

ALASKA STATE LEGISLATURE

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Session

State Capitol, Rm. 101
Juneau, AK 99801
(907) 465-2435
Fax: (907) 465-6615

Interim

716 W. 4th Ave, Ste. 540
Anchorage, AK 99501
(907) 269-0120
Fax: (907) 269-0122



Chair

State Affairs Committee

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Judiciary Committee

Member

Administrative Regulation Review

Senator_Bill_Wielechowski@legis.state.ak.us

SENATOR BILL WIELECHOWSKI

Enabling Greater Public and Legislative Review of Tax Credits and Other Forms of Indirect State Spending

- Alaskans deserve basic information on state spending, including indirect forms of spending, such as tax credits, waivers and exemptions. This type of oversight is vital to government efficiency and controlling spending.
- Alaska “spends” about a billion dollars each year on tax credits, exemptions and other indirect expenditures without regularly evaluating their impact. This is more than the budgets of the Departments of Revenue, Natural Resources, Environmental Conservation, Law, the Court System and the Legislature combined.
- 45 other states publish this type of information. Alaska is one of only five remaining that does not.
- This amendment would do three things:
 - Require the legislature to include legislative intent language in any new tax credits or exemptions to enable future evaluation of the credit’s effectiveness.
 - Require the Department of Revenue to publish information about each tax expenditure in its annual revenue sources book. This information would include the sum of tax expenditures for the prior fiscal year and an estimate for the current fiscal year.
 - Require the Legislative Finance Division to conduct a one-time analysis of tax expenditures over \$1 million seven years after their passage to determine whether the tax expenditure is achieving its intended purpose.

27-LS1473\A
Bullock
3/22/12

SENATE CONCURRENT RESOLUTION NO.
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Introduced:
Referred:

A RESOLUTION

1 **Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State**
2 **Legislature, concerning House Bill No. 118, relating to a tax credit for qualified research**
3 **and development expenditures.**

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

5 That under Rule 54, Uniform Rules of the Alaska State Legislature, the provisions of
6 Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, regarding
7 changes to the title of a bill, are suspended in consideration of House Bill No. 118, relating to
8 a tax credit for qualified research and development expenditures.

AMENDMENT

OFFERED IN THE SENATE
TO: CSHB 118(FIN)

BY SENATOR WIELECHOWSKI

1 Page 1, line 1, following "Act":

2 Insert "**relating to the reporting and analysis of certain information relating to tax**
3 **credits, exclusions, exemptions, waivers, and other tax expenditures; relating to bills**
4 **creating tax expenditures; relating to confidentiality and use of tax information;**"

5

6 Page 1, following line 3:

7 Insert new bill sections to read:

8 "*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
9 to read:

10 SHORT TITLE. Sections 1 - 9 of this Act may be known as the Alaska Tax Break
11 Transparency Act.

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

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

16 * **Sec. 3.** AS 24.20 is amended by adding a new section to read:

17 **Sec. 24.20.232. Analysis of tax expenditures.** If the sum of tax expenditures
18 of a specific type exceeds \$1,000,000 in fiscal year 2012 or a succeeding fiscal year,
19 the legislative finance division shall analyze the use of the tax expenditure on the
20 following schedule to determine whether the statute authorizing the tax expenditure
21 has achieved its purpose:

22 (1) tax expenditures existing on July 1, 2015, shall be analyzed once
23 between July 1, 2015, and June 30, 2020, and before a delayed repeal of a tax

1 expenditure;

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

6 * **Sec. 4.** AS 37.07.020(a) is amended to read:

7 (a) **After considering the revenue and tax expenditure report prepared by**
8 **the Department of Revenue under AS 43.05.090, the** [THE] governor shall prepare
9 a budget for the succeeding fiscal year that must cover all estimated receipts, including
10 all grants, loans, and money received from the federal government and all proposed
11 expenditures of the state government. The budget shall be organized so that the
12 proposed expenditures for each agency are presented separately. The budget must be
13 accompanied by the information required under AS 37.07.050 and by the following
14 separate bills: (1) an appropriation bill authorizing the operating and capital
15 expenditures of the state's integrated comprehensive mental health program under
16 AS 37.14.003(a); (2) an appropriation bill authorizing state operating expenditures
17 other than those included in the state's integrated comprehensive mental health
18 program; (3) an appropriation bill authorizing capital expenditures other than those
19 included in the state's integrated comprehensive mental health program; and (4) a bill
20 or bills covering recommendations, if any, in the budget for new or additional revenue.
21 The budget for the succeeding fiscal year and each of the bills shall become public
22 information on December 15 at which time the governor shall submit copies to the
23 legislature and make copies available to the public. The bills, identical in content to
24 the copies released on December 15, shall be delivered to the rules committee of each
25 house before the fourth legislative day of the next regular session for introduction.

26 * **Sec. 5.** AS 37.07.020(b) is amended to read:

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

31 (1) must include sufficient details to identify

1 (A) significant sources of funds;
2 (B) significant uses of funds, including lump sum projections
3 of

- 4 (i) operating expenditures;
- 5 (ii) capital expenditures;
- 6 (iii) debt service expenditures;
- 7 (iv) fund capitalizations;
- 8 (v) appropriations of income of the Alaska permanent
9 fund (art. IX, sec. 15, Constitution of the State of Alaska), if any;

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

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

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

21 **(5) must consider issues raised by the revenue and tax expenditure**
22 **report prepared by the Department of Revenue under AS 43.05.090.**

23 * Sec. 6. AS 40.25.100(a) is amended to read:

24 (a) Information in the possession of the Department of Revenue that discloses
25 the particulars of the business or affairs of a taxpayer or other person is not a matter of
26 public record, except as provided in AS 43.05.230(i) **and 43.05.090(d)** or for purposes
27 of investigation and law enforcement. The information shall be kept confidential
28 except when its production is required in an official investigation, administrative
29 adjudication under AS 43.05.405 - 43.05.499, or court proceeding. These restrictions
30 do not prohibit the publication of statistics presented in a manner that prevents the
31 identification of particular reports and items, prohibit the publication of tax lists

1 showing the names of taxpayers who are delinquent and relevant information that may
2 assist in the collection of delinquent taxes, or prohibit the publication of records,
3 proceedings, and decisions under AS 43.05.405 - 43.05.499.

4 * **Sec. 7.** AS 43.05.090 is amended to read:

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

9 * **Sec. 8.** AS 43.05.090 is amended by adding new subsections to read:

10 (b) The revenue and tax expenditure report must include

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

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

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

17 (4) an estimate of the public costs of administering the tax
18 expenditures.

19 (c) The department shall annually transmit an electronic copy of the revenue
20 and tax expenditure report to each member of the legislature and make the report
21 available to the public on the department's Internet website.

22 (d) The department shall notify the legislative finance division when the sum
23 of tax expenditures of a specific type has exceeded \$1,000,000 in fiscal year 2012 or a
24 succeeding fiscal year and provide the legislative finance division with the
25 nonconfidential or, subject to the division's execution of a confidentiality agreement,
26 confidential information necessary to complete the analysis under AS 24.20.232.

27 (e) In this section, "tax expenditure" means a tax credit, exclusion, exemption,
28 waiver, or other loss of state tax revenue due to an express provision of state tax law;
29 "tax expenditure" does not include federal tax expenditures under federal law adopted
30 by reference in AS 43.20.021 or tax deductions incurred in the ordinary course of
31 trade or business.

1 * **Sec. 9.** AS 43.05.230(a) is amended to read:

2 (a) It is unlawful for a current or former officer, employee, or agent of the
3 state to divulge the amount of income or the particulars set out or disclosed in a report
4 or return made under this title, except

5 (1) in connection with official investigations or proceedings of the
6 department, whether judicial or administrative, involving taxes due under this title;

7 (2) in connection with official investigations or proceedings of the
8 child support enforcement agency, whether judicial or administrative, involving child
9 support obligations imposed or imposable under AS 25 or AS 47;

10 (3) as provided in AS 38.05.036 pertaining to audit functions of the
11 Department of Natural Resources;

12 (4) **as provided in AS 43.05.090(d);**

13 **(5)** as provided in AS 43.05.405 - 43.05.499; and

14 **(6)** [(5)] as otherwise provided in this section or AS 43.55.890."
15

16 Page 1, line 4:

17 Delete "**Section 1**"

18 Insert "**Sec. 10**"
19

20 Page 2, line 26:

21 Delete all material and insert:

22 "*** Sec. 11.** Sections 3 - 9 of this Act take effect July 1, 2015.

23 *** Sec. 12.** Except as provided in sec. 11 of this Act, this Act takes effect immediately under
24 AS 01.10.070(c)."