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retailers in the state. House Bill 151, which was signed into law on March 27, 2018, introduces a sales tax bond criterion for retailers applying for an initial sales tax license...

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A new law was recently passed in Alabama that amends the requirements for retailers in the state. [House Bill 151](#), which was signed into law on March 27, 2018, introduces [a sales tax bond criterion](#) for retailers applying for an initial sales tax license and those renewing an expired or cancelled license in relation to gross receipts.

If you are an Alabama retailer, you will have to comply with the new rules as of

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well as to renewing expired or cancelled licenses. The bond is required for the first two years of a retailer's licensing. Retailers who are part of a related company or are members of a controlled group that has been in compliance for two years do not have to post a bond.

The purpose of the surety bond is to ensure that retailers collect and remit all sales tax on gross receipts, thus complying with relevant state laws. In case you fail to make the necessary collections or remittance, you may get a claim against your bond. This is how state authorities can seek a financial reimbursement for any financial losses due to uncollected taxes.

If a licensee has duly collected and remitted all sales tax for a period of two years, they would not need to obtain a new surety bond. If, however, you have failed to comply with the law, you will need to get bonded again. You will have to get a surety bond for a two-year period in the amount of the actual sales tax liability for the three months immediately preceding the period in which you were non-compliant. However, the bond amount cannot be less than \$25,000.

Obtaining the sales tax bond you need

If this is the first time you are required to obtain a surety bond, it may be a bit confusing. However, bonding is a straightforward process. A surety provides you with a bond, which you present in front of the relevant state authorities, in this case – the [Nevada Department of Taxation](#).

Unlike insurance, your surety bond does not protect your business. It ensures your legal compliance. In the case of your sales tax license, the bond guarantees that you will duly collect and remit all applicable sales taxes. The bond amount that you have

obtained is the maximum penal sum which can be used to compensate state

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level of bonding risk. If you can demonstrate a good credit score and solid financials, you can obtain a lower bond premium. In case you have to obtain a bond in a couple of years again, you can work on improving your finances, so that you get a decreased cost the next time you get bonded.

How do you see the licensing changes for Alabama retailers? Please share your thoughts in the comments!

Vic Lance is the founder and president of [Lance Surety Bond Associates](#). He is a surety bond expert who helps business owners get licensed and bonded. Vic graduated from Villanova University with a degree in Business Administration and holds a Masters in Business Administration (MBA) from the University of Michigan's Ross School of Business.

Sales Tax

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