

APA-1

Transmittal Sheet For Notice Of Intended Action

Control: 810

Department or Agency: Revenue

Rule Nos: 810-3-72-.01

Rule Title: Included and Excluded Wages

New; Amended; Repealed; Adopt by Reference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: 810-3-72-.01

Rule Title: **Included and Excluded Wages**

_____ New Amend _____ Repeal _____ Adopt by Reference

NO

This rule has no economic impact.

YES

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

(1) Class exemptions from Alabama withholding are the same as those under Federal law. The chief classes of employees exempt from withholding are agricultural, domestic and merchant seamen. Alabama will not follow the federal requirement to withhold income tax on cash payments made after 1989 to agricultural employees where the payments are considered wages for social security purposes and FICA withholding is required.

(2) If an employee's earnings are partly from exempt work and partly from work subject to withholding, tax should be withheld either from all or from none of his earnings. Tax should be withheld from all of his earnings if one-half or more of his time is spent in nonexempt work; there should be no withholding if over one-half of his time is spent in exempt work.

(3) Where an employer establishes a deferred compensation plan under I.R.C. §§ **Sections** 401(k)(2) or 403(b), the amounts properly deferred are not wages for withholding tax purposes.

(4) Amounts paid to or on behalf of an employee as reimbursement for moving expenses incurred relative to a new job location in Alabama, or advance payments of such expenses, are not wages for withholding tax purposes to the extent that there is reason to believe that the employee will have a corresponding deduction under § **Section** 40-18-15(a)(~~19~~ **18**).

(5) Amounts paid to or on behalf of an employee for traveling or other bona fide ordinary and necessary expenses incurred, or advance payments of such expenses, to the extent that there is reason to believe that the employee will have a corresponding deduction under § **Section** 40-18-15(a)(1).

(6) For tax years or periods beginning after December 31, 1990 - Where an employer participates in a cafeteria plan as described in I.R.C. § **Section** 125, contributions made by an employer on behalf of an employee are not included in the employee's gross income and therefore are not subject to Alabama withholding tax.

(7) For tax years or periods beginning after December 31, 1990 - Where an employer incurs dependent care expenses on behalf of an employee, such amount is excluded from wages as defined in I.R.C. § **Section** 129.

Authors: Ewell Berry, Ann F. Winborne, **and Neal Hearn, CPA**
Authority: **§ Sections 40-2A-7(a)(5) and 40-18-72, Code of Alabama 1975.**
History: Filed with LRS November 19, 1991.
Filed May15, 1992, effective date June 19, 1992.