



Alabama Businesses Required To File "Paperless" Returns Next Month

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This newsletter is designed to discuss recent state and local tax developments and was prepared by our firm's SALT Practice Group. It should not be construed as providing legal advice or legal opinions on any specific fact situation. Comments and suggestions are welcomed and may be forwarded to any member of the SALT Practice Group.

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Beginning with the October 2003 returns, the Alabama Department of Revenue (ADOR) will no longer accept hard copy tax returns with respect to state and ADOR-administered local sales, use, lodging, and rental taxes. Business taxpayers, both small and large, will be required to choose either to file their returns electronically, using the Internet, or to file and pay by a touch-tone telephone using the Department's new toll free telephone-based filing system. Both business tax filing systems are free. Tax remittances may continue to be made either electronically or by mail, although larger taxpayers are required to remit funds by EFT.



According to a news release issued by Commissioner of Revenue Dwight Carlisle: "This move to a paperless filing system totally changes the way we do business on a daily basis within the ADOR. Our ultimate goal is to implement a paperless filing system for all business taxes administered by the ADOR; however, right now, we are concentrating on the most commonly filed business tax returns – state sales, lodgings, seller's use, consumer's use, and rental tax returns, as well as local tax returns for state-administered city and county sales, lodgings, seller's use, consumer's use, and rental taxes."

Reportedly, the ADOR will save approximately \$1 million per year in administrative costs. Some small

businesses likely will turn over this responsibility to their accountants; others may seek waivers.

The deadline for filing the October 2003 returns is November 20, and it is uncertain whether and to what extent waivers will be granted. The ADOR has conducted a series of well-attended seminars around the state to educate taxpayers and tax practitioners to the new requirement. But as Alabama Retail Association President Charles McDonald lamented, "I'm not sure the message has really gotten through to the vast majority of [taxpayers]." More information on the new paperless filing system can be obtained from the ADOR's website: www.ador.state.al.us/Practitioner/E-Filing.

Perhaps not coincidentally, the ADOR's major competitor--the state's largest private auditing and collection firm--AlaTax, recently announced that it too will begin accepting online filing of sales, use, rental and lodging tax returns by taxpayers who are required to file with one or more of its local government customers. AlaTax represents over 240 municipalities and counties in Alabama. The "go-live" date is scheduled for sometime next month as well. AlaTax President Kennon Walthall stressed that its on-line filing system will be voluntary, rather than mandatory. For more information on the firm's upcoming on-line filing and payment option, see www.alatax.com.