

APA-1

Transmittal Sheet For Notice Of Intended Action

Control: 810

Department or Agency: Revenue

Rule Nos: 810-3-71-.02

Rule Title: Computing Tax Withheld

New; Amended; Repealed; Adopt by Reference

Would the absence of the proposed rule significantly harm or endanger the public health, welfare, or safety? No

Is there a reasonable relationship between the state's police power and the protection of the public health, safety, or welfare? Yes

Is there another, less restrictive method of regulation available that could adequately protect the public? No

Does the proposed rule have the effect of directly or indirectly increasing the costs of any goods or services involved and, if so, to what degree? No

Is the increase in cost, if any, more harmful to the public than the harm that result from the absence of the proposed rule? N/A

Are all the facets of the rulemaking process designed solely for the purpose of, and so they have, as their primary effect, the protection of the public? Yes

Does the proposed rule have any economic impact? No

If the proposed rule has an economic impact, the proposed rule is required to be accompanied by a fiscal note prepared in accordance with subsection (f) of Section 41-22-23, Code of Alabama 1975.

Certification of Authorized Official

I certify that the attached proposed rule has been proposed in full compliance with the requirements of Chapter 22, Title 41, Code of Alabama 1975 and that it conforms to all applicable filing requirements of the Administrative Procedure Division of the Legislative Reference Service.



Signature of certifying officer

Date 08/21/2017

APA-6
10/96

**ECONOMIC IMPACT STATEMENT
FOR APA RULE
(Section 41-22-23(f))**

Control No. 810 Department or Agency REVENUE

Rule No: 810-3-71-.02

Rule Title: Computing Tax Withheld

 New X Amend Repeal Adopt by Reference

- NO
 YES

This rule has no economic impact.

This rule has an economic impact, as explained below:

1. NEED/EXPECTED BENEFIT OF RULE:

2. COSTS/BENEFITS OF RULE AND WHY RULE IS THE MOST EFFECTIVE, EFFICIENT, AND FEASIBLE MEANS FOR ALLOCATING RESOURCES AND ACHIEVING THE STATED PURPOSE:

3. EFFECT OF THIS RULE ON COMPETITION:

4. EFFECT OF THIS RULE ON COST OF LIVING AND DOING BUSINESS IN THE GEOGRAPHICAL AREA WHERE THE RULE IS TO BE IMPLEMENTED:

5. EFFECT OF THIS RULE ON EMPLOYMENT IN THE GEOGRAPHICAL AREA HERE THE RULE IS TO BE IMPLEMENTED:

6. SOURCE OF REVENUE TO BE USED FOR IMPLEMENTING AND ENFORCING THIS RULE:

7. THE SHORT-TERM/LONG-TERM ECONOMIC IMPACT OF THIS RULE ON AFFECTED PERSONS, INCLUDING ANALYSIS OF PERSONS WHO WILL BEAR THE COSTS AND THOSE WHO WILL BENEFIT FROM THE RULE:

8. UNCERTAINTIES ASSOCIATED WITH THE ESTIMATED BENEFITS AND BURDENS OF THE RULE, INCLUDING QUALITATIVE/QUANTITATIVE BENEFITS AND BURDEN COMPARISON:

9. THE EFFECT OF THIS RULE ON THE ENVIRONMENT AND PUBLIC HEALTH:

10. DETRIMENTAL EFFECT ON THE ENVIRONMENT AND PUBLIC HEALTH IF THE RULE IS NOT IMPLEMENTED:

11. OTHER COMMENTS:

ALABAMA DEPARTMENT OF REVENUE
Individual and Corporate Tax

NOTICE OF INTENDED ACTION

RULE NO. & TITLE

810-3-32-.01.01	Political Organizations
810-3-32-.03	Unrelated Business Taxable Income
810-3-38-.01	Additional Deductions Allowed for Corporations
810-3-39-.04	Incentive Rules for Alabama Affiliated Groups Filing
810-3-39-.06	Mechanics of Consolidated Filing

INTENDED ACTION

Repealed

SUBSTANCE OF
PROPOSED ACTION:

The department proposes to repeal the above mentioned rules because during reviewal of the rule required by the Red Tape Reduction Act they were determined to be superfluous to the Alabama statute.

RULE NO. & TITLE

810-3-17-.01	Items Not Deductible
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INTENDED ACTION

Amended

SUBSTANCE OF
PROPOSED ACTION:

The department proposes to amend the above mentioned rule to include items that are now deductible and to add clarification on others that are not deductible.

RULE NO. & TITLE

810-3-32-.02	Proof of Exemption
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INTENDED ACTION

Amended

SUBSTANCE OF
PROPOSED ACTION:

The department proposes to amend the above mentioned rule, because during the reviewal required by the Red Tape Reduction Act, it was determined that within the rule there is a reference to 810-3-32-.03 which is being recommended for repeal.

RULE NO. & TITLE

810-3-39-.02	Extension of Time for Filing a Corporation Return
810-3-39-.05	Taxable Years Following an Election Period for an Alabama Affiliated Group.
810-3-71-.01	Employers Required to Withhold Tax from Wages
810-3-71-.02	Computing Tax Withheld
810-3-72-.01	Included and Excluded Wages
810-3-75-.01	Withholding Statement Furnished Employees
810-3-75-.02	Extensions Of Time for Filing Reports Under Withholding Tax Laws

INTENDED ACTION

Amended

SUBSTANCE OF
PROPOSED ACTION:

The department proposes to amend the above mentioned rule to comply with the Red Tape Reduction Act 2013-88 consisting of non technical

clarifications.

RULE NO. & TITLE

810-9-1-.05

Apportionment and Allocation of Net Income of Financial Institutions

INTENDED ACTION

Amended

**SUBSTANCE OF
PROPOSED ACTION:**

The department proposes to amend the above mentioned rule pursuant to Alabama Act 2017-165 that requires multi-state financial institutions to include loans and credit card receivables in the calculation of their Alabama property factor, which will be sourced consistent with the interest receipts associated with such loans.

RULE NO. & TITLE

810-3-39-.03

Consolidated Filing

INTENDED ACTION

New, Repealed

**SUBSTANCE OF
PROPOSED ACTION:**

The department proposes to repeal and create a new rule as required by the Red Tape Reduction Act. Proposed repealed rule has been deemed outdated due to changes to Alabama statute. Therefore, a new updated rule is also proposed.

TIME, PLACE, MANNER OF PRESENTING VIEWS: A public hearing will be held at **02:30 PM on Tuesday, October 10, 2017, Room 1203, First Floor, Gordon Persons Building**, located at 50 N Ripley Street, Montgomery, Alabama. Copies of the rule(s) can be obtained at <http://www.revenue.alabama.gov/analysis/rules.cfm>.

All interested parties may present their views in writing to the **Secretary of the Alabama Department of Revenue, Room 4131, Gordon Persons Building, 50 N Ripley Street, Montgomery, Alabama 36132** at any time following publication of the notice up until the conclusion of the hearing. Interested parties may also appear at the hearing to present their views.

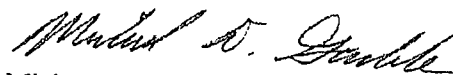
FINAL DATE FOR COMMENT AND COMPLETION OF NOTICE:

Tuesday, October 10, 2017

CONTACT PERSON AT AGENCY:

Meagan Barrett

Alabama Department of Revenue
4131 Gordon Persons Building
Montgomery, Alabama 36132
(334) 242-1380



Michael D. Gamble, Secretary
Alabama Department of Revenue

810-3-71-.02 Computing Tax Withheld.

(1) Employers may elect to compute the amount of Alabama income tax to be withheld from the wages of employees in one of two ways.

(a) The withholding tax may be computed using the withholding tax tables, which ~~are~~ are available on the Department's website. The tables show amounts to be withheld for weekly, biweekly, semimonthly, monthly, and quarterly payroll periods.

(b) Alabama withholding tax may also be computed using the following formula, based on information provided by the employee on the Alabama Form A-4, Employee's Withholding Exemption Certificate:

1. The employee will select a withholding exemption, and indicate the selected exemption on the Form A-4.

(i) A withholding exemption of "0" indicates that no personal exemption is selected.

(ii) A withholding exemption of "S" indicates that a full personal exemption is selected.

(iii) A withholding exemption of "M" indicates that personal exemptions for both spouses are being selected.

(iv) A withholding exemption of "H" indicates that the employee is single, has one or more qualifying dependents and is claiming head of family. This has the same value as does the "M" exemption.

(v) A withholding exemption of "MS" indicates that the employee is married, but filing a separate return. This has the same value as does the "S" exemption.

2. Compute the Employee's Gross Income or GI. Multiply the employee's gross wages for the current payroll period by the number of such payroll periods in the year.

3. Compute the Standard Deduction. Employers may round GI to the nearest dollar in determining the standard deduction. A Standard Deduction chart is also provided in the withholding tax tables available online.

(i) Employee claims "0" or "Single (S)" exemption:

(I) GI of \$20,499 or less deduct \$2,500;

(II) GI greater than \$20,499 but less than \$30,000 deduct \$2,500 less \$25 for each \$500 increment or part thereof of GI above \$20,499; or

(III) GI of \$30,000 or more deduct \$2,000.

(ii) Employee claims "Married Filing Separately (MS)" exemption:

(I) GI of \$10,249 or less deduct \$3,750;

(II) GI greater than \$10,249 but less than \$15,000 deduct \$3,750 less \$88 for each \$250 increment or part thereof of GI above \$10,249; or

(III) GI of \$15,000 or more deduct \$2,000.

(iii) Employee claims "Married Filing Jointly (M)" exemption:

(I) GI of \$20,499 or less deduct \$7,500;

(II) GI greater than \$20,499 but less than \$30,000 deduct \$7,500 less \$175 for each \$500 increment or part thereof of GI above \$20,499; or

(III) GI of \$30,000 or more deduct \$4,000.

(iv) Employee claims "Head of Family (H)" exemption:

(I) GI of \$20,499 or less deduct \$4,700;

(II) GI greater than \$20,499 but less than \$30,000 deduct \$4,700 less \$135 for each \$500 increment or part thereof of GI above \$20,499; or

(III) GI of \$30,000 or more deduct \$2,000.

4. Compute the Federal Withholding Tax. Multiply the employee's actual federal withholding tax for the payroll period by the number of such payroll periods in the year.

5. Determine the Personal Exemption. If the employee claims the "00" withholding exemption, the personal exemption is zero. If the employee claims the "S" or the "MS" withholding exemption, the personal exemption is \$1,500. If the employee claims the "M" or the "H" withholding exemption, the personal exemption is \$3,000.

6. Compute the Dependency Exemption: Multiply number of dependents other than spouse by the following:

- (i) \$1,000 if GI less than or equal to \$20,000;
- (ii) \$500 if GI greater than \$20,000 but less than or equal to \$100,000; or
- (iii) \$300 if GI greater than \$100,000.

7. Add the amounts determined in subparagraphs 3 through 6, above.

8. Compute the taxable amount by subtracting the amount determined in subparagraph 7 from the amount determined in subparagraph 2.

9. Compute the tax for the taxable amount computed in subparagraph 8, as follows:

(i) If the employee is claiming the "EO", "S", "H" or "MS" withholding exemption, the tax will be equal to the sum of:

- (I) 2% of the first \$500,
- (II) 4% of the next \$2,500, and
- (III) 5% of the amount over \$3,000.

(ii) If the employee is claiming the "M" withholding exemption, the tax will be equal to the sum of:

- (I) 2% of the first \$1,000,
- (II) 4% of the next \$5,000, and
- (III) 5% of the amount over \$6,000.

10. Compute the Alabama withholding tax by dividing the amount determined in subparagraph 9, above, by the number of such payroll periods in the year.

(c) The withholding tax to be remitted to the Department may be rounded to the nearest dollar.

(2) Tax to be withheld from supplemental wage payments such as bonuses, commissions and overtime pay shall be computed by one of the following methods:

(a) If paid at the same time as regular wages, the tax to be withheld shall be determined as if the aggregate of the supplemental and regular wages were a single wage payment for the regular payroll period.

(b) If paid at a time different from the regular payroll period, the tax to be withheld may be determined by aggregating the supplemental wage either with the regular wages for the current payroll period or with the regular wages for the last preceding payroll period within the same calendar year. First, compute the tax to be withheld on the aggregate amount of wages and compute the tax to be withheld on the regular wages. Next, subtract the tax withheld on the regular wages from the tax withheld on the aggregate wages to leave the balance of tax withheld on the supplemental wages.

(c) Tax for supplemental wage payments may be withheld using a flat rate of 5% without allowance for exemptions or dependents.

(3) Withholding on vacation pay shall be computed as follows:

(a) If the employee receives vacation pay in lieu of regular wages, tax shall be withheld as though it were regular wage payments.

(b) If the employee receives vacation pay in addition to regular wages, such payments shall be treated as supplemental payments and the tax shall be withheld in accordance with paragraph (2).

(4) When wages are paid in a form other than cash (such as certain fringe benefits required to be treated as wages) tax shall be collected and paid to the Department in the same manner as tax withheld on other supplemental wages. See paragraph (2).

(a) The employer must make the necessary arrangements to insure that the amount of tax required to be collected is available for payment in cash.

(5) For payments of all winnings subject to withholding, income tax shall be withheld at the rate of 5% of the amount of proceeds from a wager.

Authors: Neal Hearn, CPA, Ann F. Winborne,
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Authority: ~~Code of Ala. 1975, §§~~ Sections
40-2A-7(a)(5), 40-18-71, 40-18-91,
Code of Alabama 1975.

History: Adopted September 30, 1982.
Amended: June 17, 1988.
Amended: February 8, 1989, filed March
20, 1989.
Amended: May 3, 2000, effective June 7,

2000.
Amended: Filed September 30, 2009, effective
November 4, 2009.
Amended: January 27, 2014, effective March
3, 2014.