

**CERTIFICATION OF ADMINISTRATIVE RULES  
FILED WITH THE LEGISLATIVE SERVICES AGENCY  
OTHNI LATHRAM, DIRECTOR**

(Pursuant to Code of Alabama 1975, §41-22-6, as amended).

I certify that the attached is/are correct copy/copies of rule/s as promulgated and adopted on Tuesday, June 18, 2024, and filed with the agency secretary on Tuesday, June 18, 2024.

**AGENCY NAME:** Alabama Department of Revenue

**INTENDED ACTION:** Repeal and Replace

**RULE NO.:** 810-6-1-.196

(If amended rule, give specific paragraph, subparagraphs, etc., being amended)

**RULE TITLE:** Withdrawals From Inventory

**ACTION TAKEN:** State whether the rule was adopted with or without changes from the proposal due to written or oral comments:

**Adopted without changes**

NOTICE OF INTENDED ACTION PUBLISHED IN VOLUME XLII, ISSUE NO. 7, AAM,  
DATED TUESDAY, APRIL 30, 2024.

**STATUTORY RULEMAKING AUTHORITY:**

§§40-2A-7, 40-23-1, 40-23-31,  
40-23-60, 40-23-83, Code of Ala.  
1975. Ex parte Sizemore, 605 So. 2d  
1221 (Ala. 1992)

(Date Filed)  
(For LRS Use Only)  
**REC'D & FILED**  
JUN 20, 2024  
**LEGISLATIVE SVC AGENCY**

*Vernon Barnett*

Vernon Barnett

Certifying Officer or his or her  
Deputy

(NOTE: In accordance with §41-22-6(b), as amended, a proposed rule is required to be certified within 90 days after completion of the notice.)

**Withdrawals From Inventory.**

(1) Taxable Transactions. Unless specifically exempted by law, withdrawals of tangible personal property from inventory are taxable under the withdrawal provisions of the sales tax statute.

(a) The sales tax due on taxable withdrawals are computed and paid by the person, firm, or corporation withdrawing the property.

(b) The measure of the sales tax due on taxable withdrawals is the price paid for the property by the person, firm, or corporation making the withdrawal.

(c) Alabama sales tax becomes due at the time and place that tangible personal property is withdrawn from inventory.

(d) Alabama sales tax is due on tangible personal property withdrawn from inventory in Alabama, regardless of where the withdrawn property is used or consumed.

(e) Withdrawals of building materials by a contractor who makes retail sales of building materials and who also withdraws building materials from the same stock of goods for use in fulfilling a contract for making additions, alterations, or improvements to realty are taxable to the person, firm, or corporation withdrawing the property. The measure of sales tax due on these withdrawals is the price paid for the building materials by the person, firm, or corporation making the withdrawals. Alabama sales tax becomes due on these building materials at the time and place of the withdrawals. Alabama sales tax is due on building materials withdrawn from stock in Alabama for use in fulfilling contracts both inside and outside of the state.

(2) Exemptions. The transactions in this paragraph shall not be deemed or considered to constitute a transaction subject to sales tax.

(a) The withdrawal, use, or consumption of a manufactured product by the manufacturer of such product in quality control testing performed by employees or independent contractors of the manufacturer.

(b) A gift by the manufacturer of a manufactured product, withdrawn from the manufacturer's inventory to an entity listed in 26 U.S.C. Section 170(b) or (c).

(c) A gift by a retailer of a product or products withdrawn from the retailer's inventory to a qualified charitable entity listed in 26 U.S.C. Section 170(b) or (c), where the aggregate retail value of any single gift is equal to or less than \$10,000.

(d) Refinery, residue, or fuel gas, whether in a liquid or gaseous state, that has been generated by, or is otherwise a by-product of, a petroleum-refining process, which gas is

then utilized in the process to generate heat or is otherwise utilized in the distillation or refining of petroleum products.

(e) The property has been previously withdrawn from the inventory and the sales tax has been paid because of the previous withdrawal.

(f) The property withdrawn enters into and becomes an ingredient or component part of tangible personal property.

(g) Products manufactured or compounded for sale and not for the personal and private use or consumption of the person making the withdrawal.

(3) Exceptions. Sales of equipment, accessories, fixtures, and other similar tangible personal property used in connection with a sale of commercial mobile services as defined in §40-23-1, Code of Ala. 1975, or in connection with satellite television services, at a price below cost, are not taxable as a withdrawal. Instead, sales of this nature are retail sales and are taxable measured only by the seller's stated retail selling price.

**Author:** Donna Joyner and Christy Vandevender

**Statutory Authority:** Code of Ala. 1975, §§40-2A-7(a)(5), 40-23-1(a)(6), 40-23-1(a)(8), 40-23-1(a)(10), 40-23-1(e), 40-23-31, 40-34-60(5), 40-23-83. Ex Parte Sizemore, 605 So. 2d 1221 (Ala. 1992)

**History:** Filed January 15, 1993; April 15, 1993. **Amended:** Filed December 1, 1995; effective January 5, 1996. **Amended:** Filed November 18, 1999; effective December 23, 1999. **Amended:** Filed August 24, 2007; effective September 28, 2007. **Repealed and New Rule:** Published June 28, 2024; effective August 12, 2024.