

# Fiscal Note

State of Alaska  
2018 Legislative Session

Bill Version: HB 399  
Fiscal Note Number:  
() Publish Date:

Identifier: HB 399-DOR-TAX-3-24-2018  
Title: CORP. TAX: REMOVE EXEMPTIONS/CREDITS  
Sponsor: FINANCE  
Requester: (H) Resources  
Department: Department of Revenue  
Appropriation: Taxation and Treasury  
Allocation: Tax Division  
OMB Component Number: 2476

## Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2019 Appropriation Requested	Included in Governor's FY2019 Request	Out-Year Cost Estimates				
			FY 2019	FY 2019	FY 2020	FY 2021	FY 2022
<b>OPERATING EXPENDITURES</b>							
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>			<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Fund Source (Operating Only)

None							
<b>Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Positions

Full-time							
Part-time							
Temporary							

## Change in Revenues

1250 UGF Rev (UGF)	6,900.0		6,900.0	6,900.0	6,900.0	6,900.0	6,900.0
<b>Total</b>	<b>6,900.0</b>		<b>0.0</b>	<b>6,900.0</b>	<b>6,900.0</b>	<b>6,900.0</b>	<b>6,900.0</b>

**Estimated SUPPLEMENTAL (FY2018) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2019) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/19

## Why this fiscal note differs from previous version/comments:

Initial Version
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Prepared By: Brandon Spanos Phone: (907)269-6736  
Division: Tax Date: 03/24/2018  
Approved By: Mike Barnhill Date: 03/24/18  
Agency: Department of Revenue

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2018 LEGISLATIVE SESSION

BILL NO. HB 399

### Analysis

This bill would make the following changes to the corporate net income tax:

1. Disallow federal credits as a credit against taxes in Alaska
2. Disallow the exclusion of foreign royalties from net income
3. Repeals the preferential tax rate for capital gains (which would treat capital gains as ordinary income)
4. Repeals statutes that were part of the Alaska Stranded Gas Development Act. The credits had a statutory sunset date that has long since passed (the last credits were allowed to be created in 1994 and carried forward to 1999 at the latest).

Change in revenue estimates are based on a four year average (our data is the most reliable in the last four years since we rolled out our new Tax Revenue Management System). The breakdown for each proposed change is as follows:

1. Federal credits: \$1.8 million
2. Foreign royalties: \$1.7 million
3. Reduced rate on capital gains: \$3.4 million
4. Alaska Stranded Gas Development Act: \$0

Since the bill would only be removing tax components, as opposed to adding new tax components, system reprogramming would be fairly simple. The Tax Division would also need to make changes to certain regulations and draft transition regulations. The Division should be able to make the necessary changes with current resources. Therefore, if this bill were to become law the cost to implement changes is estimated at zero.