



# M2K - USA SALES TAX SERIES - ALABAMA

ALERT #8

# Introduction & Economic Nexus

In Alabama, the sales tax is a tax imposed on the retail sale of tangible personal property . The general sales tax rate is currently **4%**, but additional local sales tax may apply which can increase the rate to as high as 11%.

Simplified Seller's Use Tax (SSUT) program simplifies tax collection for out-of-state/remote sellers without a physical presence in the state, enabling them to collect, report, and remit a flat tax rate of 8% instead of managing varying local tax rates.

Sellers may either collect the regular sales tax or the simplified sellers use tax.

Use tax is imposed on tangible personal property brought into Alabama for storage, use, or consumption in the state when the seller did not collect seller's use tax on the sale of the property. The use tax rate is the same as the sales tax rate, which is **4%** for general merchandise and items.



Economic Nexus		
Threshold	Transactions Included	Transactions Excluded
USD 250,000	<ul style="list-style-type: none"><li>• Total retail sales of tangible personal property delivered into the state.</li><li>• Sales made through a non-collecting marketplace.</li><li>• Exempt sales.</li></ul>	<ul style="list-style-type: none"><li>• Sales made through a registered marketplace facilitator.</li><li>• Wholesale sales for resale.</li><li>• Exempt services.</li></ul>



# Filing Requirements (1/2)

## ☐ Common Forms

- **One Spot: Sales and Use Tax Return:** This form is used by businesses to report their sales and use tax liability in Alabama. It includes sections to report taxable sales, exemptions, and deductions. The frequency of filing (monthly, quarterly, or annually) depends on the taxpayer's sales volume.
- **Form ST:EX-A1: Application for Certificate of Exemption:** This form is used to apply and request for a Sales and Use Tax Exemption Certificate.
- **Form ST:EX-1: Certificate of Exemption – Out of State/City/County Delivery:** This form is used by purchasers to claim an exemption from sales tax for certain qualifying transactions. It is typically provided to the seller to document the exempt status of the transaction.

## ☐ Refunds or Credits

A petition needs to be filed for applying for refund of taxes. There are two types of petitions – **Direct Petition** and **Petition for Refund of Taxes Paid to Seller**. No refunds will be issued unless the proper petition is filed. Further, the petition must be properly documented including attachment of invoices, receipts, copies, accrual records etc.



# Filing Requirements (2/2)

## Filing Frequency

- **Filing Quarterly:** If the taxpayer is liable for less than \$2,400 during the preceding calendar year, they may file their sales tax returns quarterly on or before the 20th day of April, July, October, or January.
- **Filing bi-annual:** The taxpayer can request for bi-annual filing if the taxpayer is liable for less than \$1,200 during the preceding calendar year. If the sales made no more than two 30-consecutive day during the preceding calendar year, then the taxpayer will be eligible to request bi-annual filing.
- **Filing Annually:** If the taxpayer is liable for less than \$600 in sales tax during the preceding calendar year, they may elect to file their sales tax return annually. If the sales made no more than one 30-consecutive day during the preceding calendar year, then the taxpayer will be eligible to request annual filing.

## Due Date

The due dates for filing sales and use tax returns in Alabama depend on the filing frequency assigned to the business by the Alabama Department of Revenue. Generally, sales and use tax returns are due on or before the **20<sup>th</sup> day of the month** following the reporting period.



# Resale Certificate

If you conduct business in Alabama and plan to purchase products for resale, you'll need a sales tax license for issuing the resale exemption certificate. This license itself serves as a resale tax exemption certificate.

In Alabama, a resale certificate (sales tax license) is obtained by completing the state sales tax registration form through the Alabama Department of Revenue.

Any person repeatedly selling the same type of property to the same purchaser for resale, treating each transaction as tax-exempt, as long the buyer is properly registered.

Many businesses keep a copy of the buyer's sales tax license on file to cover multiple transactions, which is similar to using a 'blanket certificate' in other states.

A sales tax license in Alabama is valid for 12 months and must be renewed annually to remain active.



# Taxable vs exempt transactions



Taxable vs Exempt transactions (Illustrative list)	
Taxable	Exempt
<ul style="list-style-type: none"><li>• Leasing and Rental of Tangible Personal Property.</li><li>• Labor, installation and service charges not separately stated on the invoice to the customer are taxable.</li><li>• Prepaid telephone calling card.</li><li>• Prewritten / canned software.</li></ul>	<ul style="list-style-type: none"><li>• Professional services</li><li>• Machinery, equipment or utilities used directly in Manufacturing.</li><li>• Energy sold to manufacturers for use directly in the manufacturing process.</li><li>• If the labor, installation, and service charges are separately stated from the sale of parts.</li></ul>

# Stay tuned for more updates on Sales & Use Tax

Please find below the list of alerts proposed to be released in the series (every Tuesday & Thursday). In case you have missed the previous alerts, click on the [hyperlink](#).

## General overview

1. Introduction to sales & use tax
2. Situs of sale
3. Sales tax exemptions
4. Determining nexus
5. Registration & compliances
6. Voluntary disclosure agreements
7. Sales tax on software & SAAS

## State wise overview

- |                |                    |                    |
|----------------|--------------------|--------------------|
| 1. Alabama     | 18. Kentucky       | 36. North Dakota   |
| 2. Alaska      | 19. Louisiana      | 37. Ohio           |
| 3. Arizona     | 20. Maine          | 38. Oklahoma       |
| 4. Arkansas    | 21. Maryland       | 39. Oregon         |
| 5. California  | 22. Massachusetts  | 40. Pennsylvania   |
| 6. Colorado    | 23. Michigan       | 41. Rhode Island   |
| 7. Connecticut | 24. Minnesota      | 42. South Carolina |
| 8. Columbia    | 25. Mississippi    | 43. South Dakota   |
| 9. Delaware    | 27. Missouri       | 44. Tennessee      |
| 10. Florida    | 28. Montana        | 45. Texas          |
| 11. Georgia    | 29. Nebraska       | 46. Utah           |
| 12. Hawaii     | 30. Nevada         | 47. Vermont        |
| 13. Idaho      | 31. New Hampshire  | 48. Virginia       |
| 14. Illinois   | 32. New Jersey     | 49. Washington     |
| 15. Indiana    | 33. New Mexico     | 50. West Virginia  |
| 16. Iowa       | 34. New York       | 51. Wisconsin      |
| 17. Kansas     | 35. North Carolina | 52. Wyoming        |

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# Thank You



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