.

**Relief measures for other taxes administered by the ADOR will be handled on a case-by-case basis.** Taxpayers who are unable to meet future filing requirements as the result of damage caused by Hurricane Katrina are urged to contact the ADOR by e-mail at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) or at the telephone numbers provided below.

Taxpayers who are eligible for the relief should write "HURRICANE KATRINA" in red ink at the top of any Alabama "paper" returns they file. Those taxpayers filing electronic returns and seeking tax relief should contact the appropriate ADOR division office. Contact telephone numbers are provided below.

<b>Individual Income Tax</b>	<b>(334) 242-1099</b>
<b>Income Tax Withholding</b>	<b>(334) 242-1300</b>
<b>Corporate Income Tax</b>	<b>(334) 242-1200</b>
<b>Business Privilege Tax</b>	<b>(334) 353-7923</b>
<b>Sales, Use &amp; Business Tax</b>	<b>(334) 242-1490</b>

## ADOR to Follow Federal February 28 Extension Date for HURRICANE RITA Victims

Alabama's filing extension relief offered to Hurricane Rita victims will follow the Feb. 28, 2006, extension date set by the IRS.

The disaster areas designated for Alabama's tax relief include the same geographical areas as those designated for federal tax relief.

The tax relief offered allows affected taxpayers until Feb. 28, 2006, to file Alabama tax returns and submit tax payments that have an original or extended due date falling on or after Sept. 23, 2005, and on or before Feb. 28, 2006, for the following taxes: individual income tax, corporate income tax, income tax withholding, and business privilege tax.

Late filing and payment penalties will be waived for those affected taxpayers seeking this relief. Alabama's tax laws have no provision for the waiver of interest.

**Relief measures for other taxes administered by the ADOR will be handled on a case-by-case basis.** Taxpayers who are unable to meet future filing requirements as the result of damage caused by Hurricane Rita are urged to contact the ADOR by e-mail at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) or at the telephone numbers provided below.

Taxpayers who are eligible for the relief should write "HURRICANE RITA" in red ink at the top of any Alabama "paper" returns they file. Those taxpayers filing electronic returns and seeking tax relief should contact the appropriate ADOR division office. Contact telephone numbers are provided below.

<b>Individual Income Tax</b>	<b>(334) 242-1099</b>
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<b>Business Privilege Tax</b>	<b>(334) 353-7923</b>
<b>Sales, Use &amp; Business Tax</b>	<b>(334) 242-1490</b>

## Alabama to Follow Federal Treatment of Leave-Donation Programs

The Alabama Department of Revenue will follow the IRS in its tax treatment of employer-sponsored leave-donation programs aimed at assisting Hurricane Katrina victims.

Alabama's tax laws permitting the charitable deduction for state purposes are directly tied to the federal code section authorizing the deduction at the federal level.

Under the qualified leave-donation programs, employees may donate their unused vacation, sick, or personal leave time in exchange for employer cash payments made to qualified tax-exempt organizations providing relief for victims of Hurricane Katrina. IRS rules provide that participating employees will not be required to include the value of their donated leave as part of their gross income or wages, and as a result, will not claim the value of the donated leave as a charitable contribution.

Employers will be allowed to deduct the amount of the cash payment from their Alabama taxable income, provided the cash contributions are made to a qualified tax-exempt organization before Jan. 1, 2007.

The IRS will provide guidance to employers wishing to participate in the employer-sponsored leave-donation program. For additional information, visit the IRS Web site at [www.irs.gov](http://www.irs.gov) and view a copy of IRS Notice 2005-68, Treatment of Certain Amounts Paid to Section 170(c) Organizations under Certain Employer Leave-Based Donation Programs.

## Statement of Gross Tax Collections

Through End of 4th Quarter  
(July, August, September 2005)

	FYTD 2004-2005	FYTD 2003-2004	% Change
Business Privilege Tax	\$ 79,676,375.74	\$ 72,168,808.44	10.40
Gasoline	410,838,439.03	405,895,172.80	1.22
Income Tax-Corporate	427,935,249.04	299,669,781.50	42.80
Income Tax-Individual	2,954,518,374.72	2,652,646,044.77	11.38
Income Tax (Total)	3,382,453,623.76	2,952,315,826.27	14.57
Motor Fuels	149,602,200.15	128,913,728.92	16.05
Oil & Gas Privilege (8%)	96,665,311.35	72,461,569.68	33.40
Oil & Gas Production (2%)	35,634,666.24	28,722,479.09	24.07
Sales	1,806,806,554.12	1,703,151,053.77	6.09
Use Tax	231,976,277.36	208,759,788.20	11.12
Utility Gross Receipts	355,281,502.78	347,884,032.35	2.13
<b>SUBTOTAL (LISTED TAXES)</b>	<b>6,548,934,950.53</b>	<b>5,920,272,459.52</b>	<b>10.62</b>
<b>SUBTOTAL (OTHER TAXES)</b>	<b>1,072,998,205.20</b>	<b>952,351,795.15</b>	<b>12.67</b>
<b>TOTAL (ALL TAXES)</b>	<b>\$7,621,933,155.73</b>	<b>\$6,872,624,254.67</b>	<b>10.90</b>

## 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
<b>1982</b>	20%	20%	20%	20%
<b>1983</b>	16%	16%	11%	11%
<b>1984</b>	11%	11%	11%	11%
<b>1985</b>	13%	13%	11%	11%
<b>1986</b>	10%	10%	9%	9%
<b>1987</b>	9%	9%	9%	10%
<b>1988</b>	11%	10%	10%	11%
<b>1989</b>	11%	12%	12%	11%
<b>1990</b>	11%	11%	11%	11%
<b>1991</b>	11%	10%	10%	10%
<b>1992</b>	9%	8%	8%	7%
<b>1993</b>	7%	7%	7%	7%
<b>1994</b>	7%	7%	8%	9%
<b>1995</b>	9%	10%	9%	9%
<b>1996</b>	9%	8%	9%	9%
<b>1997</b>	9%	9%	9%	9%
<b>1998</b>	9%	8%	8%	8%
<b>1999</b>	7%	8%	8%	8%
<b>2000</b>	8%	9%	9%	9%
<b>2001</b>	9%	8%	7%	7%
<b>2002</b>	6%	6%	6%	6%
<b>2003</b>	5%	5%	5%	4%
<b>2004</b>	4%	5%	4%	5%
<b>2005</b>	5%	6%	6%	7%

## IRS Interest Rate Increased to 7%

The interest rate for the calendar quarter beginning Oct. 1, 2005, increased to seven percent (7% APR) for underpayments, according to the Internal Revenue Service's "News Room" webpage, (News Release: IR-2005-85, citing Rev. Rul. 2005-62).

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 (7%), with the exception of land sold by the state for taxes, which shall be calculated at 12% in accordance with Sec. 40-5-9. (Historical rates shown.)

# 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.
- 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

(December 2005, January, February 2006)

### December

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

**31** • Property tax due on real and personal property delinquent after this date.

- Expiration of the previous calendar year's motor fuel identification markers.
- Property tax assessments delinquent after this date.
- Last day to claim exemptions/abatements on ad valorem tax assessments.

### 2006 – January

**1** • Quarterly Dry Cleaning Trust Fund Fee return and payment due.

- Utility license (2.2%) second quarterly payment due.

**15** • Fourth installment of estimated personal income tax due.

- 20** • Quarterly sales tax return and payment due.
- Annual sales tax return and payment due.
  - Quarterly use tax return and payment due.
  - Annual use tax return and payment due.
  - Quarterly rental or leasing tax return and payment due.
  - Annual 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.

## February

- 28** • Annual withholding return due.

### Political Party Contributions FY 2005

	Contributors	Amount
Democratic Party	3,842	\$ 5,255.00
Republican Party	4,784	7,142.00
Libertarian Party	2	4.00
<b>Totals</b>	<b>8,628</b>	<b>\$12,401.00</b>

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## Alabama Income Tax Refund Checkoffs (Non-Campaign): \$'s Collected

Fiscal Quarters:	2005/1	2005/2	2005/3	2005/4	2005 FYTD
Alabama Aging Fund	\$ 477.00	\$ 5,885.00	\$ 10,914.00	\$ 777.00	\$ 18,053.00
Alabama Arts Development Fund	301.00	4,577.00	8,343.00	767.00	13,988.00
Alabama Nongame Wildlife Fund	280.00	7,677.00	13,856.00	932.00	22,745.00
Child Abuse Trust Fund	923.00	21,692.00	24,926.00	1,882.00	49,423.00
Alabama Veterans Program	1,072.00	11,667.00	16,999.00	1,329.00	31,067.00
AL Indian Children's Scholarship FD	235.00	4,694.00	7,507.00	958.00	13,394.00
Penny Trust Fund	126.00	3,627.00	8,291.00	991.00	13,035.00
Foster Care Trust Fund	380.00	6,873.00	9,736.00	780.00	17,769.00
Mental Health	247.00	4,850.00	8,556.00	623.00	14,276.00
Neighbors Helping Neighbors	393.00	5,272.00	10,750.00	998.00	17,413.00
Breast & Cervical Cancers Fund	793.00	15,175.00	17,951.00	1,210.00	35,129.00
4H Clubs	117.00	2,180.00	4,818.00	352.00	7,467.00
<b>TOTALS:</b>	<b>\$5,344.00</b>	<b>\$94,169.00</b>	<b>\$142,647.00</b>	<b>\$11,599.00</b>	<b>\$253,759.00</b>

## Alabama Income Tax Refund Checkoffs (Non-Campaign): No. of Returns

Fiscal Quarters:	2005/1	2005/2	2005/3	2005/4	2005 FYTD
Alabama Aging Fund	34	844	1,282	80	2,240
Alabama Arts Development Fund	25	608	1,016	61	1,710
Alabama Nongame Wildlife Fund	29	806	1,272	69	2,176
Child Abuse Trust Fund	48	1,979	2,209	146	4,382
Alabama Veterans Program	42	1,084	1,438	101	2,665
AL Indian Children's Scholarship FD	25	568	861	61	1,515
Penny Trust Fund	17	470	799	64	1,350
Foster Care Trust Fund	27	815	1,163	70	2,075
Mental Health	25	704	1,050	67	1,846
Neighbors Helping Neighbors	27	515	790	71	1,403
Breast & Cervical Cancers Fund	43	1,491	1,779	104	3,417
4H Clubs	16	399	581	35	1,031
<b>TOTALS:</b>	<b>358</b>	<b>10,283</b>	<b>14,240</b>	<b>929</b>	<b>25,810</b>