



New Quarterly Construction Fee Required in Alabama

For construction contractors who perform work in the State of Alabama, a recent bill passed by the Alabama Legislature will affect the amount of tax you must pay to the Alabama Department of Revenue each quarter.

Effective July 1, 2009, Alabama implemented a quarterly fee that must be paid by affected employers. This quarterly fee funds the Alabama Construction Recruitment Institute in its efforts to recruit and train new construction craft trade workers in Alabama. Affected employers include all licensed contractors who have employees working on-site in Alabama under maintenance and construction jobs and contracts (including government sites and installations) with costs equal to or greater than \$50,000. Such employers must pay the Alabama Department of Revenue a fee based upon the quarterly gross wages of employees performing skilled labor on-site. However, home builders and licensed residential home building contractors are exempt from this fee.

To calculate the fee, take the total gross wages (before any deductions such as social security contributions, group insurance, union dues, savings, income tax withholdings, etc.) of all applicable employees paid in a quarter and multiply that by the fee rate of .0009. For example, if you paid \$500,000 in total gross wages to Alabama on-site employees, then you would owe \$450. The fee rate remains at .0009 until October 1, 2010, at which point it can be adjusted. This fee is not to be deducted from the employees' wages nor included in a payroll withholding tax return. **Most importantly, the fee does not apply to members of the clerical staff, owners, managers, supervisors above working foremen, independent contractors, or employees leased from a staffing agency. Wages included are those paid to full or part time skilled craftsmen in the field as well as those of an apprentice or laborer working on the jobsite from the working foremen level and below, whether based on an hourly rate, salary or otherwise.**

The quarterly fee must be paid online through the Alabama Department of Revenue's website. The first fee payment is due by October 31, 2009, for the quarter ending September 30, 2009. For future payments, the fee is due on the last day of the month following the end of each quarter. To make a payment, visit www.revenue.alabama.gov. Go to "E-Services," locate "Filing," and select "Construction Fee." This link will not be made available until October 1, 2009. To read a copy of the law, or to find out more information regarding this fee, visit <http://www.revenue.alabama.gov/incometax/constructionfee.htm>. For help, you may also contact the Alabama Department of Revenue at (334) 242-1300 or Nathan Worthey, CPA at Large & Gilbert at (770) 671-1533.