

**Alabama Department of Revenue and ASCPA Tax Committee
Meeting Agenda, August 17, 2022**

1.) Feedback from Alabama Department of Revenue Staff Concerning CPA Communications and Opportunities for Improvement

Comments by Curtis Stewart, Deputy Director

The overall summary here is that the ALDOR would like for us, the CPA Community, to let them know about issues as early as possible so that they have more time to contemplate resolution options. The ALDOR would like to do a better job of communicating issues and notices to us as well.

2.) Questions Concerning Forms, E-filing Process, and Other Procedural Issues

This section was addressed by Kathleen Abrams, Director

Below is the link to the page where tax professionals can sign up to receive notices from ALDOR.

<https://www.revenue.alabama.gov/tax-policy/aldor-updates-for-tax-practitioners/>

- a. Reports from practitioners of a larger than expected number of rejected 2021 tax returns
 - i. Request from practitioners for overview of any changes related to the e-filing requirements. Available now for Business MEF: <https://www.revenue.alabama.gov/individual-corporate/alabama-business-modernized-electronic-filing-mef/> scroll down to Documents for the Business MeF Error reject codes and ERO Handbook; individual income tax changes to come.
 - ii. Notices sent to taxpayers due to the implementation of enhanced security measures; request from practitioners for early notification of practitioners so that they can properly advise clients and answer client questions. Identification letters have been sent since 2015 – no way to send an advance notice to practitioners. Clients should be told that if they receive a security letter, they should complete it. Returns are selected based on identity authentication analytics.
 - iii. Issues with requirement for Alabama withholding account number on all W-2s; practitioners indicated that they were not aware of the new requirement at the time of filing. This rule has been in since legacy. We are thinking that it might be the prepopulating of the Withholding Account Number. The software specifications direct vendors to not prepopulate the Withholding Account Number and Driver's license for users. It makes them enter the information. We had this requirement for several years.
 - iv. Issues with acceptance of returns for which there is a credit for taxes paid to other states and one of the states in which the client is filing has no tax on the Alabama income; practitioners are reporting that a number of manual overrides are needed in these situations. ALDOR needs more information or example of this one. They are not seeing a large number of reject and based on the wording of the question, if there is no tax on the Alabama income in the other state, there is also no credit. Would also be helpful to know the software used.
- b. Request from practitioners for review of /advance notification of proposed software schema changes. ALDOR does not publish schemas, but information will be available in the ERO handbook for business tax purposes. An ERO handbook is not available for individual income tax purposes as ALDOR is currently redoing it.
- c. E-filing issues reported by practitioners for multi-state returns (Need more practitioner information here.)

- d. Request for consideration of changes needed for the corporate return relative to the Act 2021-1 provisions for GILTI and Section 118(b)(2) modifications; comments submitted by ASCPA for the past two years. Kathleen indicated that ALDOR may be able to accommodate this request, maybe not for 2023 but possibly for the next year.
- e. Questions from practitioners concerning the plan/timeline for approval of 2022 returns and forms
 - i. Status update on return groups which have not yet been sent to the ASCPA for review – individual return, estate and trust return, instructions for partnership and corporate returns. Per forms coordinator, comments have been submitted but not much feedback returned on both individual and fiduciary returns. All forms are final for the 2022 filing year. Forms were sent out 6/1/2022, the Corporate and Pass Thru Instructions are still being updated and will be shared when completed.
- f. Consideration for 2023 Tax Forms – include apportionment information on pass-through entity K-1's. See attached for reference. ALDOR will look at how other states are including apportionment information on K-1s and evaluate for future implementation.
- g.

3.) New Website Feedback

This section was addressed by Mary Martin Mitchell, Director of Tax Policy and Governmental Affairs

- a. Could the ALDOR website have a function where practitioners have the ability to submit a technical question for response vs. calling? If answers are posted from questions asked by practitioners and answered by ALDOR, it would be helpful to practitioners and may curb time expended by the ALDOR to respond to repetitive questions.

There is a Professionals tab on the ALDOR website homepage. This page is still in progress. Once the page is complete, practitioners will have the search available resources as well as sign up for a direct email of news published by ALDOR. They are also considering a legislative update page – see comments below. To address taxpayer notices or other matters, it is suggested that is done through the taxpayer's MAT account. Currently there is not an ability to upload Power of Attorney's.

Here is an example from the PA Department of Revenue website:

PA website: [Pennsylvania DOR Support Home \(custhelp.com\)](https://www.revenue.alabama.gov/custhelp.com) Click on "Find Answers" and type a question, it will show results....or you can "Submit a Question" if no answer listed. For example, "is there a list of services subject to PA sales and use tax?" Answer should pop up and provide publish date and any updates.

There is also an advanced search option and an option to set up your own profile with support history, etc.

- b. Method for practitioners to communicate any questions or issues related to the new website Available now of the new ALDOR website, [www.revenue.alabama.gov Help Center, www.revenue.alabama.gov/help-center](https://www.revenue.alabama.gov/help-center) This page is similar to our PA example. Members can search FAQs with the ability to filter by tax division. The Help Center also features a chat bot, "DOR", which is an icon found near the bottom right corner of the FAQ page. There are tutorial videos included including the popular video of how to add access to a client's tax account on MAT. It is highly recommended that if you have a client specific tax question, that you email (or call) directly the ALDOR contact.
- c. Request for section related to legislative developments and significant current year changes

The ALDOR Newsroom feature is where current legislation and governmental affairs updates can be located. Users can also do a general search; for example, searching “legislative changes” will lead you to a page of news releases. The page is still being built out with current notices and news to come.

Below are direct links to many of the resources I detailed. As mentioned, ALDOR has some projects on the horizon to grow the professionals page ensuring it is a valuable resource.

Administrative Rules

<https://www.revenue.alabama.gov/admin-rules/>

Help Center

<https://www.revenue.alabama.gov/help-center/>

Professionals

<https://www.revenue.alabama.gov/professionals>

General Summary of State Taxes (Legislative updates start on p. 104 and the table of contents will take you directly to it.)

<https://www.revenue.alabama.gov/tax-policy/general-summary-of-state-taxes/>

Tax Policy Information – click on left to subscribe to rule notices

<https://www.revenue.alabama.gov/division/tax-policy/>

4.) Electing Pass-through Entity Compliance Issues

- a. Difficulties experienced by practitioners and taxpayers in situations involving a tiered partnership structure

(Can there be a designated section for tiered partnership information?) Every entity will have to make the election itself.

- i. Difficulties for upper tier partnerships which only hold the interest in a lower tier partnership and have no other business operations
- ii. Taxpayer concerns about cash flow impacts related to the estimated tax payment requirements and refund delays for resident partners

Might the ALDOR be open to a legislative fix that would allow an upper tier partnership that did not make the election to be able to flow the credits through to resident and non-resident partners? Curtis indicated that the ALDOR would take a look at this suggestion.

- b. Request from taxpayers and practitioners for a more detailed MAT system election confirmation which provides the taxpayer name, EIN, the type of election for which the confirmation applies, and the date on which the election was made. In the print fields, could the type of election be noted? Confirmations come back without any indication for the election made. Clients are concerned with lack of detail on confirmation. If you go back and later try to print the confirmation, they are not able to do so. It seems that confirmation must be printed immediately.

Confirmation issue early in the 2022 filing season – now should be able to go back in and look at confirmation notice, election and the period. Per Kathleen, there is a change request in to make improvements to the election process. Kim Smith to send an example to Kathleen Abrams.

- c. Discussion of possible legislation to grant the ALDOR broader authority to extend relief in income tax-related election situations. [Commissioner Barnett indicated that they would be willing to look at this suggestion.](#) [Karen Miller to supply addtl information.](#)
- d. Possibility of guidance to address certain technical issues such as Section 754 elections, similar to the approach used by other states with entity-level [elections \(I could not hear what Kathleen said here.\)](#) [The ALDOR will look at and consider guidance.](#)
- e. On a late election, will there be a penalty for making estimated payments?
If you make estimated payments and then decide not to make the election, how are the estimated payments handled? [Kathleen Abrams indicated that there is a process in place with the PTE. You can also request a waiver of penalty with the penalty waiver request.](#)
- f. [Lyvonnia question S Corp](#) that has an inadvertent termination. The S Corp is not actually due until the C Corp return is due which is 4/15/23.
[Lyvonnia to send an email to Kathleen Abrams. Kathleen will follow up with an answer.](#)
- g. [Karen Poist question - Ownership transition, changes in ownership and binding PTE election.](#)
[Craig Banks to take a look and get back to us.](#)

5.) Legislative Developments and Plan for 2023 Regular Session Legislation

- a. Discussion of the possible formation of a committee to review the recently enacted federal CHIPS Act and the soon-to-be-enacted Deficit Reduction Act so that any impacts for Alabama can be identified early and plans can be made for legislation which may be needed
- b. Recent discussions in the media concerning the possibility of taxpayer relief legislation
 - i. Request from ASCPA for discussion of ideas submitted by ASCPA members, such as the adoption of an annual inflation indexing provision similar to the federal provision and the consideration of potential increases to the Alabama standard deduction

6.) Additional Questions

Partnership Audit Rules – Could it be the same as federal? Commissioner stated that they are taking a look at the legislation but in the past, there is a strong lack of interest in the business community to see this bill. Commissioner indicated that he is learning who else is interested and will possibly form a coalition to support the bill. He knows COST is interested. BCA and other large business groups wish to support? Unclear at this point. If this is something that needs to be done soon, we may need to help bring others to the table.

Does the state have any plans to follow up IRS who has stated they are ramping up partnership audits? The Commissioner again emphasized that he must learn if there is support.

Inflation Reduction Act – Is the ALDOR looking at this bill and how it relates to Alabama tax law. Good idea for ALDOR and ASCPA to partner and analyze the federal statutes and how it relates to Alabama tax law/ Helpful for all to work together to analyze the legislation and impacts on AL law.

Alabama tax credits and potential legislation – controversial issue. The group that is meeting to discuss possible renewal of the current tax credits but not necessarily looking at any new credits. We could see tax rebates or there could be a designated amount of money from the ETF that is sent to a certain group of AL taxpayers (based on need). Something will likely be done but no clear picture yet.

Indicated that it will be a busy season as far as tax issues go. Per Commissioner Barnett.