

Alabama sales tax guide

Standard rate

The standard sales tax rate in Alabama for 2024 is 4-11%.

Reduced rate

The reduced sales tax rate in Alabama for 2024 is 1.5-2%.

Sales of tax-free products and services

Pollution Control Equipment: Equipment or materials purchased primarily for the control, reduction, or elimination of air or water pollution in Alabama;

Raw Materials: Tangible personal property used by manufacturers or compounders as an ingredient or component part of their manufacturing or compounded product in Alabama;

Quality Control Testing and Donations to Charitable Entities: The withdrawal, use, or consumption of a manufactured product by the manufacturer, for use in quality control testing or to be donated to certain charitable entities in Alabama.

Who is obliged to register sales tax

If you sell in Alabama and have “sufficient activity” in the state, you must be registered for [sales tax registration](#) to collect and pay sales tax in Alabama. Alabama requires that any merchant with a sales tax permit file a sales tax return on their due date, even if they don’t have any sales tax to report or pay.

Threshold

Starting October 1, 2019, out-of-state dealers with sufficient physical or economic presence for establishing nexus in Alabama must [register to collect sales tax](#). This includes online sellers or remote sellers that have \$250,000 in annual Alabama gross sales.

[Merchant thresholds by state](#)

[Marketplace thresholds by state](#)

The special rules are applicable to the SAAS business.

[Software as Service Tax Thresholds by state.](#)

Online Marketplaces

If all of your sales in Alabama are through an SSUT participating marketplace platform, you can not register for paying Alabama sales tax. Your marketplace facilitator pays the sales tax itself. But you should apply for an exemption certificate.

If you are selling through a non-SSUT participating marketplace, then you will need to register for paying sales tax if you meet the \$250,000 threshold.

Sales tax payment and filing date

Depending on your tax liability, determine your filing frequency – either annual, monthly or quarterly:

Annual – \$0 to \$0.83;

Quarterly – \$0.84 to \$200.00;

Monthly – \$200.01 and up.

[Sales tax returns](#) are always due on the 20th day of the month following the reporting period. If the filing due date falls on a weekend or holiday, sales tax is due the next day. Quarterly filing periods ended on the last days of March, June, September, and December.

Penalty and interest

Late Filing Penalty: Greater than 10% of the tax due or \$50;

Late Payment Penalty: 10% of the tax due in Alabama.



www.vatcompliance.co