

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 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:

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11/96

**ALABAMA DEPARTMENT OF REVENUE
Individual & Corporate Tax Division**

NOTICE OF INTENDED ACTION

RULE NO. & TITLE

810-3-28-.02	Participation in the Federal/State Electronic Filing Program Requirements for the Alabama Electronic Partnership/LLC Return of Income
810-3-28-.03	
810-3-28-.04	Requirements for the Partnership/LLC Return of Income Declaration for Electronic Filing
810-3-39-.07	Participation in the Federal/State Electronic Filing Program Requirements for the Corporate Income Tax Declaration for Electronic Filing
810-3-39-.09	

INTENDED ACTION: Amend the above rules

SUBSTANCE OF PROPOSED ACTION: The department proposes to amend the above rules to provide: (1) definitions, (2) guidance in e-filing returns, and (3) update language.

RULE NO. & TITLE

810-3-29-.04	Requirements for the Fiduciary Income Tax Declaration for Electronic Filing
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INTENDED ACTION: Adopt new rule

SUBSTANCE OF PROPOSED ACTION: The department proposes to adopt the above rule to provide guidance regarding electronic filing requirements for the Fiduciary Income Tax Declaration.

RULE NO. & TITLE

810-3-71-.02	Computing Tax Withheld
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INTENDED ACTION: Amend above rule

SUBSTANCE OF PROPOSED ACTION: The department proposes to amend the above rule to provide a change to the method of computing tax withheld which complies to the provisions of Act 2006-352.

TIME, PLACE, MANNER OF PRESENTING VIEWS: A public hearing will be held at **10:00 a.m. on Thursday, December 12, 2013, Room 1203, First Floor**, Gordon Persons Building, located at 50 N Ripley Street, Montgomery, Alabama. Copies of the rule(s) can be obtained at ww.revenue.alabama.gov/rulehear.html.

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 during the thirty-five (35) day period following publication of the notice or by appearing at the hearing.

FINAL DATE FOR COMMENT AND COMPLETION OF NOTICE:
Thursday, December 12, 2013

CONTACT PERSON AT AGENCY:

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



Michael D. Gamble, Secretary
Alabama Department of Revenue

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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 amounts can~~ may be computed ~~from using the~~ withholding tax tables, which ~~may be obtained from the Department~~ are available on the Departments 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 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 **Wages 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 ~~gross income~~ (GI) to the nearest dollar in determining the standard deduction. A Standard Deduction table 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** Determine the Personal Exemption. If the employee claims the "O" 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 "**Head of Family H**" withholding exemption, the personal exemption is \$3,000.

6. **Compute the Dependency Exemption: 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** Compute the taxable amount by subtracting the amount determined in subparagraph 7 from the amount determined in subparagraph 2.

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

(i) If the employee is claiming the "O", "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.

~~1. Example: An employee receives a regular paycheck of \$500 biweekly, and the next week receives a bonus of \$1,000. Withholding for the bonus payment is computed as follows: Withholding on \$1,500 (bonus plus regular pay - exemption status - "S") \$44.09 Amount withheld previously on biweekly salary of \$500 14.28 Amount to withhold from bonus \$29.81~~

(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) If a payment of wages is made to an employee by an employer through an agent, fiduciary or other person who also has the control, receipt, custody, or disposal of, or pays the wages payable by another employer, the amount of the tax required to be withheld shall, whether the wages are paid separately on behalf of each employer or paid in a lump sum on behalf of all such employers, be determined upon the aggregate amount of such wage payment or payments in the same manner as if such aggregate amount had been paid by one employer.~~

~~(a) In all such cases, each employer shall be liable for the return and payment of a pro rata portion of the tax so determined, such portion to be determined in the ratio which the amount contributed by the particular employer bears to the aggregate of such wages.~~

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

Author: Neal Hearn, CPA and Ann F. Winborne, CPA
Authority: §§ 40-2A-7(a)(5), 40-18-71, 40-18-91, Code of Alabama 1975
History: Adopted September 30, 1982.
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Amended: Filed March 20, 1989, effective April 24, 1989.
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