

RULES OF THE
DEPARTMENT OF REVENUE

CHAPTER 810-3-26

Information from Source of Income

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810-3-26-.01 Information Returns.

(1) All resident payers engaged in a trade or business and making nonwage payments of fifteen hundred dollars (\$1,500) or more within a calendar year to any person (whether a resident or nonresident) are required to issue an information return (Alabama Form 99 or federal Form 1099) to the payee and file a copy of such return with the Department. Payments which are required to be reported include all nonwage payments exceeding \$1,500 which must be included in the gross income of the recipient under Title 40, Code of Alabama 1975.

(2) Information to be reported. Each Form 99 must include the following information:

(a) The payer's name, address and taxpayer identification (federal employers identification number or social security number),

(b) The payee's name, address and taxpayer identification number,

(c) The amount of payments made during the calendar year, and

(d) The type of payment made during the year.

(3) Forms to be used.

(a) In lieu of Form 99, the following substitutes are acceptable:

1. Form 1099 (copies of any type of federal Form 1099),

2. Computer listings containing all the information required to be included in Form 99, or

3. Magnetic media reports under the Combined Federal/State Information Return Reporting Program. (Under this program, a single magnetic media filing is made with the Internal Revenue Service, and the information required by this Department is extracted by I.R.S. and forwarded to the Department. (No Form 96 summary report is required. Departmental approval to participate in this program is not required. Contact the Internal Revenue Service for approval/instructions.)

(b) Payers who have elected to voluntarily withhold income tax from payments referred to in this section may not participate in the Combined Federal/State Information Return Reporting Program. See Rule 810-3-75-.04 for filing requirements for payers who have voluntarily withheld Alabama income tax.

(4) Filing Dates.

(a) Statement to Payee. On or before January 31 of the year following a nonwage payment, payers shall provide to each payee a completed Form 99 or substitute therefor as described above.

(b) Duplicate to Department. A copy of each Form 99 (or the substitute therefor) and Form 96 or federal Form 1096 (Annual Information Return - Summary Reports of Income Payments of \$1,500 or More) must be filed with the Department on or before March 15th of the year following the year in which the payments were made.

(5) Miscellaneous Provisions.

(a) Noncash payments. If payment is made in a form other than cash, the fair market value of the noncash payment is the amount to be reported.

(b) Voluntary withholding. Withholding of Alabama income tax from payments described in this section is not mandatory. Voluntary withholding, however, is permitted. For reporting and remitting amounts voluntarily withheld, see §§40-18-74, 40-18-76, 40-18-77, 40-18-78, and Rule 810-3-75-.04.

(6) Penalties.

(a) Any person who fails to comply with the requirements of this section shall be subject to the penalties provided for in §40-2A-11, Code of Alabama 1975.

(b) In addition to the penalties provided for in §40-2A-11, the \$50 civil penalty provided for in §40-29-74, Code of Alabama 1975, shall apply.

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Authority: §§40-2A-7(a)(5) and 40-18-26, Code of Alabama 1975.

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810-3-26-.02 Voluntary Withholding of Alabama Income Tax from Nonwage Payments.

(1) Alabama income tax is not required to be withheld from distributions from a retirement or pension plan, interest payments or other nonwage payments. However, voluntary withholding of Alabama income tax is permissible. If a payer of nonwage payments voluntarily withholds Alabama income tax, the following procedures must be followed:

(a) Payments of amounts withheld must be remitted to the Department in the same manner and at the same time as described in §40-18-74, Code of Alabama 1975.

(b) On or before January 31 of the year following a nonwage payment from which Alabama income tax was withheld, the payer shall issue the recipient a statement showing the following information:

1. Year of payment.
2. Amount of payment.
3. Amount of Alabama income tax withheld.
4. Amount of federal income tax withheld.
5. Name and address of recipient.
6. Social security number of recipient.
7. Payer's name, address, and Alabama withholding tax account number.
8. Payer's federal employer identification number.

(2) See Rule 810-3-26-.01 for form requirements.

(3) On or before the last day of February of the year following a nonwage payment from which Alabama income tax was withheld, the payer shall file with the Department a copy of the statement described in the above paragraph (1)(b). Such statement must be accompanied by Form A-3, Annual Reconciliation of Alabama Income Tax Withheld. This statement must be filed in the same manner as described in §40-18-75.

Authors: Ewell Berry and Ann F. Winborne, CPA

Authority: §§40-2A-7(a)(5), 40-18-26, and 40-18-75, Code of Alabama 1975

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