

Welcome to the 60 second planner from Leimberg Information Services, on the web at LeimbergService.com. Here is Bob Keebler.

“In 1980, Alaska repealed its individual income tax becoming the first and only state to do so. However, due to declining oil revenue, the Alaska Governor, and the Governor’s allies in the Legislature, are pushing to reinstate the income tax. The proposed statutory language seems to impose an Alaska income tax equal to 15 percent of the total Federal income tax due on income from sources within Alaska. Assuming this computation includes the Net Investment Income Tax, the highest marginal income tax imposed by Alaska would be 6.51 percent. Absent the Net, the rate would be approximately 5.94 percent.

More importantly, the definition of income from sources within Alaska has interesting implications for Alaska trustees and those who might settle a trust under Alaska law. The definition includes income distributed from a trust established or governed by the laws of the State of Alaska. Alaska, Nevada, South Dakota and Delaware have often been regarded as the best states to form a trust because of the favorable trust codes, the lack of an income tax, good asset protection and the repeal or modification of the Rule Against Perpetuities. Should Alaska reimpose a state income tax, Alaska may fall out of favor with many estate planners.

On behalf of Leimberg Information Services, this has been Bob Keebler with the 60 second planner.”

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