

# The CROAA *dvisor*

Volume 2, Issue 3

June 23, 2003

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**Interested in becoming a member? Please contact any of the above officers for membership information.**

## Important Dates

**March 4 - June 16**  
Regular session of the Alabama Legislature

**August 19-21**  
ACCA  
Annual Convention  
Perdido Beach Resort,  
Orange Beach, AL  
(251) 981-9811

## Joint Audits, the Arizona Approach

**By: Tom Johnson, Assistant Tax Administrator, City of Phoenix**

The State of Arizona is a Privilege Tax State and allows for local tax administration. There are 12 cities, known as non-program cities, which administer/self collect their own privilege (sales) tax. The Arizona Department of Revenue administers the privilege (sales) tax programs for 75 cities, they are referred to as the program cities. Self administration by the non-program cities includes licensing, payment/return processing, enforcement, collections, and audit. The cities have the right to audit any business conducting a taxable activity within their jurisdiction.

In April 2000, legislation was passed (SB1513) that provided for joint audits between the non-program cities and ADOR. In summary, the auditing jurisdictions are required to offer a joint audit to each taxpayer. If ADOR is leading the audit and the taxpayer elects the joint audit option, the non-program cities can provide up to two auditors to participate in the audit. A taxpayer that does not elect the joint audit is subject to audit by any of the non-program cities in which they are conducting business. A City or Town that does

not accept the joint audit may not conduct an audit of that business for 42 months from the close of the last audit period.

The State and cities worked together to develop multi-jurisdictional audit procedures and a number of joint auditor training sessions have been held since the inception of the program. A database was developed to track audits being conducted by all of the jurisdictions. The City of Phoenix was designated to act as coordinator for the joint audit program.

The April 2000 legislation also required that a single hearing process be established for all taxpayer protests of city audits conducted for one or more than one city or town (it does not affect protests at the State level). Prior to the law change a taxpayer was required to file a protest with each individual jurisdiction and be subject to multiple hearings for a joint audit. The law required that a hearing process be established with an independent hearing officer. The City of Phoenix administers this Municipal Tax Hearing Office which includes  
*(Continued on page 3)*

## President's Address

**By: Ed Sims - CROAA President, Morgan County**

The times they are a changing, or so goes the song. Members of our organization are engaged in work on legislation urged by Speaker Hammett which will allow Alabama to be a member state of Streamlined Sales Tax governing states. If you are not receiving emails of the Drafts and discussion on this issue, please contact Kevin Caputo or Sandra Hodo with your email address.

is true to the extent that we need not break or take every opportunity to receive every concession we need to maintain our respective revenue streams. Please make every effort to read and let us know you thoughts on the work that we are doing.

The association is making every effort to plan an educational opportunity during the ACCA Convention; I look forward to seeing you all there.

I am told that we need to be flexible, and that

## Surfing USA

**Colorado Counties Inc.:** <http://www.ccionline.org/>

*The state of Colorado, like Alabama, allows its local governments to collect local sales taxes. CCI's website provides information about Colorado counties, legislative issues, and services provided by CCI.*

**Arizona Association of Counties:** <http://www.azcounties.org/AACo/>

*The state of Arizona, like Alabama, allows its local governments to collect local sales taxes. This site will allow you to keep up with Arizona Counties*

**Alaska Municipal League:** <http://www.akml.org/>

*The state of Alaska, like Alabama, allows it a local sales tax. This site will allow you to keep up with what is happening regarding local taxation in Alaska. Of importance right now the State of Alaska is in the process of trying to implement a 3% statewide sales tax. Local governments fear this new tax will have an adverse affect on local revenues. To keep up to date with this legislation go to*

*[http://www.akml.org/index.asp?Type=B\\_BASIC&SEC={6F01FE95-7A2D-429C-80A0-8240DFCF5B67}](http://www.akml.org/index.asp?Type=B_BASIC&SEC={6F01FE95-7A2D-429C-80A0-8240DFCF5B67})*

**The Council of State Governments:** <http://www.csg.org/CSG/Policy/fiscal/default.htm>

*CSG serves elected and appointed officials throughout state government. An excellent site to keep up with the happenings in other states. Want to see how other states are coping with the current economic conditions? Then this site is for you.*

## CROAA Committees

County Revenue Officers Association of Alabama currently five working Committees. These committees serve in a vital role in the overall success of CROAA.

### EDUCATION COMMITTEE

Sonya Breasseale - Jefferson County  
Kirk Keith - Tuscaloosa County  
Betty Peterson - Madison County

### HONORARY MEMBERSHIP COMMITTEE

Jerry Argo - Jefferson County  
Butch Burbage - Shelby County  
Alfonso Patterson - Morgan County

### LEGISLATIVE COMMITTEE

Kirk Keith - Tuscaloosa County  
Daren Lanier - Jefferson County  
Jimmy Meads - Baldwin County  
Betty Peterson - Madison County  
Eric Pruitt - Jefferson County

### MEMBERSHIP COMMITTEE

Kevin Caputo - Madison County  
Kirk Keith - Tuscaloosa County  
Chris King - Cullman County  
Terisa Lang - Madison County

### NOMINATING COMMITTEE

Sonya Breasseale - Jefferson County  
Kirk Keith - Tuscaloosa County  
Billy Rigsby - Cullman County

For contact information regarding any of these individuals, please send an e-mail to [caputs@bellsouth.net](mailto:caputs@bellsouth.net).

## CRE Educational Update

**By: The Center for Governmental Services at Auburn University, 334-844-4781**

To maintain certification as a Certified Revenue Examiner in the state of Alabama, Examiners are required to attain 40 hours of continuing education credit every year. Of that 40 hours, at least 8 hours are required to be taken from the CGS at Auburn University.

For this year the CGS has offered an 8 hour class called "CRE Update: Resources for Alabama Local Revenue Examiners." The first offering of this class was May 1-2 at Auburn University. The next offering is scheduled for October 23-24 (Thursday & Friday) in Tuscaloosa.

The class covers such topics as Working with an Attorney, Current Legal Issues and Legislative Update, Using the ADOR Website, Proper Documentation of Work Papers, and a discussion of the Examiner Certification Renewal Process.

This class can also be taken for those members of CROAA who need continuing education credit to maintain their designation as a Certified County Revenues Officer.

## Congratulations

Jill Farris, Walker County - County Administrator, would like to congratulate Susan Russell on her promotion to the Walker County Sales Tax Department.

# Sales and Use Tax: Alabama Joint Audit Pilot Program

By: Linda McKinney, Director of Revenue

The concept for the Sales and Use Tax Joint Audit pilot program was developed as a result of meetings of the Executive Committee. This committee is made up of three representatives of the Alabama Department of Revenue (ADOR), City and County Revenue Departments, and was formed last year in an effort to improve communications between local and state taxing authorities. If the Streamlined Sales Tax legislation is eventually adopted by Congress, auditors for local jurisdictions will not be able to conduct audits unless they are auditing as part of a state-level joint audit program.

Two jurisdictions are currently participating in the joint audit pilot program. The first involves auditors from Tuscaloosa County, the City of Tuscaloosa, the City of Northport and ADOR's Tuscaloosa District Service Center. The second involves Madison County and ADOR's Huntsville District Service Center.

Auditors have been working along side state auditors in an attempt to develop policies and procedures for joint audits

of sales and use taxes with ADOR. State and local auditors are also documenting any differences between the taxing entities relating to tax interpretations and noting any problems that they encounter during the audit process. Madison County is the second location that is working with their state counterparts on a joint audit pilot program.

To date, approximately fifteen audits are in various stages of completion. Still to be addressed and developed are appeal procedures for the joint audit. The current ADOR appeal process presents complications because the Administrative Law Judge will not hear audit appeals for self-administered jurisdictions.

It is too early to determine the final outcome of the pilot program. The Executive Committee hopes in the next few months to expand the pilot to additional locations in an effort to incorporate more District ADOR offices in the joint audit program. (See "Developing Story" on page 4)

## How do we compare with other states?

In the State of Alabama, the average homeowner pays \$216 per year in property tax. This translates into 1.2% of household income. This gives Alabama the lowest (50th) property taxes in the nation. By comparison Tennessee was ranked 42nd, Mississippi 41st, Georgia, 32nd, and Florida 17th.

Source: <http://www.mcps.com/BusinessDiv/Index%20for%20Financial%20Information/Freda%20Roberts%20Presentation/property%20tax%20presentation.PDF>

The State of Alabama has the lowest individual income tax threshold in the United States - \$4,600 for a family of four

Source: <http://governing.com/gpp/2003/gp3al.htm>

## ARIZONA APPROACH: (Cont. from page 1)

setting hearings, processing billing request from the hearing officer and preparing billings statements for the cities as they use the hearing office. Additionally, this office coordinates all communication between the taxpayer, the city or cities, and the hearing officer.

The Unified Audit Committee (UAC), established by State Statute, consists of representatives from the State, non-program cities, program cities, and the League of Arizona Cities and Towns, meets on a regular basis to address issues relating to the joint audit and joint hearing programs. The UAC has established subcommittees for training, quality assurance, and rulings or interpretations in order to keep the program functioning in an orderly manner.

Overall, the multi-jurisdictional joint audit program is operating very well. The State and cities have worked together to develop standard processes and procedures that benefit the taxpayer and the jurisdictions.

## ??DID YOU KNOW??

In Canada, the Federal Government levies a 7% Goods and Services Tax (GST). A sampling of transactions taxed include the sale of a new home, legal and professional fees, sales of clothing, automobile repairs and some food items.

Items such as basic grocery items - bread, milk, vegetables - are non taxable. Other exempt items include prescription drugs, fishery products and agricultural products. For a more detailed listing of those items taxed visit Revenue Canada's website at <http://www.ccra-adrc.gc.ca/>

In addition to the federal tax, many provinces levy a provincial sales tax. This ranges from 0% to 10%.

Giving an overall tax rate of between 7% and 17%

Source: <http://www.ccra-adrc.gc.ca/>

## County Revenue Officers Association of Alabama

c/o Association of County Commissions of Alabama  
100 North Jackson Street  
Montgomery, AL 36104

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### Legislative Update - HB 649, Streamlined Sales Tax

**By: Kevin Caputo - CROAA Vice - President, Madison County**

On June 9th, as expected, HB649 was introduced on the floor of the Alabama Legislature by Rep. Betty Graham, D-Alexander City. By passing, the bill would have potentially brought the State of Alabama into the national SST program.

When the SSTEP came onto the national stage in 1998, the project contained language that would have prohibited member states from allowing their local governments to collect their own tax. As Alabama was 1 of 5 states that permitted local collection, passage of this bill in Alabama would have been detrimental to Alabama's local governments.

Through the hard work of Alabama's delegation to the SST Project, language was added to the national project that could potentially allow local governments to continue to self-collect. However, several hurdles remained if SST would work for the locals in the State of Alabama.

Over the course of the past several months individuals working under the umbrella of the Association of County Commissions of Alabama and the Alabama League of Municipalities worked with the Alabama Department of Revenue to iron out a plan that would work for Alabama.

Although several issues were resolved, such as uniform definitions, several major hurdles still remained, including restricted auditing capabilities and what form of state level administration would be set up. One of the biggest hurdles, however, was the requirement that each taxing jurisdiction be limited to one sales tax rate.

Under the current system, several counties levy multiple sales taxes. This gives a non-uniform rate structure in some jurisdictions. Under HB 649, non-uniform rate counties would be required to implement a single rate. Several counties stood to lose millions if they were required to go to one rate. For example, Tuscaloosa \$19.7 million, Madison \$7 million, and Morgan \$4.6 million.

Prior to taking a vote on the house floor, numerous representatives lined up to voice their concerns with HB 649. Included in their concerns was a last minute amendment proposed on the floor of the House by Rep. Graham. Many voiced their concerns that it had not been disclosed to the local jurisdictions that it affected. When it came time to vote, HB 649 was tabled by a margin of 57-20, with 27 abstentions.

Under the current language of HB 649, local jurisdictions were unable to support the bill. Perhaps if all the interested parties were able to come together and work out their differences, then another version of HB 649 could be supported by the local jurisdictions.

### **\*\*\* Developing Story \*\*\***

**During the week ending June 21, 2003 the Alabama Department of Revenue removed itself from any further joint audits. Further information will be available in the next issue of the CROAA *advisor***