

# PUBLICATION

---

## Spotlight on Alabama: Jefferson County Occupational Tax Ruled Unconstitutional, and Tax Collection Ceases

March 23, 2011

The Alabama Supreme Court ruled on March 16, 2011 that the Jefferson County Alabama Occupational Tax is unconstitutional because of procedural flaws in the passing of the law. In response, the Jefferson County Commission issued the following statement on March 22, 2011:

Effective immediately, employers should stop withholding Jefferson County occupational taxes from their employees' paychecks. Any amounts that have been withheld but not yet remitted to the County should NOT be sent to the County, but instead should be paid to the employees from whose paychecks the amounts were withheld.

The Supreme Court of Alabama has ruled invalid the statute under which the occupational tax was levied by the County, so the County will no longer levy and collect the occupational tax. A decision on the amount and timing of refunds of occupational taxes that were previously levied and collected by the County under the invalidated statute will be made by the Circuit Court of Jefferson County at some later date.

It is uncertain whether the Alabama Legislature will take action to replace the Jefferson County Occupational Tax. However, based on the Commission's statement, businesses with employees located in Jefferson County, Alabama should for now cease collection of the Jefferson County Occupational Tax immediately and return any previously withheld but unremitted tax to the applicable employees.

Future alerts will address the timing and procedures for refunds (if any are allowed) of taxes withheld and already remitted.

If you have any questions relating to the Jefferson County Occupational Tax, please feel free to contact an attorney in the firm's tax department.