

# ALASKA STATE LEGISLATURE

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## REPRESENTATIVE STEVE THOMPSON DISTRICT 3

### **“An Act Relating to Tax Credits and Administration of Tax Credit Programs”**

HB 306 is sound fiscal policy. HB 306 provides the legislature with an effective tool to identify and capture potential lost revenue. A Legislative Research report shows that over the past five years, the State has forgone almost half a billion dollars through identified indirect spending across all departments, inclusive of \$20 million in Department of Revenue tax credits not related to oil and gas.

HB 306 will provide a mechanism to help the legislature identify its spending by providing information on indirect expenditures, and capital grants to projects by bringing them back before the legislature for fiscal review.

HB 306 lapses grants to capital projects that have not begun substantial, ongoing work within five years of the effective date of the appropriation or allocation. Thereby, each capital project without action within a five-year period will lapse, if its ongoing existence is not justified for re-appropriation.

Secondly, HB 306 requires that before the start of the first regular session of each new Legislature, the Dept. of Revenue provide to the chairs of the Finance Committees, and the Legislative Finance Division, a report on indirect expenditures. An “indirect expenditure” is defined in HB 306 as a credit, exemption, deduction, deferral, discount, exclusion, or other differential allowance designed to encourage an activity to benefit the public by forgoing revenue to the state, an example being the credits used against corporate taxes.

Then, the Legislative Finance Division will take Department of Revenue’s report and analyze the indirect expenditures for each department, as scheduled in the bill, with subsequent reviews every six years. The Legislative Finance will then issue a report to the legislature providing an estimate of forgone revenue due to the indirect expenditure, an estimate of monetary benefits, whether the legislative intent of the statute is being met, a recommendation as to continuance of the indirect expenditure, its economic effect, and an explanation of the methodology used in preparing the report.

Lastly, the bill sunsets specific Department of Revenue Tax Credits, not related to gas or oil by the end of the Second Regular Session of the Twenty-Ninth Legislature. Bringing these credits back before future Legislatures for a review will continue to guarantee the effectiveness of the State’s indirect spending.

I urge and thank you for supporting HB 306 and ensuring Alaska continues to live within our means.

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