

ALASKA STATE LEGISLATURE

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Senator Cathy Giessel

SB 7 Corporate Income Tax Sponsor Statement

Senate Bill 7 will reduce tax liability for small to medium size corporations and by doing so attract commerce to Alaska, create additional jobs, and allow small to medium size businesses to keep more of their earnings. Alaska's corporate income tax is graduated – that is, the rate of taxation increases incrementally with the amount of taxable income reported. There are ten business income tax brackets that increase for every \$10,000 in profit up to \$90,000, which is the state's top bracket. This law has not been updated since 1981.

Senate Bill 7 adjusts these tax brackets up to increments of approximately \$25,000 and it moves the top bracket so that it starts at \$222,000. The adjustment proposed in Senate Bill 7 accounts for inflation, as measured by the change in the U.S. consumer price index, since the brackets were last adjusted more than 30 years ago. The bill also adjusts the tax rate for the lowest bracket from 1% to zero.

Although top corporate earners who earn over \$222,000 of taxable income each year will continue to pay at the top rate, smaller corporations will see their tax liability reduced. For example, a small company with a taxable income of \$45,000 a year will see its tax liability cut almost in half, from \$1,250 to \$650, under the change proposed by Senate Bill 7.

The corporate income tax schedule has not been reviewed or updated since 1981, and it is time to adjust the brackets to account for inflation. By supporting Senate Bill 7 you will support Alaskan businesses and encourage growth and development of business in our communities. I urge your support for Senate Bill 7.