

**TRANSMITTAL SHEET FOR
NOTICE OF INTENDED ACTION**

Control 810 Department or Agency REVENUE

Rule Nos. 810-8-5-.15

Rule Title: Quinquennial Adjustment to Municipal Business License Issuance Fees

New; Amend; Repeal; Adopt by Reference

Would the absence of the proposed rule significantly harm or endanger the public health, welfare, or safety? No

Is there a reasonable relationship between the state's police power and the protection of the public health, safety, or welfare? Yes

Is there another, less restrictive method of regulation available that could adequately protect the public? No

Does the proposed rule have the effect of directly or indirectly increasing the costs of any goods or services involved and, if so, to what degree? No

Is the increase in cost, if any, more harmful to the public than the harm that might result from the absence of the proposed rule? N/A

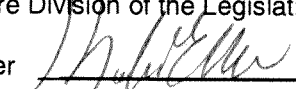
Are all facets of the rulemaking process designed solely for the purpose of, and so they have, as their primary effect, the protection of the public? Yes

Does the proposed rule have any economic impact? Yes

If the proposed rule has an economic impact, the proposed rule is required to be accompanied by a fiscal note prepared in accordance with subsection (f) of Section 41-22-23, Code of Alabama 1975.

Certification of Authorized Official

I certify that the attached proposed rule has been proposed in full compliance with the requirements of Chapter 22, Title 41, Code of Alabama 1975 and that it conforms to all applicable filing requirements of the Administrative Procedure Division of the Legislative Reference Service.

Signature of certifying officer 

Date 6/20/12

APA-6
10/96

**ECONOMIC IMPACT STATEMENT
FOR APA RULE
(Section 41-22-23(f))**

Control No. 810 Department or Agency REVENUE

Rule No: 810-8-5-.15

Rule Title: Quinquennial Adjustment to Municipal Business License Issuance Fees

X New _____ Amend _____ Repeal _____ Adopt by Reference _____

- NO
 YES

This rule has no economic impact.

This rule has an economic impact, as explained below:

1. **NEED/EXPECTED BENEFIT OF RULE:**
This rule will establish uniform procedures for ADOR to notify municipalities every five years of any required increase in the municipal business license. This rule will be beneficial to businesses in that the issuance fee is limited to being adjusted every five years rather than every year.
2. **COSTS/BENEFITS OF RULE AND WHY RULE IS THE MOST EFFECTIVE, EFFICIENT, AND FEASIBLE MEANS FOR ALLOCATING RESOURCES AND ACHIEVING THE STATED PURPOSE:**
The benefit of this rule is that the Department would be able to calculate the increase, if applicable, and distribute/post such information so that all municipalities are using the most accurate information when selling business licenses to the public.
3. **EFFECT OF THIS RULE ON COMPETITION:**
N/A
4. **EFFECT OF THIS RULE ON COST OF LIVING AND DOING BUSINESS IN THE GEOGRAPHICAL AREA WHERE THE RULE IS TO BE IMPLEMENTED:**
See #1
5. **EFFECT OF THIS RULE ON EMPLOYMENT IN THE GEOGRAPHICAL AREA WHERE THE RULE IS TO BE IMPLEMENTED:**
N/A
6. **SOURCE OF REVENUE TO BE USED FOR IMPLEMENTING AND ENFORCING THIS RULE:**
N/A

7. THE SHORT-TERM/LONG-TERM ECONOMIC IMPACT OF THIS RULE ON AFFECTED PERSONS, INCLUDING ANALYSIS OF PERSONS WHO WILL BEAR THE COSTS AND THOSE WHO WILL BENEFIT FROM THE RULE:
N/A
8. UNCERTAINTIES ASSOCIATED WITH THE ESTIMATED BENEFITS AND BURDENS OF THE RULE, INCLUDING QUALITATIVE/QUANTITATIVE BENEFITS AND BURDEN COMPARISON:
N/A
9. THE EFFECT OF THIS RULE ON THE ENVIRONMENT AND PUBLIC HEALTH:
N/A
10. DETRIMENTAL EFFECT ON THE ENVIRONMENT AND PUBLIC HEALTH IF THE RULE IS NOT IMPLEMENTED:
N/A
11. OTHER COMMENTS:

APA-2
11/96

**ALABAMA DEPARTMENT OF REVENUE
Business & License Tax Division**

NOTICE OF INTENDED ACTION

RULE NO. & TITLE

810-8-5-.15 Quinquennial Adjustment to Municipal Business License Issuance Fees

INTENDED ACTION: Adopt a new rule

SUBSTANCE OF PROPOSED ACTION: The department proposes to adopt a new rule to establish procedures to notify municipalities every five years of any required increases in the municipal business license issuance fee.

RULE NO. & TITLE

810-7-1-.24 Electronic Filing of Hazardous Waste Fee, Solid Waste Fee, Pari-Mutuel Pool Tax and State Horse Wagering Fee Returns

810-8-5-.16 Electronic Filing of Severance Tax Returns and Supporting Supplemental Forms

INTENDED ACTION: Adopt a new rule

SUBSTANCE OF PROPOSED ACTION: The department proposes to adopt the above new rules to require electronic filing of certain returns and reports.

TIME, PLACE, MANNER OF PRESENTING VIEWS: A public hearing will be held at 10:00 a.m. on Monday, August 6, 2012, in the Office of the Legal Division, Room 3114, Gordon Persons Building, located at 50 N Ripley Street, Montgomery, Alabama. Copies of the rule(s) can be obtained at www.revenue.alabama.gov/rulehear.html.

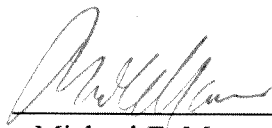
All interested parties may present their views in writing to the **Deputy Commissioner of the Alabama Department of Revenue, Room 4112, Gordon Persons Building, 50 N Ripley Street, Montgomery, Alabama 36132** at any time during the thirty-five (35) day period following publication of the notice or by appearing at the hearing.

FINAL DATE FOR COMMENT AND COMPLETION OF NOTICE:

Monday, August 6, 2012

CONTACT PERSON AT AGENCY:

Patricia Toles
Alabama Department of Revenue
4131 Gordon Persons Building
Montgomery, Alabama 36132
(334) 242-1380



Michael E. Mason, Deputy Commissioner
Alabama Department of Revenue

0880APC.INT

810-8-5-.15 Quinquennial Adjustment to Municipal Business License Issuance Fees.
(NEW RULE)

(1) **PURPOSE:**

(a) Act 2006-586 was passed in the 2006 Regular Session of the Alabama Legislature and signed into law on April 26, 2006. This Act was codified in Title 11, Section 51, Article 2. Section 11-51-90 requires the Department of Revenue to distribute information every five years to all municipalities and the Alabama League of Municipalities regarding any required adjustment to the municipal business license issuance fee, rounded to the nearest dollar. The failure of the Department of Revenue to so notify all municipalities and the Alabama League of Municipalities shall not, however, prohibit a municipality from increasing the issuance fee, if any increase is otherwise due. This rule establishes procedures for the calculation of any such increase, if applicable, and the methods for notification.

(2) **DEFINITIONS:**

(a) Finished Goods - completed manufactured products which are ready for sale and delivery to the marketplace.

(b) License Year - calendar year (January 1 through December 31)

(c) North American Industrial Classification System (NAICS) - industries and their products.

(d) Producer Product Index - an output price index that measures price changes received by domestic producers of goods and services. It is neither a buyer's index nor an input price index and does not measure the cost of producing that item.

(3) **REQUIREMENTS:**

(a) The municipal business license issuance fee shall be increased every five license years by the Department of Revenue by an amount equal to the percentage increase, if any, in the U.S. Department of Labor's Producer Price Index during that five-year period, rounded to the nearest dollar, with the base year being 2006.

(b) The Department of Revenue shall notify all municipalities and the Alabama League of Municipalities of any such fee increase no later than November 30 preceding the license year for which the increase shall take effect.

(c) Based upon the fact that finished goods incorporate various industries and that a composite producer price index is not available for each calendar year, the Department of Revenue will utilize the U. S. Department of Labor's Producer Price Index for finished goods to compute the base year (2006) and the subsequent five-year adjustments.

(4) **CALCULATION:**

(a) Initial calculation: The average Producer Price Index for finished goods during calendar years 2006 and 2011 was employed to calculate the increase in the municipal business license issuance fee for the license year beginning January 1, 2013. An average of the producer price indexes during 2006 was determined by totaling the indexes for the period January 2006 through December 2006 and dividing by 12. An average of the producer price indexes during 2011 was determined by totaling the indexes for the period January 2011 through December 2011 and dividing by 12. The percent of increase was determined by calculating the difference between the 2011 average index (190.7) and the 2006 average index (160.3) and dividing this amount (30.4) by the base year index (160.3). The result was an 18.96 percent increase. The percent increase applied to the \$10.00 initial municipal business license issuance fee results in an adjusted license issuance fee of \$12.00. ($\$10.00 \times 1.1896 = \11.90 , rounded to the nearest dollar). See Appendix for calculation method.

(b) Subsequent calculations: For each succeeding five years, the Producer Price Index for finished goods for the year preceding the fifth license year shall be used to determine an increase, if any, in the municipal business license issuance fee. This will be determined by averaging the indexes for the previous year and comparing this figure to the base year average index of 160.3, calculating the percent increase, if applicable, and rounding the application of the increase to the nearest dollar amount. 2016 will be the next year subject to an analysis with a determination of such increase to be published by the Department of Revenue by November 30, 2017. Further analysis will be completed every five years.

(4) **NOTIFICATION METHODS:**

(a) The Alabama Department of Revenue will notify all municipalities that furnish the required registration form as described in departmental rule 810-8-5-.11 and the Alabama League of Municipalities of the applicable issuance fee increase on or about November 30, 2012 via the U.S. Postal Service and via email; provided a valid email address is provided to the Department. Thereafter, notices regarding any such increases will be available on or about November 30 of the year preceding the fifth license year.

(b) The Alabama Department of Revenue will place a notice regarding any applicable increase in the municipal business license issuance fee on its website on or about November 30 of every five-year period beginning November 30, 2012.

(c) Municipalities shall notify the Department of Revenue in writing of any changes in their mailing and email addresses, if applicable.

Author: Alisa G. Johnson
Authority: Sections 40-2A-7(a)(5), 11-51-90(a)(2), Code of Alabama 1975.
History:

History:

CHAPTER 810-8-5

APPENDIX A - 810-8-5-.15

Author: Alisa G. Johnson
Authority: Sections 40-2A-7(a)(5) and 11-51-90(a)(2), Code of Alabama 1975
History:

MUNICIPAL BUSINESS LICENSE ISSUANCE FEE ANALYSIS

2006 Producer Price Index		2011 Producer Price Index	
Jan-06	160.0	Jan-11	184.4
Feb-06	157.8	Feb-11	186.9
Mar-06	159.0	Mar-11	189.4
Apr-06	160.6	Apr-11	191.7
May-06	161.2	May-11	192.9
Jun-06	161.7	Jun-11	191.6
Jul-06	162.0	Jul-11	192.4
Aug-06	162.1	Aug-11	191.6
Sep-06	160.3	Sep-11	192.5
Oct-06	158.4	Oct-11	191.9
Nov-06	159.7	Nov-11	192.0
Dec-06	160.5	Dec-11	191.3
	1923.3		2288.6
Average 2006	160.3	Average 2011	190.7

Percentage change calculation	2011	190.7	difference/base year	30.4/160.3
	2006	160.3		
	difference	30.4		

Year	Adjusted License Cost (to nearest dollar)
2006	\$10.00 Base Year
2013	\$11.90
	\$12.00

Source: U. S. Department of Labor, Bureau of Labor Statistics
 website: http://www.bls.gov/schedule/archives/cpi_nr.htm