

ALASKA STATE LEGISLATURE

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REPRESENTATIVE MIA COSTELLO
District 27 - Jewel Lake, Sand Lake, & Kincaid

MEMORANDUM

To: House Finance Committee members

From: Representative Mia Costello

Re: Explanation of differences between HB252a and CSHB252(L&C)

Date: Monday, February 27, 2012

The following explains the changes made to HB 252 (HB0252A) by CSHB252(L&C) by section.

Section 1: This section was changed to incorporate subsection (e) of Internal Revenue Code section 1202 (26 U.S.C. 1202). Subsection (e) contains the working asset requirement in 1202 that at least 80 percent of a qualifying business' assets be employed in the active conduct of one of more qualified trade or business. This also includes special treatment of research and start-up activities.

Section 2: This section was changed to remove the requirement that qualifying businesses file a report documenting their eligibility for the exemption. Removes the requirement that a qualifying business be headquartered in Alaska to avoid potential Equal Protection and Interstate Commerce Clause violations, and rearranges the placement of the "Alaska corporation" definition in the bill. Deletes definitions of terms no longer used in the statute.

Section 3: The effective date clause in this section was moved to section 4. The new section 3 restores AS 43.20.012 to its previous language upon sunset of this Act.

Section 4: This section provides for an effective date of July 1, 2012 for sections 1 and 2 of this Act.

Section 5: This section was added to provide for a sunset date of July 1, 2023.