Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: HB 68
Fiscal Note Number:
() Publish Date:

Identifier: HB068-DOR-TAX-02-16-13
Title: CORPORATE INCOME TAX
Sponsor: HUGHES
Requester: (H) L&C

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)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2014**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Fund Source (Operating Only)

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues			(3,800.0)	(3,800.0)	(3,800.0)	(3,800.0)	(3,800.0)

Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No

If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Initial version.

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Division Tax Date: 02/15/2013 10:00 PM
Approved By: Alicia Egan, Legislative Liaison Date: 02/16/13
Department of Revenue

FISCAL NOTE ANALYSIS

STATE OF ALASKA **BILL NO.** HB 68
2013 LEGISLATIVE SESSION

Analysis

Bill Language:

This bill will adjust the current corportate income tax schedule to the following:

If the taxable income is inclusively between:	Then the tax is:
\$ 0 and \$ 24,999	1% of the taxable income
\$ 25,000 and \$ 48,999	\$250 plus 2 percent of the taxable income over \$25,000
\$ 49,000 and \$ 73,999	\$730 plus 3 percent of the taxable income over \$49,000
\$ 74,000 and \$ 98,999	\$1480 plus 4 percent of the taxable income over \$74,000
\$ 99,000 and \$ 123,999	\$2,480 plus 5 percent of the taxable income over \$99,000
\$ 124,000 and \$ 147,999	\$3,730 plus 6 percent of the taxable income over \$124,000
\$ 148,000 and \$ 172,999	\$5,170 plus 7 percent of the taxable income over \$148,000
\$ 173,000 and \$ 197,999	\$6,920 plus 8 percent of the taxable income over \$173,000
\$ 198,000 and \$ 221,999	\$8,920 plus 9 percent of the taxable income over \$198,000
\$ 222,000 or more	\$11,080 plus 9.4 percent of the taxable income over \$222,000

The change in tax schedule expands the brackets of the current progressive corporate income tax from nine \$10,000 brackets to three \$24,000 brackets and six \$25,000 brackets. This shifts some companies in a higher income tax bracket, to a lower one.

This bill affects all companies subject to corporate income tax. Companies with a positive taxable income above \$10,000 would have less tax liability in comparison to the current schedule. Those companies with taxable income between \$99,000 and \$124,000 benefit the most from this change at a benefit of 52.5%. This benefit is measured by the difference in total tax liability calculated using current and proposed rates for companies in this tax bracket. Those companies with taxable income over \$1,000,000 and up to \$100,000,000 will see an over all decrease in tax between 6% and .06%. Thus, this bill will result in a greater decreased tax lability for smaller companies.

Revenues:
A study of State of Alaska corporate income tax revenues from 2009, 2010, and 2011 suggests that had the bill been implemented in those years, the decrease in corporate income tax revenue would have been \$3,899,278, \$4,221,351 and \$3,340,625, respectively, an average of \$3,800,000 per year over the three years. This represents less than one half of a percent of total corporate income tax revenue collected, during each of those years.

These estimates do not take into account the effect of the small business tax exemption legislation passed during the 2012 legislative session which exempts certain small corporations from corporate income tax starting January 1, 2013. It also does not reflect the changes in the behavior of companies in reaction to tax schedule changes, nor does it account for corporate income tax credits.

Expenditures:
We anticipate that this change in tax structure can be implemented in the Department of Revenue using existing staff and resources.