

810-8-5-.15 Quinquennial Adjustment to Municipal Business License Issuance Fees.

(1) **PURPOSE:**

(a) Act 2006-586 was passed in the 2006 Regular Session of the Alabama Legislature and signed into law on April 26, 2006. This Act was codified in Title 11, Section 51, Article 2. Section 11-51-90 requires the Department of Revenue to distribute information every five years to all municipalities and the Alabama League of Municipalities regarding any required adjustment to the municipal business license issuance fee, rounded to the nearest dollar. The failure of the Department of Revenue to so notify all municipalities and the Alabama League of Municipalities shall not, however, prohibit a municipality from increasing the issuance fee, if any increase is otherwise due. This rule establishes procedures for the calculation of any such increase, if applicable, and the methods for notification.

(2) **DEFINITIONS:**

(a) Finished Goods - completed manufactured products which are ready for sale and delivery to the marketplace.

(b) License Year - calendar year (January 1 through December 31)

(c) North American Industrial Classification System (NAICS) - industries and their products.

(d) Producer Product Index - an output price index that measures price changes received by domestic producers of goods and services. It is neither a buyer's index nor an input price index and does not measure the cost of producing that item.

(3) **REQUIREMENTS:**

(a) The municipal business license issuance fee shall be increased every five license years by the Department of Revenue by an amount equal to the percentage increase, if any, in the U.S. Department of Labor's Producer Price Index during that five-year period, rounded to the nearest dollar, with the base year being 2006.

(b) The Department of Revenue shall notify all municipalities and the Alabama League of Municipalities of any such fee increase no later than November 30 preceding the license year for which the increase shall take effect.

(c) Based upon the fact that finished goods incorporate various industries and that a composite producer price index is not available for each calendar year, the Department of Revenue will utilize the U. S. Department of Labor's Producer Price Index for finished goods to compute the base year (2006) and the subsequent five-year adjustments.

(4) **CALCULATION:**

(a) Initial calculation: The average Producer Price Index for finished goods during calendar years 2006 and 2011 was employed to calculate the increase in the municipal business license issuance fee for the license year beginning January 1, 2013. An average of the producer price indexes during 2006 was determined by totaling the indexes for the period January 2006 through December 2006 and dividing by 12. An average of the producer price indexes during 2011 was determined by totaling the indexes for the period January 2011 through December 2011 and dividing by 12. The percent of increase was determined by calculating the difference between the 2011 average index (190.7) and the 2006 average index (160.3) and dividing this amount (30.4) by the base year index (160.3). The result was an 18.96 percent increase. The percent increase applied to the \$10.00 initial municipal business license issuance fee results in an adjusted license issuance fee of \$12.00. ( $\$10.00 \times 1.1896 = \$11.90$ , rounded to the nearest dollar). See Appendix for calculation method.

(b) Subsequent calculations: For each succeeding five years, the Producer Price Index for finished goods for the year preceding the fifth license year shall be used to determine an increase, if any, in the municipal business license issuance fee. This will be determined by averaging the indexes for the previous year and comparing this figure to the base year average index of 160.3, calculating the percent increase, if applicable, and rounding the application of the increase to the nearest dollar amount. 2016 will be the next year subject to an analysis with a determination of such increase to be published by the Department of Revenue by November 30, 2017. Further analysis will be completed every five years.

(4) **NOTIFICATION METHODS:**

(a) The Alabama Department of Revenue will notify all municipalities that furnish the required registration form as described in departmental rule 810-8-5-.11 and the Alabama League of Municipalities of the applicable issuance fee increase on or about November 30, 2012 via the U.S. Postal Service and via email; provided a valid email address is provided to the Department. Thereafter, notices regarding any such increases will be available on or about November 30 of the year preceding the fifth license year.

(b) The Alabama Department of Revenue will place a notice regarding any applicable increase in the municipal business license issuance fee on its website on or about November 30 of every five-year period beginning November 30, 2012.

(c) Municipalities shall notify the Department of Revenue in writing of any changes in their mailing and email addresses, if applicable.

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Authority: Sections 40-2A-7(a)(5), 11-51-90(a)(2), and Title 11, Section 51, Article 2, Code of Alabama 1975.

History: New rule: Filed August 22, 2012, effective September 26, 2012.

