





Operating a Business in Alabama: Business Personal Property Tax


Business Essentials for State Taxpayers (B.E.S.T.)

Rev. 06/15/2022

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-  If you would like to ask a question about the presentation, please use the Q&A box to send a question to **all panelists** (*not to a particular presenter*). We will respond to your question during the Q&A Session near the end of the presentation.
-  At the conclusion of the webinar, a short evaluation survey will open on your screen. Your feedback is important to us, so thank you in advance for responding to the survey.



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Disclaimer

The information in this presentation is intended to be an overview. It is not a comprehensive explanation of all aspects of the subject matter, does not represent legal advice, and is not legally binding on the department. Information regarding taxes and tax administration changes frequently and should always be confirmed through a tax professional.

Please refer to the Alabama Department of Revenue website at revenue.alabama.gov for additional information.



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Purpose of this Webinar

To inform Alabama taxpayers of the requirements and guidelines for reporting taxable personal property in the state.

This presentation will cover:

- What is taxable personal property
- How and when it is to be reported
- How property tax is calculated



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What is Property (Ad Valorem) Tax?

- Ad Valorem [Latin] - According to the value of
- Tax levied according to the value of the property being taxed
- Property tax is assessed and collected at the county level in Alabama



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What Property Owned by a Business is Taxable?

- Real Property
- Motor Vehicles
- Personal Property



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What is Personal Property?

- Property not permanently affixed to, or part of, the real property
- Examples - furniture, computers and/or equipment
- Everything that is **NOT** real estate is personal property



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Who is Required to Report Personal Property?

- Every individual, firm, or corporation owning business personal property located in Alabama on October 1;
- Every owner of an aircraft based in Alabama; and
- Every holder of a permanent trailer tag issued by the State of Alabama.



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When Should Personal Property Be Reported?

- Between October 1 (lien date) and December 31
- Late returns incur a penalty and fee



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Business Personal Property

- Class II property assessed at 20% of market value
- Property tax is billed one year in arrears on October 1 and due no later than December 31
- Property located in Alabama on October 1 is taxable, unless specifically exempted



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How Do I Obtain a Business Personal Property Return Form?

- Form mailed from the local county office each year
- Local county assessing official's office
- Download the form (ADV-40) from revenue.alabama.gov/forms.



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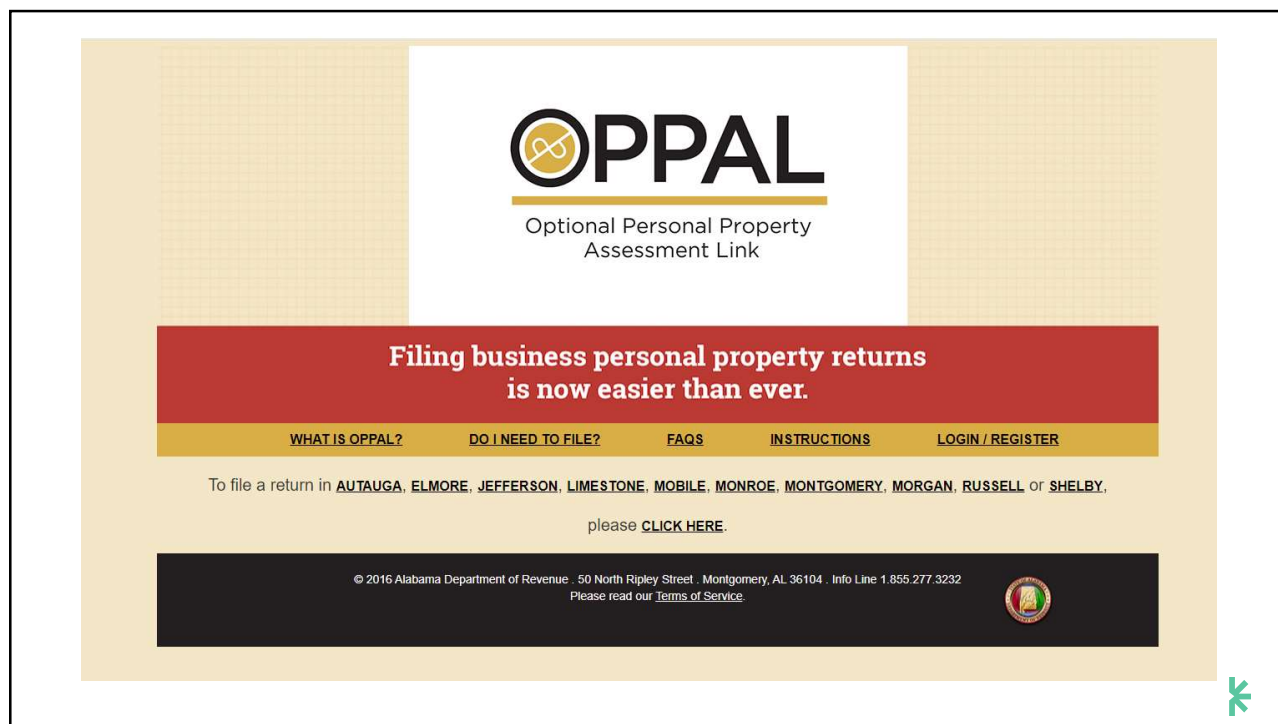
Online Filing

Available to taxpayers each year from
October 1 to January 31

OPPAL.alabama.gov



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What Should Be Included in the Itemized Listing?

- Description of the Property
- Acquisition Date of the Property
- Acquisition Cost of the Property

<u>Type of Property</u>	<u>Date Acquired</u>	<u>Acquisition Cost</u>
10 Dell Computers	05/23/2020	\$10,000
1 Computer Desk	11/01/2020	\$ 2,645
4 Dell Computers	02/12/2021	\$ 5,200

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How Is My Property Tax Calculated?

Example: Assume you have a business with a total asset market value of \$10,000 located in a city with a combined millage rate of 34.5 mills*, the taxes would be:

ASSESSED VALUE CALCULATION

<u>Property Market Value</u>		<u>Assessment Ratio</u>		<u>Assessed Value</u>
\$10,000	X	20%	=	\$2,000

PROPERTY TAX CALCULATION

<u>Property Assessed Value</u>		<u>Millage Rate (as a decimal)</u>		<u>Property Taxes</u>
\$2,000	X	0.0345	=	\$69

**Millage rates vary, depending on location. Millage rates are listed on the ALDOR website or call your local county assessing official.*



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Home Businesses

All personal property used in a home-based business, even if the same property is used personally by the homeowner.

Examples:

- A refrigerator is used for your in-home daycare. It is taxable and should be reported on your return at 100% of acquisition cost.
- Computers may be for personal and business use. They are taxable and should be reported at 100% of the acquisition cost.



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Supplies

- Stocks of goods intended to be consumed during the normal course of business. **Not** raw materials, goods in process, or inventory held for sale.
- Report either cost of supplies on hand as of October 1, or one month's average cost.
- Examples:
 - Paper used to wrap sandwiches sold by a restaurant
 - Oil used to lubricate machinery in a plant
 - Cleaning supplies used by a janitorial firm



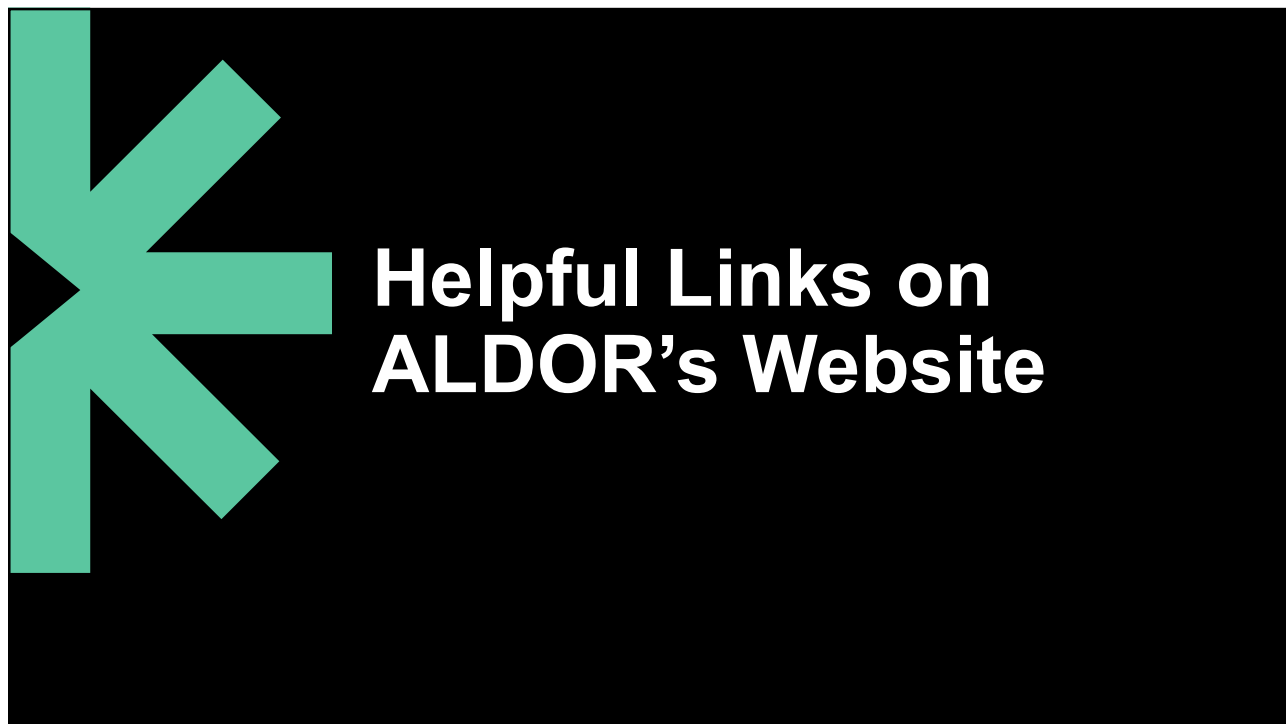
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Reminders

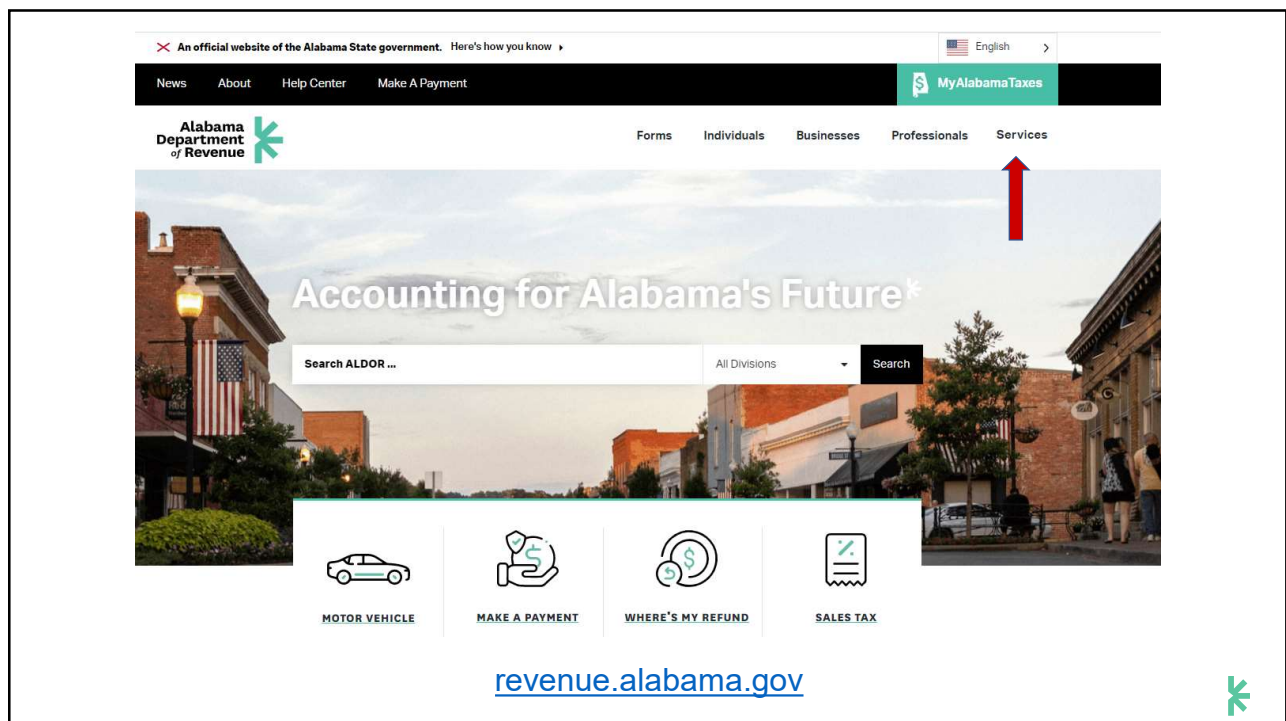
- Property taxed at market value as of October 1, each year
- Business personal property reported to local county assessing official's office (Form ADV-40) or through official websites
- All property subject to tax in Alabama must be reported annually



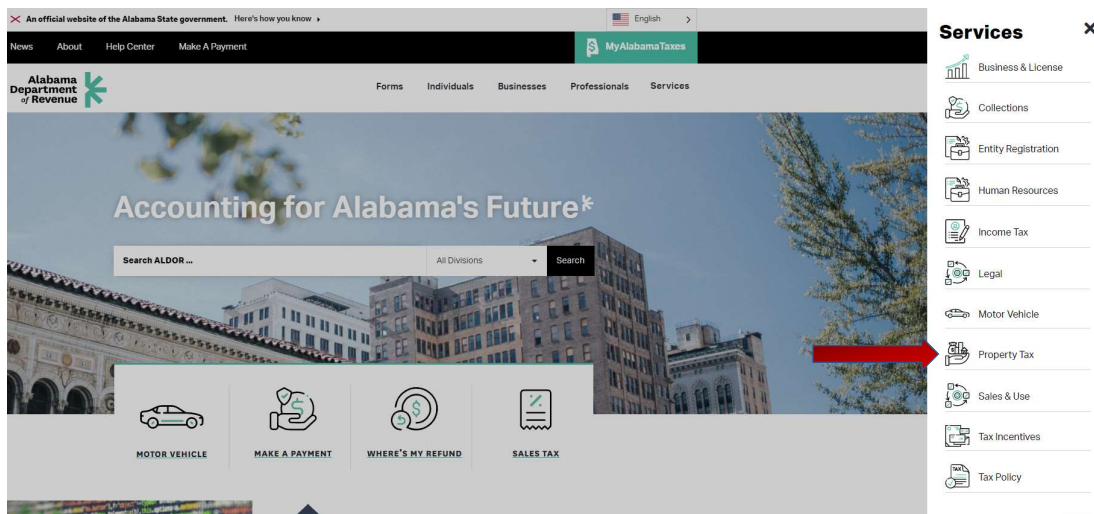
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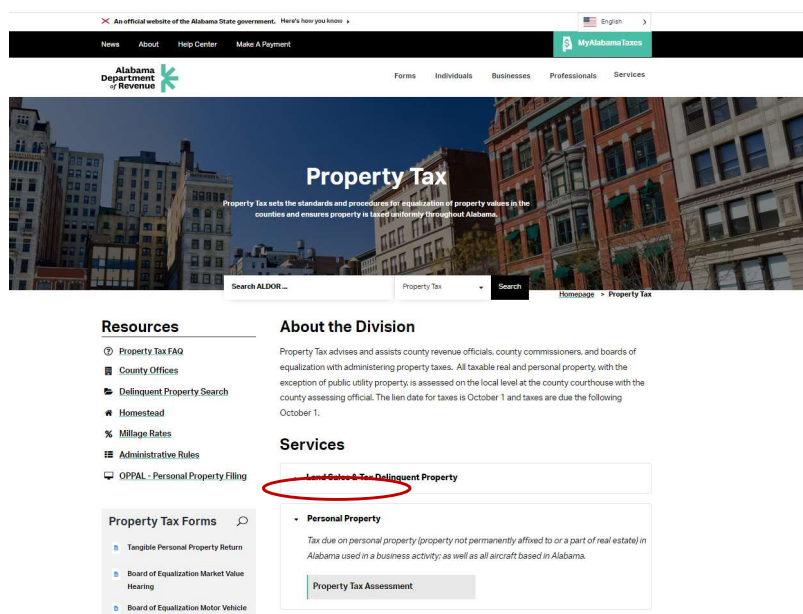


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Under “Services”, click on “Property Tax”

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revenue.alabama.gov/division/property-tax

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From the homepage (revenue.alabama.gov), click on “Forms”

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*To find a particular form, add as much information as possible in the filters

Form Number	Form Title	Form Year	Download
ADV-40	Tangible Personal Property Return	2021	Download

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Alabama Department of Revenue Taxpayer Service Centers

The Alabama Department of Revenue has nine Taxpayer Service Centers located throughout the state to assist you. Contact information for the service centers can be found at:

<https://www.revenue.alabama.gov/help-center/>



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the presenter questions or
email Carol.Murphy@revenue.alabama.gov after the webinar.

