





# Operating a Business in Alabama: Resources for Starting a New Business


Business Essentials for State Taxpayers (B.E.S.T.)

Rev. 12/09/21

1

## B.E.S.T. Webinar Series Housekeeping Reminders

-  Everyone's lines were muted when entering the meeting. This is to prevent background noises from interrupting the presentations. Only the host is able to unmute someone.
-  Click on the Layout button to set your preferred viewing option.
-  If you would like to ask a question about the presentation, please use the Q&A box to send a question to **all panelists** (*not to a particular presenter*). We will respond to your question during the Q&A Session near the end of the agenda.
-  At the conclusion of the webinar, a short evaluation survey will open on your screen. Your feedback is important to us, so thank you in advance for responding to the survey.



2

## Disclaimer

The information in this presentation is intended to be an overview. It is not a comprehensive explanation of all aspects of the subject matter, does not represent legal advice, and is not legally binding on the Department. Information regarding taxes and tax administration changes frequently and should always be confirmed through a tax professional.

Please refer to the Alabama Department of Revenue website at [revenue.alabama.gov](https://revenue.alabama.gov) for additional information.



3

## Purpose of this Webinar

To provide useful resources for information on starting a business in Alabama.

This presentation will cover:

- Common types of businesses and business entities
- Things to consider when starting a new business
- Resources for new businesses



4



5

## Common Types of Businesses

- **Retail** – Sales to end users – sales tax license is required  
Examples: clothing stores, restaurants, grocery stores, car lots, antique malls, parts stores
- **Wholesale** – Sales to dealers that resell items – sales tax certificate of exemption is required (*contact Sales Tax Division at your local Taxpayer Service Center*)  
Examples: Car auctions, restaurant food suppliers, consignment businesses
- **Manufacturing** – Uses materials to make a product  
Examples: Making furniture, jewelry or clothing; tool & die shops



6

## Common Types of Businesses

- **Service** – No transfer of ownership  
Examples: Janitorial, lawncare, daycare, building contractors, barber
- **Repair** – Only sells parts when installing to repair  
Examples: Garage, body shop, appliance repair
- **Nonprofit** – Usually subject to sales tax (*contact Sales Tax Division at your local Taxpayer Service Center*)



7

## Common Business Entity Types

- **Sole Proprietor** – Individually owned and not a separate legal entity
- **Partnership** – Two or more owners/partners
- **S Corporation** – Pass through taxation – must register with the Alabama Secretary of State and submit an initial Business Privilege Tax Return\* within 2½ months after formation of the corporation

*\*Use Form BPT-IN*



8

## Common Business Entity Types

- **C Corporation** – Taxed at corporate and shareholder level, must register with Alabama Secretary of State and an initial Business Privilege Tax Return\* is due within 2½ months after formation of the corporation
- **Limited Liability Entities** – (includes LLC, LLP, etc.) Must register with Alabama Secretary of State and submit an initial Business Privilege Tax Return\* within 2½ months after formation of the entity

*\*Use Form BPT-IN*



9

## Which Entity Type is Best?

The Alabama Department of Revenue does not recommend one type of business entity over another. The advantages and disadvantages of one type of entity over the other depends on individual factors and should be discussed with someone knowledgeable of the applicable laws and your individual business situation, such as a tax attorney or CPA.



10



# Things to Consider When Starting a New Business

11

Location
<ul style="list-style-type: none"><li>• <b>City limits</b><ul style="list-style-type: none"><li>Need to purchase a city license and meet building codes</li><li>Need to collect city tax if taxable transactions are made</li></ul></li><li>• <b>Police Jurisdiction (PJ)</b><ul style="list-style-type: none"><li>May need to purchase a city license and permits</li><li>May need to collect city's police jurisdiction tax if taxable transactions are made</li></ul></li></ul>



12

## Location

- **Outside city limits and police jurisdiction**
  - No city licenses or permits
  - No city taxes collected
  - No city services
- **Zoning requirements**
  - Bars and restaurants can only operate in certain areas
  - Alcohol sales may not be allowed within 300 feet from main entrance of any church building, schools, etc.
  - Restrictions on signs
  - Restrictions on operating hours



13

## Licenses and Permits

- **State Privilege License** – Purchased at County Courthouse  
(see *Business Privilege Licenses Webinar or Learning Modules on B.E.S.T. website*)
- **County License** – Usually purchased with State license at courthouse
- **City License** – In city limits and some police jurisdictions



14

## Licenses and Permits

- **Regulatory License** – Cosmetology, Auctioneers, Chiropractors, etc.  
<http://inform.alabama.gov/agencysearch.aspx>
- **Food Service Permits** - by local county health department  
<https://www.alabamapublichealth.gov/about/health-departments.html>
- **Alcohol and Tobacco Licenses** - Alabama ABC Board  
<https://alabcboard.gov/licensing-compliance>



15



16



An official website of the United States government. [Here's how you know](#)

Individuals **Businesses** Professionals MOTOR VEHICLE @MY ALABAMA TAXES CONTACT

Alabama Department of Revenue SERVICES FORMS LEGAL NEWSROOM ABOUT

# Accounting for Alabama's Future

Individual Income Tax Forms | Make a Payment | Where's My Refund? | Register My Vehicle

<https://revenue.alabama.gov/>

17

An official website of the United States government. [Here's how you know](#)

Individuals **Businesses** Professionals MOTOR VEHICLE @MY ALABAMA TAXES CONTACT

Alabama Department of Revenue SERVICES FORMS LEGAL NEWSROOM ABOUT

Businesses [Home](#) > [Businesses](#)

The quick links below have been curated specifically for **businesses** looking for information on filing taxes, obtaining licenses, registering a business, and other services provided by the Department of Revenue. The header boxes above the link lists will take you to that division's page.

<ul style="list-style-type: none"> <li>COVID-19 Updates</li> <li>My Alabama Taxes</li> <li>Taxpayer Service Centers</li> <li>Atlas Alabama</li> <li>B.E.S.T. Resources</li> <li>Tax Incentives</li> <li>Register an Entity</li> <li>Certificate of Compliance</li> </ul>	<p><b>Income Tax</b> Administers individual income tax, business privilege tax, corporate income tax, partnerships, S-Corporation, fiduciary and estate tax, financial institution excise tax, and withholding tax.</p> <ul style="list-style-type: none"> <li>Alabama Accountability Act</li> <li>Due Dates</li> <li>Corporate Taxes</li> <li>Business Privilege Taxes</li> <li>Withholding Tax</li> <li>Partnerships, LLCs &amp; S-Corps</li> <li>Fiduciary &amp; Estate Tax</li> <li>Financial Institution Excise Tax</li> </ul>	<p><b>Sales &amp; Use</b> Administers, collects and enforces taxes, including sales tax and consumers tax.</p> <ul style="list-style-type: none"> <li>Simplified Sellers Use Tax</li> <li>ONE SPOT</li> <li>Sales Tax Holidays</li> <li>Tax Rates</li> <li>Due Dates</li> <li>Assessment Procedures</li> <li>How to Close a Business</li> </ul>
--	---	---

Follow Us

Facebook Twitter YouTube

<https://revenue.alabama.gov/audience/businesses/>

18

Alabama Department of Revenue

Home | About Us | Services | Forms | Legal | Newsroom | About

SEARCH

Home > Services > Businesses

**Tax Policy and Governmental Affairs**  
Prepares fiscal impact analyses and annual revenue estimates, develops statistical summaries and analyses, and drafts legislation.

- Nexus Questionnaire
- Voluntary Disclosure
- Rule Hearings
- Vendor Affidavit
- Open Records Request Policy

**Motor Vehicle**  
Oversees the issuance of vehicle titles, maintenance of vehicle registration information, and the enforcement of the MLI.

- MVTRIP
- County Registration Offices
- IRP & JETA
- Apply to Become a Designated Agent
- Dealer License and License Plate Requirements

**Property Tax**  
Supervises and controls the valuation, equalization, assessment of property, and collection of all Ad Valorem taxes.

- Land Sales
- Tax Delinquent Property Search
- OPPAL
- Millage Rate

**Business & License Tax**  
Administers and collects taxes for motor fuels, severance, and tobacco as well as issues licenses for businesses and motor fuels.

- Assessment Procedures
- Business Licensing
- Environmental Tax
- Motor Fuels
- Pari-Mutuel Pool Tax & State Horse Wagering Fee

<https://revenue.alabama.gov/audience/businesses/> (continued)

19

## Alabama Department of Revenue Contact Numbers

- 334-242-1170, Option #1 – Individual Income Tax
- 334-242-1170, Option #7 – Withholding Tax
- 334-242-1170, Option #6 – Corporate Tax
- 334-242-1170, Option #8 – Business Privilege Tax
- 334-242-1170, Option #6 – Pass-Through Entity
- 334-242-1189 – Certificate of Compliance
- 334-242-1584 – Business Registration
- 334-242-1490 – Sales and Use Tax

20

## Alabama Department of Revenue Taxpayer Service Centers

---

The Alabama Department of Revenue has nine Taxpayer Service Centers located throughout the State to assist you. Contact information for the service centers can be found at:

<https://revenue.alabama.gov/taxpayer-service-centers/>



21

## Alabama Secretary of State [sos.alabama.gov](https://sos.alabama.gov)

---

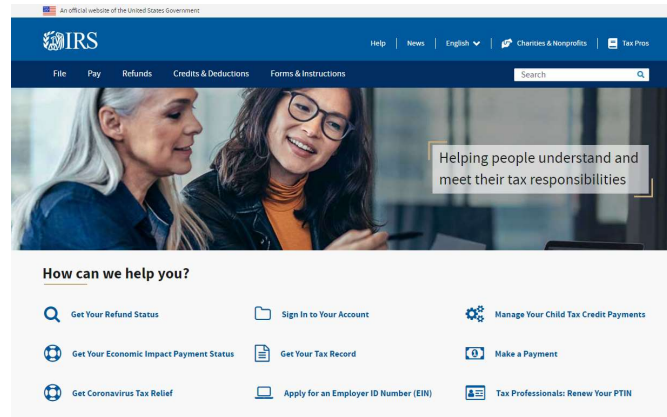
- S Corporations, C Corporations, and LLEs must register with the Alabama Secretary of State on their website or call 334-242-5324
- Reserve Corporate Name
- Complete Domestic (*incorporated in Alabama*) Business Corporations, LLCs, LLPs and LPs Certificate of Formation
- Complete Foreign (*incorporated outside of Alabama*) Business Corporations, LLCs, LLPs and LPs Application for Registration



22

# Internal Revenue Service

- [www.irs.gov/](http://www.irs.gov/)
- IRS Forms: 1-800-829-3676
- IRS Assistance: 1-800-829-1040
- FEIN: Submit Federal Form SS4 by mail or fax; or go to [www.irs.gov/](http://www.irs.gov/) and search for EIN online



23

## Internal Revenue Service - Resources

The IRS has a series of [Small Business Tax Workshops](#) available online that are free and contain useful federal tax information for new business owners and employers. The topics include:

- [Federal Taxes and Your New Business](#)
- [Schedule C and Other Small Business Taxes](#)
- [Business Use of Your Home](#)
- [Federal Taxes When Hiring Employees or Independent Contractors](#)
- [Managing Payroll to Withhold the Correct Amount of Tax](#)



24

# Internal Revenue Service - Resources

- [IRS Small Business & Self-Employed Tax Center](#) – The links on this webpage provide important information for all small businesses and self-employed individuals.
- [Publication 5557 - A Guide to Starting a Small Business](#)
- [Publication 4591 - Small Business Federal Tax Responsibilities](#)
- [Publication 583 - Starting a Business and Keeping Records](#)
- [Publication 334 - Tax Guide for Small Businesses](#)



25

# U.S. Small Business Administration

<https://www.sba.gov/>



Translate SBA en Español For Partners Newsroom Contact Us

[Business Guide](#) [Funding Programs](#) [Federal Contracting](#) [Learning Center](#) [Local Assistance](#) [About SBA](#)

Browse business topics



**Plan  
your business**

You've got a great idea. Now, make a plan to turn it into a great business.



**Launch  
your business**

Turn your business into a reality. Register, file, and start doing business.



**Manage  
your business**

Run your business like a boss. Master day-to-day operations and prepare for success.



**Grow  
your business**

When business is good, it's time to expand. Find new funding, locations, and customers.



26

## Local Governments to Contact

### County Courthouse

- Combined County/State business license (see *Business Privilege Licenses Webinar and Learning Modules on B.E.S.T. webpage*)
- County Sales Tax account number if not state-administered
- Property Tax account information (see *Business Personal Property Tax Webinar or Learning Modules on B.E.S.T. webpage*)
- Effective January 1, 2020, corporations and LLEs file formation documents directly with Alabama Secretary of State instead of at the Courthouse.



27

## Local Governments to Contact

### City Hall

- City business license
- City Sales Tax account number if not state-administered
- Occupational Taxes
- Zoning requirements
- Building permits



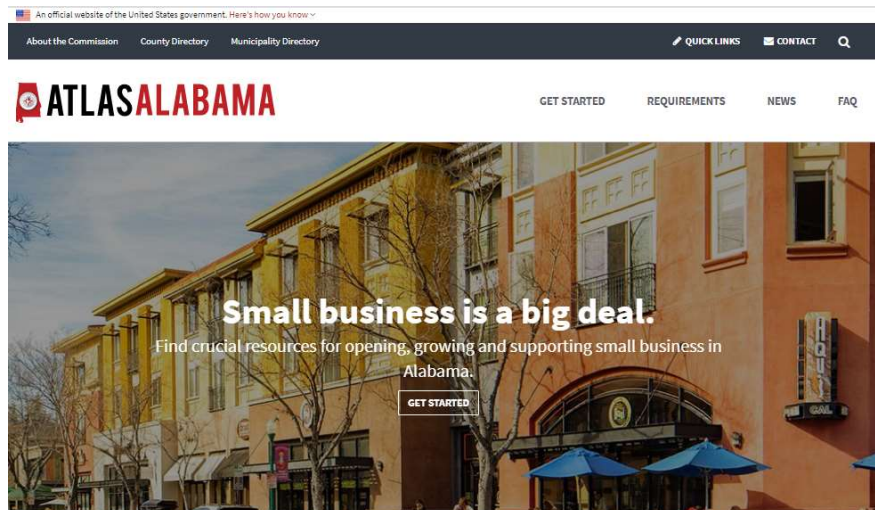
28

## Other Resources

- Regulatory Boards – <http://inform.alabama.gov/agencysearch.aspx>  
Cosmetology, Auctioneers, Chiropractors, Pharmacists, etc.
- CPA or Accountant
- Attorney
- Trade Associations – <https://directoryofassociations.com/index.asp>
- Local Chambers of Commerce
- Alabama Small Business Development Centers – <http://asbdc.org/>
- Other webinars for small businesses
- Atlas Alabama



29



<https://atlasalabama.gov/>



30

# Thank you for being ALDOR's B.E.S.T.!

B.E.S.T. Webinar presentations can be found at  
<https://revenue.alabama.gov/taxpayer-advocacy/b-e-s-t-seminars/b-e-s-t-webinar-schedule/>

Also available are B.E.S.T. Learning Modules at  
<https://revenue.alabama.gov/taxpayer-advocacy/b-e-s-t-seminars/watch-modules-online/>



31

## Questions?

Please use the Q&A feature in Webex to ask  
the presenter questions.



32