

# Casual Sales and Use Taxes

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Sales and Use Tax Division  
December 10, 2020



# Disclaimer

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- This PowerPoint presentation presents the current opinion of the Sales and Use Tax Division. Consequently, it is not legally binding on the Department of Revenue and the State. If you would like to request an official Revenue Ruling based on your situation, please refer to <https://revenue.alabama.gov/tax-policy/revenue-rulings/>.

# 2019 Legislation

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## Act 2019-444

**This Act exempts the gross proceeds of the initial retail sales of adaptive equipment that is permanently affixed to a motor vehicle from any state, county, and municipal sales and use taxes. This Act became effective September 1, 2019.**



# 2019 Legislation

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## Act 2019-444

The Act defines adaptive equipment as “equipment not generally used by persons with normal mobility, that is appropriated for use in a motor vehicle and that is not normally provided by a motor vehicle manufacturer.”

# 2019 Legislation

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## Act 2019-444

**In order to qualify for the exemption provided, the adaptive equipment must be separately stated to the customer on a bill of sale, invoice, or like memorialization of the transaction.**



# 2019 Legislation

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## Act 2019-444

**The Sales and Use Tax Division policy is that the gross proceeds for adaptive equipment includes the equipment and the labor charge. The equipment and labor charges must be clearly stated on the invoice.**



# PURCHASE AGREEMENT

Deal Number: 133124



PURCHASER'S NAME Example DATE 10/25/2019  
 STREET ADDRESS [REDACTED] PHONE [REDACTED]  
 CITY Bessemer COUNTY Jefferson .075% STATE AL ZIP 35022 SALESPERSON [REDACTED]

ENTER MY ORDER FOR ONE  NEW  USED  CAR  TRUCK  DEMONSTRATOR  FACTORY OFFICIAL  RENTAL VEHICLE AS FOLLOWS:

YEAR 2020 MAKE Toyota MODEL Sienna BODY TYPE Mini Van COLOR Predawn Gray TRIM XLE  
 VIN [REDACTED] TO BE DELIVERED ON OR ABOUT [REDACTED] STOCK NO LS039402  
 Conversion: BraunAbility : Braun XL

PRICE OF VEHICLE	Chassis:	\$ 40,000.00
OTHER GOODS & SERVICES		
Conversion/Adaptive Equipment Price:		\$27,000.00
Conversion Labor Price:		\$399.00
One Year Roadside Assistance		\$0.00
Documentary Fee		\$399.00
SubTotal		67,798.00
Less Trade In Allowance(s)		\$7,000.00
TAX BASE \$	33,399.00	
SALES TAX	AL 2 %	\$667.98
Jefferson .075%		\$250.49
Bessemer City Tax 1%		\$333.99
TITLE FEE		\$16.50
REGISTRATION FEE		\$0.00
CREDIT LIFE AND DISABILITY		N/A
PLUS: PAYOFF ON TRADE VEHICLE(S)		\$0.00
TOTAL DUE		\$ 62,066.96
LESS INITIAL PAYMENT/CASH DOWN		\$0.00
LESS REBATE/FACTORY INCENTIVE		\$0.00
OTHER		\$0.00
FINANCE DUE		\$ 62,066.96

ODOMETER MILEAGE STATEMENT  
 THE ODOMETER OF THE PURCHASED VEHICLE NOW READS 4 MILES/KILOMETERS AND IS ACCURATE UNLESS CHECKED BELOW.  
 ODOMETER MILEAGE IS NOT ACCURATE. REFER TO THE FEDERAL MILEAGE STATEMENT FOR FULL DISCLOSURE.

TRADE-IN RECORD 1  
 YEAR 2006 MAKE Toyota MODEL Sienna TYPE  
 VIN # \_\_\_\_\_ MILEAGE \_\_\_\_\_  
 PAYOFF \$ 0.00 Trade In Allowance \$7,000.00

TRADE-IN RECORD 2  
 YEAR \_\_\_\_\_ MAKE \_\_\_\_\_ MODEL \_\_\_\_\_ TYPE \_\_\_\_\_  
 VIN # \_\_\_\_\_ MILEAGE \_\_\_\_\_  
 PAYOFF \$ \_\_\_\_\_ Trade In Allowance \_\_\_\_\_

**NEGATIVE EQUITY DISCLOSURE & CONSENT:**  
 I am aware that the balance owed on my trade-in vehicle(s) or the amount owed on my lease turn in vehicle(s) exceeds the trade in allowance(s) from the dealer. As a result, I have requested that the "Total Due" be increased by the difference, \$ 0 (known as negative equity).  
 INITIALS: \_\_\_\_\_

SEE VEHICLE DELIVERY REPORT ATTACHED  
 SEE USED VEHICLE LIMITED WARRANTY ATTACHED  
 LIMITED RIGHT TO CANCEL APPLIES: If you have entered into a Spot Delivery Agreement-Limited Right to Cancel, the sale of the Vehicle is conditioned on the final approval of financing by, or assignment of the Retail Installment Sale Contract to a lender. If final financing approval is not obtained and/or the Contract cannot be assigned, you or the Dealership may cancel the Contract in accordance with this Agreement, the Spot Delivery Agreement-Limited Right to Cancel, and the Retail Installment Sale Contract. SEE ATTACHED DOCUMENT FOR IMPORTANT DETAILS.  
 DEPOSIT RECEIPT: Dealer hereby acknowledges receipt of the sum of \$ \$0.00 as a deposit or partial payment for the vehicle described above. If this receipt is for a deposit, Dealer will refrain from selling the described vehicle for \_\_\_\_\_ days. This Deposit:  
 IS  IS NOT REFUNDABLE, subject to the conditions on the reverse side and the following:



# Act 2019-244

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- **This Act made changes related to the dealer regulatory license.**
- **The new, used, wholesale, and rebuilder licenses will be consolidated into a Master Dealer License. This licensing requires that the applicant have a permanent location, sales tax number, surety bond and proof of commercial liability insurance.**
- **Since automotive wholesalers must have a sales tax license effective October 1, 2020, the Sales and Use Tax Division has cancelled certificate of exemptions issued to automotive wholesalers.**



# New: Rule 810-6-5-.01.01

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- Sales and Use Tax Division licenses will have an expiration date and taxpayers will have to log into their My Alabama Taxes (MAT) account to renew the license.
- Taxpayers will have to renew their license beginning November 1, 2020.
- Taxpayers will be able to renew their license from November 1 to December 31 each year.

Sales Tax License

Lodging Tax

Rental Tax Account

Utility Gross Receipts

Sellers Use Tax

Simplified Sellers Use Tax

My Alabama Taxes

Settings

Log Off

My Alabama Taxes > Casual Sales and Use Tax (TEST SITE)

Account

CASUAL SALES TAX, LLC  
\*\*,\*4567

Casual Sales and Use Tax  
CSU-R010279133

Balance: \$0.00

Account Alerts

File return for 30-Apr-2019

File return for 31-Mar-2019

File return for 28-Feb-2019

File return for 31-Jan-2019

There are 2 more alerts

I Want To

More...

Manage payments and returns

Make a billing payment

Verify account numbers

Ask a question

Periods Submissions Correspondence Names and Addresses Logons

Periods

View Periods

30-Apr-2019	\$0.00	File Return
31-Mar-2019	\$0.00	File Return
28-Feb-2019	\$0.00	File Return



# Frequently Asked Questions

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- Does Alabama allow credit for taxes paid to another state?
  - Yes, Alabama does allow credit for sales tax paid to other states.
  - See Sales and Use Tax Rule 810-6-5-.04, Credit for Taxes in Other States

# Frequently Asked Questions

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- Are military personnel exempt from paying sales tax on vehicle purchases?
  - No. (See Sales and Use Tax Rule 810-6-2-.51.05, Members of Armed Services Stationed in Alabama Subject to Sales Tax)



**August 1, 2019**

**To: All License Commissioners, Probate Judges, and Other Local Licensing Officials charged with the registration and collection of sales and use taxes on any automotive vehicle, motorboat, truck trailer, trailer, semitrailer, travel trailer or manufactured home taxed under Code of Alabama 1975, Sections 40-23-101 and 40-23-102**

This notice is being issued to provide local officials and taxpayers guidance regarding the taxability of used vehicles brought into the State of Alabama by taxpayers from other states who will now reside in Alabama.

If the vehicle was substantially used in another state, no sales or use tax will be due at the time the vehicle is initially required to be registered with the local licensing official in Alabama. "Substantial use" may be evidenced by the vehicle having been registered, tagged, or titled, as applicable, in another state.

The department's Sales and Use Tax Division will amend Sales and Use Tax Rule 810-6-5-.11.05 (Casual Sales Tax and Use Tax on Automotive Vehicles, Motorboats, Truck Trailers, Trailers, Semitrailers, Travel Trailers, and Manufactured Homes) in order to provide clear guidelines on this issue. Once adopted, this amended rule will supersede this notice.

Please note, the guidance provided in this notice should be followed to determine whether sales or use tax is due to be collected at the time of registration. If it is determined that tax is due to be collected, local licensing officials should refer to the department's "Casual Sales and Use Tax Reciprocity Notice" issued September 11, 2017, for guidance regarding credit for use or sales taxes paid to another state.

If you have any questions concerning this notice, please contact our office at (334) 353-9350 or (334) 353-9680 or e-mail us at: [STExemptionUnit@revenue.alabma.gov](mailto:STExemptionUnit@revenue.alabma.gov).

# Policy Clarification

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- Local licensing officials in Alabama should allow credit for vehicles registered and substantially used in another state.
- If the vehicle was substantially used in another state, no sales or use tax will be due at the time the vehicle is initially required to be registered with the local licensing official in Alabama. “Substantial use” may be evidenced by the vehicle having been registered, tagged, or titled, as applicable, in another state.



# Frequently Asked Questions

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- What if a licensed Alabama dealer does not itemize the bill of sale?
  - The purchaser should be sent back to the seller to get a proper bill of sale/invoice which separately lists the amount of state, county, and city tax that was collected. **See Code Section 40-23-104 (b), Rule 810-6-5-.11.05 and Rule 810-5-1-.246.** Send the Department a copy of the invoice.

# Rule 810-6-5-11-.05 (4)

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(4) Licensed dealers in Alabama must collect sales tax on their retail sales of automotive vehicles, motorboats, truck trailers, trailers, semitrailers, and travel trailers and **must furnish each customer with documentation on the bill of sale showing the sales price and the amounts and rates of any state, county, and city sales taxes collected at the time of purchase.** County and city sales taxes collected by said licensed dealers must be identified as to which specific county and city taxes are being collected. (Section 40-23-104(b))



## Rule 810-5-1-.246 (3)(j)

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- If the vehicle is sold by a licensed dealer, the purchase price upon which any state, county or municipal sales tax was paid, and the amount and **rate of sales or gross receipts tax collected at the time of purchase for the state, municipality and county where the sale was made**, as provided under Section 40-23-104, Code of Alabama 1975.

# Casual Sales and Use Tax Laws

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- **Code of Alabama 1975**, automotive vehicles:
  - Sales tax: Section 40-23-101 (a)
  - Use Tax: Section 40-23-102 (a)
- **Code of Alabama 1975**, manufactured homes:
  - Sales Tax: Section 40-23-101 (b)
  - Use Tax: Section 40-23-102 (b)



# Casual Sales and Use Tax Laws

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- Code of Alabama 1975, Section 40-23-104 (a) and (b):
  - Paragraph (a) authorizes the licensing official to collect local sales or use tax, as well as, state use tax;
  - Paragraph (b) authorizes the licensing official to require proof of the purchase price; licensed dealers in this state must show the amount of taxes collected on the invoice (state, city, and county)

# Casual Sales and Use Tax Laws

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- Code of Alabama 1975, Section 40-23-107
  - Licensing official shall be entitled to a fee of five percent (5%) of all revenues collected
  - Fee will be allowed if collections are remitted within the time allowed by law



# Casual Sales and Use Return Due Date

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- Must be filed on or before the 20th day of the month for the previous month's collections
- EFT payments must be transmitted by 4:00 PM Central Standard Time
- There is not an extra 10 days for filing in October, November, and December

# Frequently Asked Questions

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- What items qualify for the automotive rate?
  - Automotive vehicles, motorboats, truck trailers, semitrailers, travel trailers, trailers, and manufactured homes. Nonmotorized boats must be taxed at the general rate.
  - Sales tax on ATVs should be reported directly to the department.
  - (See Sales and Use Tax Rules 810-6-1-.12 Automotive Vehicles & Rule 810-6-1-.180 Truck Trailers & Semitrailers)



# Frequently Asked Questions

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- If an individual is giving a family or friend an automotive vehicle as a gift, should the licensing official collect casual sales or use tax?
  - If there is a lien on the vehicle, yes, you should collect tax.
  - If the vehicle is a true “gift” and does not have a lien on it, no tax should be collected. The invoice/bill of sale should indicate it is a gift. (Attorney General Opinion)

# Frequently Asked Questions

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- Should a licensing official accept an invoice/bill of sale for a \$1?
  - If you are unable to determine the true value of the vehicle. Yes, you may accept an invoice/bill of sale for a \$1.
  - Have the taxpayer sign an affidavit.
  - Look at the property tax assessment value/loan value



# Frequently Asked Questions

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- If the dealer has already collected local Alabama tax should any additional local tax be collected?
  - No, if the dealer collected county and city sales taxes, no additional tax should be collected, regardless of the amount and/or difference in the rate. (See **Sales and Use Tax Rule 810-6-5-.04.01, Reciprocity for Municipal and County Sales, Gross Receipts, Use, and Rental Taxes** and **Section 40-23-2.1**)

# Frequently Asked Questions

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- Are licensing officials required to collect state, county, and city tax on the casual sale of a manufactured home?
  - No, licensing officials are required to collect the two percent state sales tax on the casual sale of manufactured homes. (Exception to this is Morgan County who passed an ordinance allowing them to assess the **county tax** on sales of manufactured homes.)



# Frequently Asked Questions

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- Is sales tax due on the following charges?
  - Title Fees – No
  - Dealer Discount – No
  - Document Fee – Yes
  - Processing Fee – Yes
  - Finance & Insurance Charge – No
  - Title change - Death or Divorce – No
  - Destination Charge – Yes
  - Manufacturer's Rebate – Yes

# Frequently Asked Questions

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- Are churches and nonprofit entities exempt from sales and use taxes?
  - Rule 810-6-5-.06 Churches and other Religious Organizations and Institutions
  - Rule 810-6-5-.02.01 State Sales and Use Tax Certificate of Exemption For Entities Having a Statutory Exemption from the Payment of Sales, Use, and Lodgings Taxes.
  - Nonprofits and other entities that are specifically listed in the law are exempt and must have a certificate of exemption.



# Questions?

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