

# Consumer Use Tax Notification

## HB 365

### THE SITUATION:

- **When a retailer doesn't collect sales taxes from a customer, it becomes the customer's responsibility to remit the taxes owed to the appropriate governmental entities, both state and local.**

THE RESULT: **Alabama's use tax goes unpaid or is underpaid.**

- **Use tax** is the term used for sales tax **when the customer handles the tax after an out-of-state transaction.** Alabama has had a use tax since 1939. **This is NOT a NEW TAX.**
- **Sales or use, the tax is due.** Each year, consumers are supposed to report state use taxes due on Line 19b of their Alabama Individual Income Tax Return Form 40. Use taxes on purchases on which sales taxes aren't collected also are due to local governments. Most cities and counties currently recommend Alabama consumers mail in a check for the owed taxes *immediately* after making a purchase on which the retailer does not collect sales taxes.
- **On 1.8 million income tax returns filed in 2010 in Alabama, only 6,800 (roughly four percent) taxpayers estimated and paid use taxes on those returns,** according to the Alabama Department of Revenue.
- By 2012, it is estimated **Alabama and its local governments will lose \$200 MILLION annually as a result of unpaid or underpaid taxes on \$2 BILLION in online and catalog sales.**
- While **most Alabamians don't realize a tax is due** on all Internet or catalog purchases, **some do and don't report online/catalog purchases on their state income tax for fear local governments will penalize them** for not remitting the owed use taxes.

### THE SOLUTION:

- **Alabama taxpayers need to be educated about use taxes and provided with a convenient way to remit the local and state taxes due at the same time.**
- **Requiring remote retailers to notify Alabama consumers that a use tax is due and must be paid by the purchaser to the state of Alabama and its localities should result in a greater payment ratio.**
- The Alabama Department of Revenue has become more aggressive this year in its efforts to collect the state's estimated \$200 million in unpaid use taxes (*see attached/enclosed letter*). **Failure to pay this 72-year-old tax could result in audits and penalties.**
- Many Alabamians have no idea this tax is due or how and where to pay it. **This legislation protects consumers** by letting them avoid the hassle of calculating the tax and filing monthly, quarterly or annual use tax returns with state and local governments by allowing payment of city and county use taxes along with the state taxes through a line item on their annual Alabama income tax return.
- Under HB 365, **remote retailers** who do not collect sales or use taxes owed **must notify Alabama consumers of the Alabama taxes owed** on any website, catalog, invoice and receipt generated; and send an annual summary of those purchases to consumers, further protecting and educating Alabamians. The bill also **protects small businesses** by excluding small remote retailers (gross annual sales of \$10,000 or less).

For more information, please **contact Alison Wingate or Rick Brown**

ALABAMA RETAIL ASSOCIATION GOVERNMENTAL AFFAIRS



**JULIE P. MAGEE**  
Commissioner

# State of Alabama Department of Revenue

([www.revenue.alabama.gov](http://www.revenue.alabama.gov))  
50 North Ripley Street  
Montgomery, Alabama 36132

**CYNTHIA UNDERWOOD**  
Assistant Commissioner

**MICHAEL E. MASON**  
Deputy Commissioner

**LEWIS A. EASTERLY**  
Secretary

DATE

Taxpayer Name  
Address  
City, State Zip

Dear Taxpayer,

Our records indicate that you did not include consumer use tax on your Alabama income tax return for tax year 2009 and we would like to bring to your attention this possible oversight. ***If you purchased books, clothing, electronics, or other items from an internet or catalog retailer that did not collect Alabama's sales tax, you owe consumer use tax.***

Alabama consumer use tax is a counterpart to the state sales tax. It is due when tangible personal property is used or consumed in the state if the sales tax was not applied to the retail sale of the property. Consumer use tax is different from Alabama's sales tax in that it is not collected by the seller. It is your responsibility to report and pay the consumer use tax if you made a purchase of tangible personal property and the seller did not collect tax from you at the time of purchase. There is a line labeled "Consumer Use Tax" on your individual income tax return, which can be used for this purpose. This line was added to make it easier for individuals to pay any consumer use tax due.

Consumer use tax is levied under the provisions of the Code of Alabama 1975, Sections 40-23-60 through 40-23-88, as amended. In addition to the state consumer use tax, city and county consumer use tax may be due and should be reported and paid to the appropriate local tax authority. You may access additional information regarding state and local consumer use tax rates, instructions, and forms on the Department's Web site at <http://www.revenue.alabama.gov/salestax/cutaxltrfaq.htm>.

Please review your purchasing history to determine the price of any merchandise you purchased that is subject to consumer use tax for the tax year 2009. After reviewing your records, please complete the attached Declaration of Alabama Consumer Use Tax form as follows:

- If you have not made any purchases that are subject to Alabama consumer use tax, complete the bottom portion of the attached form by entering "0" in the spaces provided, sign the form, and return it to the designated address. No further action is required.
- If you have made purchases on which you owe Alabama consumer use tax, complete the worksheet on page two of this letter to calculate the amount of tax due, then carry the amount to the form in the space provided, sign the form, and return it along with payment to the designated address. Please keep a copy for your records.

The Alabama Department of Revenue's mission is to collect all taxes that are due under the laws of the State of Alabama. The Department is under a duty to collect no more tax, nor any less tax than is due from each taxpayer. Therefore, to avoid further action, please respond within 15 days from the date of this notice. If you have any further questions, please contact Laura Phillips at 334-353-9475 or by e-mail at [Laura.Phillips@Revenue.Alabama.Gov](mailto:Laura.Phillips@Revenue.Alabama.Gov).

Sincerely,

Laura Phillips  
Revenue Examiner

Alabama Department of Revenue  
Declaration of Alabama Consumer Use Tax

<b><u>WORKSHEET FOR COMPUTATION OF USE TAX DUE</u></b>		<b>2009</b>
1.	Enter the amount of purchases for 2009. Enter zero if you did not make any purchases subject to consumer use tax.	\$ _____
2.	Use tax due: Multiply Line 1 by .04 (4%).	\$ _____
3.	Interest factor	<b>0.021</b>
4.	Interest due: Multiply Line 2 by Line 3.	\$ _____
5.	Total due: Add Line 2 and Line 4. This is the amount you owe.	\$ _____

**INSTRUCTIONS**

- Use the worksheet above to calculate the amount of consumer use tax you owe. Enter the amount of consumer use tax from line 5 of the worksheet on the report below. If you have not made any purchases that are subject to Alabama consumer use tax, enter zeros on the report.
- Sign and date.
- Cut along the dotted line and mail the bottom portion to the department. Keep the worksheet for your records.
- Make check or money order payable to: Alabama Department of Revenue.

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Complete the **REPORT** below and mail it to the Department. Please attach a check for the amount of tax due.

Tax Type: IIT	
LETTER ID	
Tax Year	<b>2009</b>
Total tax and interest due for 2009 (Line 5)	\$ _____
Total Amount Remitted	\$ _____
TAXPAYER'S NAME PRE-PRINTED	Mail to: <b>ALABAMA DEPARTMENT OF REVENUE</b>
TAXPAYER'S ADDRESS PRE-PRINTED	<b>SALES, USE &amp; BUSINESS TAX DIVISION</b>
TAXPAYER'S ADDRESS PRE-PRINTED	<b>P. O. BOX 327010</b>
	<b>MONTGOMERY, AL 36132-7010</b>
<b>Signature:</b> _____	
<b>Date</b> _____	