**Alabama Payroll Taxes**

**AL State Income Tax Withholding**

For current year Alabama Department of Revenue’s (ADOR) Instructions for Employers and Withholding Agents Booklet follow this link: <https://www.revenue.alabama.gov/individual-corporate/withholding-tax-2/>, then click ‘View Tax Tables and Instructions’.

**Who Must Withhold AL State Income Taxes**

Employers who are not residents of Alabama are required to withhold tax from the wages of their employees to the extent that such wages are earned in Alabama, whether the employee is a resident or a nonresident of Alabama.

Employers and withholding agents must register with the Department by completing a withholding tax application. The application must be completed and submitted online at <https://myalabamataxes.alabama.gov/_/>.

**Making AL State Income Tax Withholding Payments and Filing Returns**

All employers or other withholding agents who are registered with the Department must file a quarterly withholding tax return (Form A-1). The return and tax withheld are due between the first and last day of the month following the end of the quarter. For example, the quarterly return for the quarter ended March 31 is due between April 1 and April 30. This return must be filed even if no tax has been withheld.

Monthly withholding returns are required of all withholding agents who have withheld more than $1,000.00 in either the first or second month of the quarter. Monthly returns and tax withheld are due between the 1st and the 15th of the month following the month in which the tax was withheld.

Employers withholding less than $1,000.00 a month may voluntarily file monthly if they wish to do so.

\*Note: If you make a single withholding tax payment of $750 or more, you are required to electronically file both your payment and your withholding tax return. The Department encourages taxpayers who are not currently required to file electronically (those remitting less than $750) to also file their withholding tax returns and payments electronically.

On or before the last day of January each year, every employer who has withheld tax during the preceding year must file Form A-3 with the Department together with a copy of each wage and tax statement (Form W-2) issued for that year.

Alabama Employer Withholding Return Forms are available at: <https://www.revenue.alabama.gov/individual-corporate/withholding-tax-2/>

**AL W-4 Requirements**

In order to properly compute withholding tax, the employer must obtain a completed exemption certificate from each employee. The state exemption certificate is Form A-4, available at <https://www.revenue.alabama.gov/individual-corporate/withholding-tax-2/>. The federal Form W-4 is not an acceptable substitute.

**AL State Unemployment Insurance**

In general, workers are covered by the unemployment law of the state in which the work is performed.

Employers may register for an Alabama state unemployment insurance (SUI) account number, remit amounts due, and file quarterly unemployment reports through the Alabama Department of Labor eGov website: <https://labor.alabama.gov/eGov/login.aspx>.

AL unemployment taxes are assessed only on the **first $8,000** of annual earnings for each employee (taxable wage base). Wages in excess of the taxable limitation must be reported but are not taxable.

All employers are required to pay amounts due to this agency via Electronic Funds Transfer (EFT).

Alabama allows an Alabama governmental agency or a 501 (c) (3) non-profit organization to elect to make payments in lieu of regularly required contributions. These are called “Reimbursement” payments and are made to reimburse the unemployment insurance fund for the benefits paid to former employees of the agency. A non-profit organization that has any exemption from the IRS other than the 501 (c) (3) is liable the same as any regular employer and cannot choose the “Reimbursement” option.

Alabama has adopted the Interstate Reciprocal Coverage Arrangement for unemployment insurance. Under this arrangement, if an employee works in more than one state, an employer may elect to cover all services of such a worker in any state in which: (1) any part of the worker's service is performed, (2) the worker has his or her residence, or (3) the employer maintains a place of business. The agreement should be initiated through the state where the employer wants to report the payroll. A Washington employer may request to elect reciprocal coverage with another state by following the filing process outlined by Washington Administrative Code 192-300-150: <https://app.leg.wa.gov/wac/default.aspx?cite=192-300-150>.

**AL State Workers’ Compensation**

Any business that has five (5) or more employees, other than contractors, is required by Alabama law to have workers' compensation coverage. The term employee includes all full or part-time employees, officers of a corporation or members of an LLC. You may obtain workers' compensation coverage from your local insurance agency. The State of Alabama does not sell workers' compensation insurance.

Washington State Department of Enterprise Services (DES) administers a Workers' Compensation Insurance program for state workers. If your employee works outside of Washington in a single other state for more than 30 days (240 hours) per year, **your agency must work with DES** to insure your out-of-state employee. For more information, contact Kimberly Haggard kimberly.haggard@des.wa.gov at DES Risk Management.

**AL State Paid Family / Medical Leave**

Alabama does not have a paid family and medical leave program as of 03/13/2024.

**AL Municipal Occupational Taxes**

Alabama law provides municipalities the authority to levy a tax for the privilege of working in the municipality. Such a tax operates in a manner similar to an income tax. A municipality that does not have an occupational tax prior to February 1, 2020 is prohibited from imposing an occupational tax unless the tax is authorized by local law.

Attalla 2%
Auburn 1%
Bear Creek 1%
Bessemer 1%
Birmingham 1%
Brilliant 1%
Fairfield 1%
Gadsden 2%
Glencoe 2%

Goodwater .75%
Guin 1%
Hackleburg 1%
Haleyville 1%
Hamilton 1%
Leeds 1%
Lynn 1%
Midfield 1%
Mosses 1%

Opelika 1.5%
Rainbow City 2%
Red Bay 0.5%
Shorter 1%
Southside 2%
Sulligent 1%
Tuskegee 2%

AL DOR State Tax Rate Lookup Tool: <https://www.alabamainteractive.org/ador_taxrate_lookup/welcome.action>

Identify your employee’s municipality of residence and then proceed with deducting the applicable percentage from the employee’s wages. It is important for the employee to notify Payroll if they move out of the municipality, as the occupational tax may no longer apply.

**AL Municipal Occupational Tax Filing and Payment Options**

You may file your Municipal Occupational Tax returns and submit payment:

* By Mail: Alabama Occupational tax forms: <https://revds.com/taxpayer/select-your-state/alabama/taxpayer-forms/rate-sheets/>

File an [Alabama Occupational Tax Return](https://revds.com/taxpayerpdfs/Alabama/taxpayerforms/Occupational%20Withholding%20Tax/Occupational%20Tax%20Return.pdf) and remit withheld taxes monthly.

File an [Alabama Occupational Withholding Tax Annual Reconciliation Report](https://revds.com/taxpayerpdfs/Alabama/taxpayerforms/Occupational%20Withholding%20Tax/Annual%20Occupational%20Reconciliation%20Withholding%20Form.pdf) annually.

* Online via Avenu Insights & Analytics’ Tax Online website: <https://secure.salestaxonline.com/default_sto.aspx>

To file online, you must first register for an Alabama Municipal Occupational Tax (ALOCC) Online Filing ID Number by browsing to: <https://revds.com/>. Click on the blue ‘For Taxpayers’ button and follow the prompts to fill the forms with the requested information.

The registration process takes up to 21 days, on average. Avenu Insights will send your 6-digit ALOCC number via email. After you have received your ALOCC number, browse out to <https://secure.salestaxonline.com/default_sto.aspx>. Click on the blue ‘Create a Business Account’ button, then follow the steps to sign up for a new online filing account and file your monthly returns.

**Helpful resources for Alabama**

Alabama Department of Revenue <https://www.revenue.alabama.gov/>

Alabama Department of Revenue Withholding Tax Section

P.O. Box 327480

Montgomery, AL 36132-7480

Phone: (334) 242-1300

Fax: (334) 242-0112

Alabama League of Municipalities (ALM) is a good site to see all AL Occupational Tax rates in one spot. Double-check their accuracy on the city/county sites to confirm. <https://www.almonline.org/TaxRates.aspx#TaxReportForm>

AL Department of Labor Employer Registration / Account Status website: AL State Unemployment Insurance questions may be directed to:

Alabama Dept of Labor

Unemployment Compensation Agency **649 Monroe Street
Montgomery, AL 36131**

**Phone: (334) 954-4741**

Alabama Department of Labor Workers’ Compensation Division <https://labor.alabama.gov/wc/insurance.aspx> Phone: (800) 528-5166