



VERNON BARNETT
Commissioner

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REVENUE PROCEDURE 2017-01 August 3, 2017

SUBJECT: Departmental Policy Relating to the Application of the Estimated Tax Penalty to Certain Individuals and Corporations Entitled to Claim Certain Credits against the Amount of Income Tax Due

- (1) **Authority and Purpose.** This revenue procedure is issued pursuant to Section 40-2A-5, Code of Alabama 1975, to prescribe the application of the Estimated Tax Penalty to certain individuals and corporations who are entitled to claim, against the Income Tax liability for the year, certain credits which are required to be recorded and verified by the Department at the time the payments resulting in the tax credits are made.
- (2) **Definitions.** The following terms have the meanings ascribed to them for purposes of this revenue procedure:
 - (a) **Estimated Tax** – The estimated income tax payments required pursuant to Sections 40-18-80 and 40-18-80.1, Code of Alabama 1975.
 - (b) **Estimated Tax Penalty** – The amounts to be added to the tax as a result of the underpayment of estimated taxes as prescribed by 26 U.S.C., Sections 6654 and 6655.
 - (c) **Allowable Credits** – The credits against the income tax liability of an individual or corporate taxpayer attributable to payments made by the taxpayer, when such payments are required to be (a) reported to the Department by the taxpayer at the time of payment, and (b) verified to the Department by the recipient as required.
- (3) **Procedure.** No Estimated Tax Penalty shall be added (or if added shall be reversed) to the income tax liability of an individual or corporate income taxpayer for any quarter when the amount of estimated tax payments made to the Department by the quarterly due date as required, plus the amount of allowable credits generated for the quarter equal or exceed the total amount of estimated tax payments otherwise required to be made for the quarter, provided:
 - (a) The allowable credits must not exceed 50% of the required estimated tax payments otherwise due, and
 - (b) The allowable credits must be attributable to payments made no later than the due date of the required estimated tax payments, and
 - (c) The recipient organization must verify receipt of the payments as required.
- (4) **Effective Date.** This Revenue Procedure is effective immediately.



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