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CS FOR SENATE BILL NO. 29(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Offered:

Referred:

Sponsor(s): SENATOR WIELECHOWSKI

A BILL**FOR AN ACT ENTITLED**

1 "An Act relating to the reporting and analysis of certain information relating to tax
2 credits, deductions, exclusions, exemptions, deferrals, and other tax expenditures;
3 relating to bills creating tax expenditures; and providing for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** The uncoded law of the State of Alaska is amended by adding a new section
6 to read:

7 SHORT TITLE. This Act may be known as the Alaska Tax Break Transparency Act.

8 * **Sec. 2.** AS 24.08 is amended by adding a new section to read:

9 **Sec. 24.08.038. Tax expenditure bills.** The legislature shall include a
10 statement of the rationale and purpose of a tax expenditure in a bill creating a tax
11 expenditure. In this section, "tax expenditure" has the meaning given in AS 43.05.090.

12 * **Sec. 3.** AS 37.07.020(a) is amended to read:

13 (a) After considering the revenue and tax expenditure report prepared by
14 the Department of Revenue under AS 43.05.090, the [THE] governor shall prepare

1 a budget for the succeeding fiscal year that must cover all estimated receipts, including
2 all grants, loans, and money received from the federal government and all proposed
3 expenditures of the state government. The budget shall be organized so that the
4 proposed expenditures for each agency are presented separately. The budget must be
5 accompanied by the information required under AS 37.07.050 and by the following
6 separate bills: (1) an appropriation bill authorizing the operating and capital
7 expenditures of the state's integrated comprehensive mental health program under
8 AS 37.14.003(a); (2) an appropriation bill authorizing state operating expenditures
9 other than those included in the state's integrated comprehensive mental health
10 program; (3) an appropriation bill authorizing capital expenditures other than those
11 included in the state's integrated comprehensive mental health program; and (4) a bill
12 or bills covering recommendations, if any, in the budget for new or additional revenue.
13 The budget for the succeeding fiscal year and each of the bills shall become public
14 information on December 15 at which time the governor shall submit copies to the
15 legislature and make copies available to the public. The bills, identical in content to
16 the copies released on December 15, shall be delivered to the rules committee of each
17 house before the fourth legislative day of the next regular session for introduction.

18 * **Sec. 4.** AS 37.07.020(b) is amended to read:

19 (b) In addition to the budget and bills submitted under (a) of this section, the
20 governor shall submit a capital improvements program covering the succeeding six
21 fiscal years. The governor shall also submit a fiscal plan with estimates of significant
22 sources and uses of funds for the succeeding 10 fiscal years. The fiscal plan

23 (1) must include sufficient details to identify

24 (A) significant sources of funds;

25 (B) significant uses of funds, including lump sum projections

26 of

27 (i) operating expenditures;

28 (ii) capital expenditures;

29 (iii) debt service expenditures;

30 (iv) fund capitalizations;

31 (v) appropriations of income of the Alaska permanent

fund (art. IX, sec. 15, Constitution of the State of Alaska), if any;

(2) must balance sources and uses of funds held while providing for essential state services and protecting the economic stability of the state;

(3) must include projected balances of significant funds held in separate accounts, including the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska), the public education fund (AS 14.17.300), and the Alaska capital income fund (AS 37.05.565);

(4) must set out significant assumptions used in the projections with sufficient detail to enable the legislature to rely on the fiscal plan in understanding, evaluating, and resolving issues of state budgeting, including information that supports major areas of operating increases, such as population demographics that affect the need for particular government services;

(5) must address any issues raised by the revenue and tax expenditure report prepared by the Department of Revenue under AS 43.05.090.

* **Sec. 5.** AS 43.05.090 is amended to read:

Sec. 43.05.090. Preparation and publication of reports and statistics. The department shall prepare and annually publish statistics of the revenues derived under the tax laws administered by it, **including an analysis of tax revenue losses due to tax expenditures.**

* **Sec. 6.** AS 43.05.090 is amended by adding new subsections to read:

(b) The revenue and tax expenditure report must include

(1) the statutory authority for each type of tax expenditure;

(2) the annual sum of tax expenditures for the prior fiscal year, separately calculated for each type of expenditure, and the total number of taxpayers who benefitted from each type of expenditure;

(3) an estimate of tax expenditures for the current fiscal year, separately calculated for each type of expenditure;

(4) an estimate of the public costs of administering the tax expenditures;

(c) If the sum of tax expenditures of a specific type exceeds \$1,000,000 in a fiscal year, the department shall analyze the use of the tax expenditure on the

1 following schedule to determine whether the statute authorizing the tax expenditure
2 has achieved its purpose:

3 (1) tax expenditures existing on July 1, 2015, shall be analyzed once
4 between July 1, 2015, and June 30, 2020, and before a delayed repeal of a tax
5 expenditure;

6 (2) a tax expenditure created after July 1, 2015, shall be analyzed after
7 it has been in effect for seven years or, if the statute authorizing the expenditure has a
8 delayed repeal date, one year before the effective date of the delayed repeal of the tax
9 expenditure.

10 (d) The department shall annually transmit an electronic copy of the revenue
11 and tax expenditure report to each member of the legislature and make the report
12 available to the public on the department's Internet website.

13 (e) In this section, "tax expenditure" means a tax deduction, tax credit,
14 exclusion, exemption, deferral, or other loss of state or local tax revenue due to either
15 an express provision of state tax law or resulting from the overall operation of state tax
16 law; "tax expenditure" does not include federal tax credits under federal law adopted
17 by reference in AS 43.20.021.

18 * **Sec. 7.** This Act takes effect July 1, 2015.