

Alaska State Legislature

State Capitol Room 102
Juneau, Alaska 99801-1182
(907) 465-2689
Fax: (907) 465-3472
1-800-665-2689



270 W. Pioneer Ave. Suite B
Homer, Alaska 99603
(907) 235-2921
(907) 283-9170
Fax: (907) 235-4008

REPRESENTATIVE PAUL SEATON

Rep.Paul.Seaton@akleg.gov

HB 365: Income Tax & Permanent Fund Refundable Tax Credit Version: 29-LS 1422\H

Sectional – Short Version

Please note that a sectional analysis of a bill or resolution should not be considered an authoritative interpretation of the measure itself.

The legislation is the best statement of its contents.

The majority of the sections in HB365 are only changing the name of the Permanent Fund Dividend (PFD) to the Refundable Tax Credit. This packet will provide a short sectional addressing only those parts of the bill where there are system changes to the permanent fund and the new income tax. A copy of just those corresponding pages from the bill are also attached.

Sectional

Section 7 & 8 (page 4, line 3- page 4, line 10) – Allows a person to donate part of their Refundable Tax Credit to Advance College Tuition Savings Fund prior to applying the credit to their state income tax due.

Section 22 (page 10, line 27) – Alaska Permanent Fund Corporation & Disposition of Income: this section does not change the calculation for determining distributable income (21% of last 5 year's earnings from principal investments of permanent fund). This section changes what is done with the distributable income. Currently, 50% of the distributable income goes towards paying PFDs and 50% stays in the Earnings Reserve for inflation proofing the principals or for use by the legislature. With this bill, 50% stays in the Earnings Reserve, 25% now goes to pay Refundable Tax Credits, and the remaining 25% goes directly to the General Fund to help support state services.

Income Tax Section:

Section 24 (page 11, line 14) – creates the Individual Income Tax within AS 43.

Subsection: Sec. 43.22.010 (page 11, line 16) – Imposes an income tax on both residents and nonresidents who have earned income from a source within Alaska. The tax is equal to 15% of the taxpayer's total federal income tax due on the amount of the taxpayer's income from sources within the state (typically Line 63 on 1040 form). Long term capital gains are additionally taxed by multiplying the taxpayer's long term capital gains for the calendar year (typically Line 13 on 1040 form) by the lesser of:

- 10%; or
- The difference between the taxpayer's incremental federal income tax rate on ordinary income and the taxpayer's federal tax rate on long term capital gains.

Currently the difference between the taxpayer's incremental federal income tax rate on ordinary income and the taxpayer's federal tax rate on long term capital gains is between 10 -19.6%. Should the federal government change the rates on either, this could increase or decrease this difference. Based on in this section, a taxpayer's long term capital gains will be multiplied by no more than 10%.

Subsection: Sec. 43.22.020 (page 12, line 4) - Establishes how taxpayers will submit tax returns and make payments for the individual income tax. It clarifies that this tax is due and payable to the department at the same time and in the same manner as the tax payable to the U.S. IRS for federal taxes. The section also outlines procedures in case there are changes to the taxpayer's federal income tax return. Any overpayments will be reimbursed by the department out of the general fund.

Subsection: Sec. 43.22.030 (page 13, line 3) – Defines income from sources in the state that are subject to tax. Long term capital gains shall be reported from all property regardless of the location of the property.

Subsection: Sec. 43.22.035 (page 14, line 11) – Provides a credit to residents for taxes paid to another state based on income earned in that other state (so someone is not taxed twice on the same income).

Subsection: Sec. 43.22.040 (page 14, line 26) – States a person may apply their Refundable Tax Credit to a person's state income tax due, less any garnishment, levy, donations to Pick Click Give or college funds, etc. The word "may" is used vs. "shall" because it allows a person the choice to not apply their Refundable Tax Credit to their income taxes. If a person made this choice, their tax credit would remain with the state. If a person's Refundable Tax Credit is more than the amount of their state income tax due, the remaining amount will be reimbursed to the person. A person must apply for their state income tax to receive a refund. A person must be a qualified resident to qualify for the Refundable Tax Credit.

Subsection: Sec. 43.22.050 (page 15, line 7) – Establishes how taxes will be withheld by employers and those taxes are periodically remitted to the state. Employers will provide withholding amounts on a person's W2.

Subsection: Sec. 43.22.055 (page 16, line 5) – Allows a person's income tax information to be shared with a banking institute to verify direct deposit of refunds.

Subsection: Sec. 43.22.060 (page 16, line 8) - Authorizes the department to provide all necessary forms and adopt regulations to implement this tax, including regulations for online filing and payment.

Subsection: Sec. 43.22.190 (page 16, line 13) – Defines specific terms used in the bill. Resident is defined as an individual who: lives in the state for the entire calendar year; claims to be a resident of Alaska on their federal tax forms; receives an Alaska Permanent Fund Reimbursable Tax Credit; is registered to vote in Alaska; or has an Alaska resident fishing, hunting, or trapping license during the calendar year.

Section 47 (page 27, line 7) – States that the Refundable Tax Credit amount will not exceed \$1200.00 for each individual. Any excess over \$1200 shall be appropriated to the General Fund to support state services.

Section 54 (page 30, line 12) – Duties of the Dept. of Revenue are outlined. This section changes the date the Refundable Tax Credit is available for an individual from the current October PFD date to the subsequent year when the individual applies for their state income taxes. A person is allowed to apply their Refundable Tax Credit to previous tax years if they did not apply their tax credit within two years after the date of its issuance.

Section 55 - 61 (starting on page 32, line 6) – Allows a person to donate part of their Refundable Tax Credit to Pick Click Give prior to applying the credit to their state income tax due.

Section 91 (page 49, line 24) – Repeals:

- AS 09.38.015(a)(9) Property exempt without limitation: this repeal removes the Refundable Tax Credit from the list of property exemptions.
- AS 43.05.085, AS 43.20.012(b), AS 43.20.013: these repeals remove a former tax credit for political contributions that existed under Alaska’s prior individual income tax which was repealed in 1980.
- AS 43.23.035(b) & AS 43.23.035(d): Penalties & Enforcement of the Permanent Fund: these are repealed because the PFD is now changed to a Refundable Tax Credit and under AS 43.05 and 43.10 the Dept. of Revenue has sufficient statute and regulations related to penalties and enforcement of refunds and tax credits.

Section 92 (page 49, line 26) – States that the Income tax will be applied to income received on or after the effective date. Also, if a person has a dispute on their 2016 PFD and this dispute rolls over into 2017, then if HB 365 were passed, the old regulations (prior to the effective date of HB 365) would apply to the 2016 PFD dispute until it is resolved.

Section 93 (page 50, line 5) – Effective date of January 1, 2017.

Name changes from Permanent Fund Dividend to Refundable Tax Credit

All other sections in the bill deal only with changing the name from PFD to Refundable Tax Credit. Some also include minor “clean up language” to address the difference between receiving a dividend vs. a tax credit. The majority of these sections have to do with garnishing the PFD/Refundable Tax Credit for defaults on state fees and education loans, child support, etc. For a full list of these sections and the topics they address, please see the Long Version Sectional for this bill.

Excerpts from HB 365

These pages only include those sections of the bill that are part of the Short Sectional.

29-LS1422\H

1 more days past due. Upon default, the university may take the individual's permanent
2 fund **refundable income tax credit** [DIVIDEND] under AS 43.23.073.

Name Change

3 * Sec. 7. AS 14.40.803(b) is amended to read:

4 (b) The fund consists of

5 (1) permanent fund **refundable income tax credit** [DIVIDEND] and
6 cash contributions made under AS 14.40.807 under the terms of an advance college
7 tuition savings contract;

*Advance
College
Tuition
Savings*

8 (2) appropriations, gifts, bequests, and contributions; and

9 (3) income and earnings of the fund.

10 * Sec. 8. AS 14.40.807(a) is amended to read:

11 (a) Contributions to the fund under the terms of an advance college tuition
12 savings contract may be made by direct cash payments or by contributions from the
13 permanent fund **refundable income tax credit** [DIVIDEND]. The Department of
14 Revenue shall

15 (1) prepare the permanent fund **refundable income tax credit**
16 [DIVIDEND] application to allow an applicant or a parent, legal guardian, or other
17 authorized representative of an applicant who is an unemancipated minor to contribute
18 50 percent of a **refundable income tax credit** [DIVIDEND] to the fund; and

19 (2) include with each application for a permanent fund **refundable**
20 **income tax credit** [DIVIDEND] an explanation of the advance college tuition savings
21 program, including the right to receive a refund, a disclosure of the potential tax
22 liability of the fund, and disclosure of the possible general effect of the tax liability on
23 the advance college tuition savings program.

24 * Sec. 9. AS 14.43.145(a) is amended to read:

25 (a) For the purposes of this chapter, a loan is in default after a loan payment
26 has become 180 or more days past due or, for a loan under AS 14.43.161 - 14.43.168
27 or 14.43.170 - 14.43.175, the default requirements established by the commission have
28 been met. Upon default,

29 (1) repayment of the remaining balance is accelerated and due;

30 (2) the commission may take the borrower's permanent fund
31 **refundable income tax credit** [DIVIDEND] under AS 43.23.067;

*Name
change*

Excerpts from HB 365

These pages only include those sections of the bill that are part of the Short Sectional.

29-LS1422\H

1 * **Sec. 21.** AS 37.10.210(b) is amended to read:

2 (b) The Alaska Retirement Management Board consists of nine trustees, as
3 follows:

4 (1) two members, consisting of the commissioner of administration
5 and the commissioner of revenue;

6 (2) seven trustees appointed by the governor who meet the eligibility
7 requirements for an Alaska permanent fund refundable income tax credit
8 [DIVIDEND] and who are professionally credentialed or have recognized competence
9 in investment management, finance, banking, economics, accounting, pension
10 administration, or actuarial analysis as follows:

*Name
change*

11 (A) two trustees who are members of the general public; the
12 trustees appointed under this subparagraph may not hold another state office,
13 position, or employment and may not be members or beneficiaries of a
14 retirement system managed by the board;

15 (B) one trustee who is employed as a finance officer for a
16 political subdivision participating in either the public employees' retirement
17 system or the teachers' retirement system;

18 (C) two trustees who are members of the public employees'
19 retirement system, selected from a list of four nominees submitted from among
20 the public employees' retirement system bargaining units;

21 (D) two trustees who are members of the teachers' retirement
22 system selected from a list of four nominees submitted from among the
23 teachers' retirement system bargaining units;

24 (E) the lists of the nominees shall be submitted to the governor
25 under (C) and (D) of this paragraph within the time period specified in
26 regulations adopted under AS 37.10.240(a).

27 * **Sec. 22.** AS 37.13.145(b) is amended to read:

28 (b) At the end of each fiscal year, the corporation shall transfer from the
29 earnings reserve account to the

Sect. 22

30 (1) refundable income tax credit [DIVIDEND] fund established
31 under AS 43.23.045, 25 [50] percent of the income available for distribution under

*Distributable
Income*



Continued

Excerpts from HB 365

These pages only include those sections of the bill that are part of the Short Sectional.

29-LS1422\H

Sect. 22
Continued
★

1 AS 37.13.140; and
2 (2) general fund, 25 percent of the income available for
3 distribution under AS 37.13.140.

4 * **Sec. 23.** AS 37.13.145(d) is amended to read:

5 (d) Notwithstanding (b) of this section, income earned on money awarded in
6 or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior
7 Court, First Judicial District), including settlement, summary judgment, or adjustment
8 to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned
9 on the money, or on the earnings of the money shall be treated in the same manner as
10 other income of the Alaska permanent fund, except that it is not available for
11 distribution to the refundable income tax credit [DIVIDEND] fund or for transfers to (Name change)
12 the principal under (c) of this section, and shall be annually deposited into the Alaska
13 capital income fund (AS 37.05.565).

Sect. 24
Income
TAX

14 * **Sec. 24.** AS 43 is amended by adding a new chapter to read:

Chapter 22. Individual Income Tax.

15 **Sec. 43.22.010. Tax on individuals.** (a) A tax is imposed for each calendar
16 year or fraction of a calendar year on every

17 (1) resident individual with income from a source in the state; and

18 (2) nonresident individual with income from a source in the state.

19 (b) The tax under this section is equal to the sum of

20 (1) 15 percent of the taxpayer's total federal income tax due on the
21 amount of the taxpayer's income that is from a source in the state; and

22 (2) the amount resulting from multiplying the taxpayer's long-term
23 capital gains for the calendar year by the lesser of

24 (A) 10 percent; or

25 (B) the difference between the taxpayer's incremental federal
26 income tax rate on ordinary income and the taxpayer's federal tax rate on long-
27 term capital gains.

28 (c) In this section,

29 (1) "federal income tax due" means the total tax due to the federal
30 government as reported by the taxpayer on a federal individual income tax return;
31

Excerpts from HB 365

These pages only include those sections of the bill that are part of the Short Sectional.

29-LS1422\H

Sect. 24
Continued

1 (2) "long-term capital gains" means the total long-term capital gains
2 required to be reported on the federal individual income tax form related to capital
3 gains attached to a federal individual income tax return.

4 **Sec. 43.22.020. Returns and payment of taxes.** (a) An individual required to
5 make a return under the provisions of the Internal Revenue Code shall file with the
6 department a return setting out

7 (1) the amount of tax due under this chapter; and

8 (2) other information for the purpose of carrying out the provisions of
9 this chapter that the department requires.

10 (b) The return shall either be on oath or contain a written declaration that it is
11 made under penalty of perjury, and the department shall prescribe forms accordingly.

12 (c) The total amount of tax imposed by this chapter is due and payable to the
13 department at the same time and in the same manner as the tax payable to the United
14 States Internal Revenue Service.

15 (d) A taxpayer, upon request by the department, shall furnish to the
16 department a true and correct copy of the tax return that the taxpayer has filed with the
17 United States Internal Revenue Service. Every taxpayer shall notify the department in
18 writing of an alteration in, or modification of, the taxpayer's federal income tax return
19 and of a recomputation of tax or determination of deficiency, whether with or without
20 assessment. A full statement of the facts must accompany this notice. The taxpayer
21 shall file the notice within 60 days after the final determination of the alteration,
22 modification, recomputation, or deficiency, and the taxpayer shall pay the additional
23 tax under this chapter. For purposes of this subsection, a final determination means the
24 time that an amended federal return is filed or a notice of deficiency or an assessment
25 is mailed to the taxpayer by the Internal Revenue Service, and the taxpayer has
26 exhausted rights of appeal under federal law.

27 (e) The department may credit or refund overpayments of taxes, taxes
28 erroneously or illegally assessed or collected, penalties collected without authority,
29 and taxes that are found unjustly assessed or excessive in amount, or otherwise
30 wrongfully collected. The department shall set limitations, specify the manner in
31 which claims for credits or refunds are made, and give notice of allowance or

Excerpts from HB 365

These pages only include those sections of the bill that are part of the Short Sectional.

29-LS1422\H

Sect. 24
Continued

1 disallowance. When a refund is allowed to a taxpayer, it shall be paid out of the
2 general fund on a warrant issued under a voucher approved by the department.

3 **Sec. 43.22.030. Income from sources in the state.** (a) For purposes of
4 AS 43.22.010(a), income from a source in the state includes

5 (1) compensation for personal services rendered in the state;

6 (2) salary or wages earned in the state;

7 (3) income from real or tangible personal property located in the state;

8 (4) income from stocks, bonds, notes, bank deposits, and other
9 intangible personal property having a taxable or business situs in the state; however,
10 the receipt of interest income from intangible property in the state does not alone
11 establish a taxable or business situs in the state;

12 (5) rentals and royalties for the use of or for the privilege of using, in
13 the state, patents, copyrights, secret processes and formulas, good will, marks, trade
14 brands, franchises, and other property having a taxable or business situs in the state;

15 (6) income distributed from a trust established under or governed by
16 the laws of the state;

17 (7) income from a source with a taxable or business situs in the state of

18 (A) a trust not established under or governed by the laws of the
19 state; or

20 (B) the estate of a decedent who on the date of death was not
21 domiciled in the state;

22 (8) income of whatever nature from a source with a taxable or business
23 situs in the state.

24 (b) In (a) of this section, income is from a source with a taxable or business
25 situs in the state if it is attributed to or derived from

26 (1) business facilities or property in the state;

27 (2) business, farming, or fishing activities in the state;

28 (3) conducting in the state the management or investment function for
29 intangible property;

30 (4) a partnership, limited liability company, estate, or trust conducting
31 business activities in the state;

Excerpts from HB 365

These pages only include those sections of the bill that are part of the Short Sectional.

29-LS1422\H Sect. 24

Continued

1 (5) a corporation transacting business activities in the state that has
2 elected to file federal returns under subchapter S of the Internal Revenue Code;

3 (6) any other activity from which income is received, realized, or
4 derived in the state.

5 (c) For purposes of (a) of this section, if a business, trade, or profession is
6 carried on partly inside and partly outside the state, other than the rendering of purely
7 personal services by an individual, the income from sources in the state shall be
8 determined as provided in AS 43.19.

9 (d) For purposes of AS 43.22.010(b), long-term capital gains shall be reported
10 from all property, regardless of the location of the property.

11 **Sec. 43.22.035. Credit for taxes paid.** (a) A resident is entitled to a credit
12 against the tax liability under this chapter for the amount of tax paid to other states,
13 territories, or possessions of the United States on income derived from sources in
14 those jurisdictions that is also subject to tax in this chapter.

15 (b) The claim for credit under (a) of this section may include tax paid by an S
16 corporation or partnership on behalf of the individual, based on that individual's share
17 of income derived in the other jurisdiction. In this subsection, "S corporation" has the
18 meaning given in 26 U.S.C. 1361.

19 (c) The credit allowed under this section may not exceed an amount equal to
20 the tax imposed under this chapter multiplied by a ratio equal to federal adjusted gross
21 income derived from sources in the other jurisdiction divided by total federal adjusted
22 gross income.

23 (d) The application of the tax credit provided under this section may not
24 operate to reduce the tax payable under this chapter to an amount less than would have
25 been payable if the income from the other state was disregarded.

26 **Sec. 43.22.040. Permanent fund refundable tax credit.** (a) An individual
27 eligible for an income tax credit under AS 43.23.005 may apply a tax credit against the
28 tax due under this chapter in the amount determined under AS 43.23, less any
29 garnishment, levy, assignment, attachment, or other claim, reduction, or donation
30 allowed by law.

31 (b) The tax credit under this section shall be refundable. The department shall

Excerpts from HB 365

These pages only include those sections of the bill that are part of the Short Sectional.

29-LS1422\H

1 adopt regulations that establish procedures for an individual to be reimbursed under
2 AS 37.25.050(a)(2). To receive a refund under this section, an individual must file an
3 income tax return under AS 43.22.020.

Sect. 24
Continued

4 (c) Except as otherwise limited by law, if an individual is eligible for a tax
5 credit under this section but fails to file an income tax return or fails to claim the tax
6 credit, the individual may file a return or an amended return for that year.

7 **Sec. 43.22.050. Tax withholding on wages of individuals.** (a) Every
8 employer making payment of wages, salaries, or crew shares

9 (1) shall deduct and withhold an amount of tax computed in a manner
10 to approximate the amount of tax due on those wages, salaries, or crew shares under
11 this chapter for that calendar year;

12 (2) shall remit the tax withheld to the department accompanied by a
13 return on a form prescribed by the department at the times required by the department
14 by regulation;

15 (3) is liable for the payment of the tax required to be deducted and
16 withheld under this section but is not liable to any individual for the amount of the
17 payment; and

18 (4) shall furnish to the employee on or before January 31 of the
19 succeeding year, or within 30 days after a request by the employee after the
20 employee's termination if the 30-day period ends before January 31, a written
21 statement on a form prescribed by the department showing

22 (A) the name and taxpayer identification number of the
23 employer;

24 (B) the name and social security number of the employee;

25 (C) the total amount of wages, salary, or crew shares for the
26 calendar year; and

27 (D) the total amount deducted and withheld as tax under this
28 chapter for the calendar year.

29 (b) The department shall publish the rate of withholding required by this
30 section.

31 (c) In this section,

Excerpts from HB 365

These pages only include those sections of the bill that are part of the Short Sectional.

29-LS1422AH

Sect. 24
Continued

1 (1) "employee" includes an individual who receives compensation on a
2 crew share basis in connection with a commercial fishing activity;

3 (2) "employer" includes a person who pays compensation to an
4 individual on a crew share basis in connection with a commercial fishing activity.

5 **Sec. 43.22.055. Refunds.** Notwithstanding AS 43.05.230, information on an
6 individual income tax return may be released to a banking institution to verify the
7 direct deposit of an income tax refund or correct an error in that deposit.

8 **Sec. 43.22.060. Administration.** The department shall prescribe all necessary
9 forms and adopt regulations to implement and interpret this chapter, including
10 regulations for the online filing and payment of tax due under this chapter. The
11 department may incorporate into the regulations provisions of the Internal Revenue
12 Code that are necessary or useful to the administration of this chapter.

13 **Sec. 43.22.190. Definitions.** In this chapter,

14 (1) "domiciled" means established in a true principal permanent home
15 to which the individual has the intention of returning whenever absent;

16 (2) "individual" means a natural person, married or unmarried, adult or
17 minor, subject to payment of income tax under 26 U.S.C. (Internal Revenue Code);

18 (3) "Internal Revenue Code" means the Internal Revenue Code of the
19 United States (26 U.S.C.) as the code exists now or as hereafter amended, as the code
20 and amendments apply to the normal taxes and surtax on net incomes, which
21 amendments are operative for the purposes of this chapter as of the time they became
22 operative or will become operative under federal law;

23 (4) "nonresident" means an individual who is not a resident;

24 (5) "resident" means an individual who

25 (A) was domiciled in the state or resided in the state for the
26 entire calendar year;

27 (B) claims to be a resident of the state on the individual's
28 federal tax forms;

29 (C) receives a permanent fund refundable income tax credit
30 under AS 43.23;

31 (D) is registered to vote under AS 15; or

Excerpts from HB 365

These pages only include those sections of the bill that are part of the Short Sectional.

29-LS1422\H

Sect. 24
ends

1 (E) received a resident fishing, hunting, or trapping license
2 during the calendar year under AS 16;

3 (6) "taxpayer" means a person subject to a tax imposed by this chapter.

4 * **Sec. 25.** AS 43.23.005(a) is amended to read:

5 (a) An individual is eligible to receive one permanent fund **refundable**
6 **income tax credit** [DIVIDEND] each year in an amount to be determined under
7 AS 43.23.025 if the individual

8 (1) applies to the department;

9 (2) is a state resident on the date of application;

10 (3) was a state resident during the entire qualifying year;

11 (4) has been physically present in the state for at least 72 consecutive
12 hours at some time during the prior two years before the current **refundable income**
13 **tax credit** [DIVIDEND] year;

14 (5) is

15 (A) a citizen of the United States;

16 (B) an alien lawfully admitted for permanent residence in the
17 United States;

18 (C) an alien with refugee status under federal law; or

19 (D) an alien that has been granted asylum under federal law;

20 (6) was, at all times during the qualifying year, physically present in
21 the state or, if absent, was absent only as allowed in AS 43.23.008; and

22 (7) was in compliance during the qualifying year with the military
23 selective service registration requirements imposed under 50 U.S.C. App. 453
24 (Military Selective Service Act), if those requirements were applicable to the
25 individual, or has come into compliance after being notified of the lack of compliance.

26 * **Sec. 26.** AS 43.23.005(c) is amended to read:

27 (c) A parent, guardian, or other authorized representative may claim a
28 permanent fund **refundable income tax credit** [DIVIDEND] on behalf of an
29 unemancipated minor or on behalf of a disabled or an incompetent individual who is
30 eligible to receive a payment under this section. Notwithstanding (a)(2) - (4) of this
31 section, a minor is eligible for **a refundable income tax credit** [A DIVIDEND] if,

All
name
changes

Excerpts from HB 365

These pages only include those sections of the bill that are part of the Short Sectional.

29-LS1422H

1 (2) determining the number of individuals eligible to receive a
 2 **refundable income tax credit** [A DIVIDEND PAYMENT] for the current year and
 3 the number of estates and successors eligible to receive a **refundable income tax**
 4 **credit** [A DIVIDEND PAYMENT] for the current year under AS 43.23.005(h); and
 5 (3) dividing the amount determined under (1) of this subsection by the
 6 amount determined under (2) of this subsection.

*Name
Changes*

7 * **Sec. 47.** AS 43.23.025 is amended by adding a new subsection to read:

Sect. 47

8 (c) A refundable income tax credit calculated under (a) of this section may not
 9 be issued in excess of \$1,200 for each individual. If a refundable income tax credit
 10 calculated under (a) of this section exceeds \$1,200 for each individual, the amount in
 11 excess of \$1,200 for each individual shall be appropriated to the general fund.

*"not exceed
\$1200"*

12 * **Sec. 48.** AS 43.23.028(a) is amended to read:

13 (a) By October 1 of each year, the commissioner shall give public notice of the
 14 value of each permanent fund **refundable income tax credit** [DIVIDEND] for that
 15 year and notice of the information required to be disclosed under (3) of this
 16 subsection. In addition, the **notice** [STUB ATTACHED TO EACH INDIVIDUAL
 17 DIVIDEND DISBURSEMENT ADVICE] must

18 (1) disclose the amount of each **refundable income tax credit**
 19 [DIVIDEND] attributable to income earned by the permanent fund from deposits to
 20 that fund required under art. IX, sec. 15, Constitution of the State of Alaska;

*All
Name
Changes*

21 (2) disclose the amount of each **refundable income tax credit**
 22 [DIVIDEND] attributable to income earned by the permanent fund from
 23 appropriations to that fund and from amounts added to that fund to offset the effects of
 24 inflation;

25 (3) disclose the amount by which each **refundable income tax credit**
 26 [DIVIDEND] has been reduced due to each appropriation from the **refundable**
 27 **income tax credit** [DIVIDEND] fund, including amounts to pay the costs of
 28 administering the **refundable income tax credit** [DIVIDEND] program and the hold
 29 harmless provisions of AS 43.23.075;

30 (4) include a statement that an individual is not eligible for a
 31 **refundable income tax credit** [A DIVIDEND] when

Excerpts from HB 365

These pages only include those sections of the bill that are part of the Short Sectional.

29-LS1422\H

1 (a) The refundable income tax credit [DIVIDEND] fund is established as a
2 separate fund in the state treasury. The refundable income tax credit [DIVIDEND]
3 fund shall be administered by the commissioner and shall be invested by the
4 commissioner in the same manner as provided in AS 37.10.070.

Name
Changes

5 * **Sec. 53.** AS 43.23.045(d) is amended to read:

6 (d) Unless specified otherwise in an appropriation act, the unexpended and
7 unobligated balance of an appropriation to implement this chapter lapses into the
8 refundable income tax credit [DIVIDEND] fund on June 30 of the fiscal year for
9 which the appropriation was made and shall be used in determining the amount of and
10 paying the subsequent year's refundable income tax credit [DIVIDEND] as provided
11 in AS 43.23.025(a)(1)(B).

12 * **Sec. 54.** AS 43.23.055 is amended to read:

Sect. 54

13 Sec. 43.23.055. Duties of the department. The department shall

14 (1) annually administer [PAY] permanent fund refundable income
15 tax credit [DIVIDENDS] from the refundable income tax credit [DIVIDEND]
16 fund;

17 (2) subject to AS 43.23.011 and paragraph (8) of this section, adopt
18 regulations under AS 44.62 (Administrative Procedure Act) that establish procedures
19 and time limits for claiming a permanent fund refundable income tax credit
20 [DIVIDEND]; the department shall determine the number of eligible applicants by
21 October 1 of the year for which the refundable income tax credit [DIVIDEND] is
22 declared and administer the application of [PAY] the refundable income tax
23 credits for the subsequent tax [DIVIDENDS BY DECEMBER 31 OF THAT] year;

Refundable
Tax Credit
Available
for Income
Tax.

24 (3) adopt regulations under AS 44.62 (Administrative Procedure Act)
25 that establish procedures and time limits for an individual upon emancipation or upon
26 reaching majority to apply for a permanent fund refundable income tax credit
27 [DIVIDENDS] not received during minority because the parent, guardian, or other
28 authorized representative did not apply on behalf of the individual;

29 (4) assist residents of the state, particularly in rural areas, who because
30 of language, disability, or inaccessibility to public transportation need assistance to
31 establish eligibility and to apply for a permanent fund refundable income tax credit

Excerpts from HB 365

These pages only include those sections of the bill that are part of the Short Sectional.

29-LS1422\H

- 1 [DIVIDENDS];
- 2 (5) use a list of individuals ineligible for a refundable income tax
- 3 credit [A DIVIDEND] under AS 43.23.005(d) provided annually by the Department
- 4 of Corrections and the Department of Public Safety to determine the number and
- 5 identity of those individuals;
- 6 (6) adopt regulations that are necessary to implement AS 43.23.005(d);
- 7 (7) adopt regulations that establish procedures for the parent, guardian,
- 8 or other authorized representative of a disabled individual to apply for a prior year
- 9 permanent fund refundable income tax credit [DIVIDENDS] not received by the
- 10 disabled individual because no application was submitted on behalf of the individual;
- 11 (8) adopt regulations that establish procedures for an individual to
- 12 apply a refundable income tax credit to previous tax years [TO HAVE A
- 13 DIVIDEND DISBURSEMENT UNDER AS 37.25.050(a)(2) REISSUED] if it is not
- 14 applied [COLLECTED] within two years after the date of its issuance; however, the
- 15 department may not establish a time limit [WITHIN WHICH AN APPLICATION] to
- 16 apply a back tax credit [HAVE A DISBURSEMENT REISSUED MUST BE
- 17 FILED];
- 18 (9) provide any information, upon request, contained in permanent fund
- 19 refundable income tax credit [DIVIDEND] records to the child support services
- 20 agency created in AS 25.27.010, or the child support enforcement agency of another
- 21 state, for child support purposes authorized under law; if the information is contained
- 22 in an electronic data base, the department shall provide the requesting agency with
- 23 either
- 24 (A) access to the data base; or
- 25 (B) a copy of the information in the data base and a statement
- 26 certifying its contents;
- 27 (10) establish a fraud investigation unit for the purpose of assisting the
- 28 (A) Department of Law in the prosecution of individuals who
- 29 apply for [OR OBTAIN] a permanent fund refundable income tax credit
- 30 [DIVIDEND] in violation of a provision in AS 11, by detecting and
- 31 investigating those crimes; and

*Sec. 54
Continued*

*Can Apply
to previous
years taxes*

1 (B) commissioner to detect and investigate the claiming or
2 **application** [PAYING] of a permanent fund **refundable income tax credit**
3 [DIVIDENDS] that should not have been claimed by or **applied against the**
4 **income tax of** [PAID TO] an individual and to impose the penalties and
5 enforcement provisions under **AS 43.05, AS 43.10, and** AS 43.23.035.

6 * Sec. 55. AS 43.23.062(a) is amended to read:

7 (a) Notwithstanding AS 43.23.069, the Department of Revenue shall prepare
8 the electronic [ALASKA] permanent fund **refundable income tax credit**
9 [DIVIDEND] application to allow an applicant who files electronically to direct that
10 money be subtracted from the **refundable income tax credit** [DIVIDEND
11 PAYMENT] and contributed to one or more of the educational organizations,
12 community foundations, or charitable organizations that appear on the contribution list
13 contained in the application. A contribution to an organization may be \$25, \$50, \$75,
14 \$100, or more, in increments of \$50, up to the total amount of the permanent fund
15 **refundable income tax credit** [DIVIDEND] that the applicant is entitled to receive. If
16 the total amount of contributions elected by an applicant exceeds the amount of the
17 permanent fund **refundable income tax credit** [DIVIDEND] that the applicant is
18 entitled to receive, contributions shall be deducted from the **refundable income tax**
19 **credit** [DIVIDEND] in the order of priority elected by the applicant on the application
20 until the entire amount of the **refundable income tax credit** [DIVIDEND] that the
21 applicant is entitled to receive is allocated for contribution. The electronic **refundable**
22 **income tax credit** [DIVIDEND] application form must include notice that seven
23 percent of the money contributed will be used for administrative costs incurred in
24 implementing this section, and money from the **refundable income tax credit**
25 [DIVIDEND] fund will not be used for that purpose.

26 * Sec. 56. AS 43.23.062(c) is amended to read:

27 (c) The department may not include a charitable organization, other than a
28 community foundation, on the contribution list for a **refundable income tax credit**
29 [DIVIDEND] year unless the purpose of the charitable organization is to provide
30 services for youth development, workforce development, arts and culture, aid and
31 services to the elderly, low-income individuals, individuals in emergency situations,

Sects.
55-61
Pick
Click
Give

Excerpts from HB 365

These pages only include those sections of the bill that are part of the Short Sectional.

29-LS1422NH

1 victims of crime, disabled individuals, individuals with mental illness, primary,
2 vocational, and higher education, health and dental care, recreational facilities, child
3 abuse and neglect, economic development, food assistance, libraries, public
4 broadcasting, recycling of waste, animal rescue, and zoos. The department may not
5 include on the contribution list an educational organization, community foundation, or
6 charitable organization that is the affiliate of a group. For purposes of this subsection,

Pick
Click
Give
Continued

7 (1) "affiliate" means an organization or foundation that directly or
8 indirectly through one or more intermediaries controls, is controlled by, or is under
9 common control with, a group;

10 (2) "group" has the meaning given in AS 15.13.400(8)(B).

11 * Sec. 57. AS 43.23.062(d) is amended to read:

12 (d) Except for each campus of the University of Alaska, the department may
13 include an educational organization, community foundation, or charitable organization
14 on the contribution list for a current **refundable income tax credit** [DIVIDEND] year
15 only if the organization

16 (1) before March 31 of the qualifying year, files an application for
17 inclusion on the list for that **refundable income tax credit** [DIVIDEND] year on the
18 form required by the department;

19 (2) is exempt from taxation under 26 U.S.C. 501(c)(3) (Internal
20 Revenue Code) as an educational or a charitable organization on the date of
21 application;

22 (3) was qualified for tax exempt status under 26 U.S.C. 501(c)(3)
23 (Internal Revenue Code) as an educational or a charitable organization during the two
24 calendar years that immediately precede the year the application is filed;

25 (4) unless exempted under federal law, has a current Internal Revenue
26 Service Form 990 on file with the United States Department of the Treasury, Internal
27 Revenue Service, or, if the Internal Revenue Service has granted a filing extension for
28 the current year, has on file that form for the immediately preceding year;

29 (5) is directed by a voluntary board of directors or local advisory board,
30 a majority of whose members are residents of the state;

31 (6) if a community foundation, provided in the state aid during the two

Excerpts from HB 365

These pages only include those sections of the bill that are part of the Short Sectional.

29-LS1422\H

1 calendar years that immediately precede the year the application is filed, or, if an
2 education organization or charitable organization, provided in the state services during
3 the two calendar years that immediately precede the year the application is filed;

Pick
Click
Give

4 (7) receives at least \$100,000 or five percent of its total annual receipts,
5 whichever is less, from contributions;

Continued

6 (8) has completed and provided to the department a financial audit with
7 an unqualified opinion conducted by an independent certified public accountant for the
8 fiscal year to which the Internal Revenue Service Form 990 required under (4) of this
9 subsection applies; this paragraph applies only to an organization that is required by
10 the federal government to complete a financial audit by an independent certified
11 public accountant; and

12 (9) does not make grants or contributions to an organization that is
13 exempt from taxation under 26 U.S.C. 501(c)(4) or (6).

14 * Sec. 58. AS 43.23.062(e) is amended to read:

15 (e) Unless an appropriation specifically directs that the money be used for
16 costs incurred in implementing this section, the department may not use money from
17 the refundable income tax credit [DIVIDEND] fund for administrative costs
18 incurred in implementing this section, even if it has been appropriated for costs of
19 administering the refundable income tax credit [DIVIDEND] program.
20 Contributions shall be distributed to each organization as soon as practicable.

21 * Sec. 59. AS 43.23.062(h) is amended to read:

22 (h) A public agency that claims a refundable income tax credit [DIVIDEND]
23 on behalf of an individual under AS 43.23.015(e) may not elect to make contributions
24 from the refundable income tax credit [DIVIDEND] under (a) of this section.

25 * Sec. 60. AS 43.23.062(l) is amended to read:

26 (l) The University of Alaska shall apply separately for each of the three main
27 campuses to be listed on the contribution list for the current refundable income tax
28 credit [DIVIDEND] year in the manner prescribed by the department. The University
29 of Alaska may apply for each campus other than the three main campuses to be listed
30 on the contribution list for the current refundable income tax credit [DIVIDEND]
31 year in the manner prescribed by the department.

Excerpts from HB 365

These pages only include those sections of the bill that are part of the Short Sectional.

29-LS1422\H

1 * **Sec. 61.** AS 43.23.062(m) is amended to read:

2 (m) In addition to the application fee in (f) of this section, the department shall
3 withhold a coordination fee from each organization, foundation, or university campus
4 that receives contributions under this section in the immediately preceding **refundable**
5 **income tax credit** [DIVIDEND] year. The coordination fee for an organization,
6 foundation, or university campus that receives contributions under this section shall be
7 seven percent of the amount of contributions reported by the department under (j) of
8 this section for the organization, foundation, or university campus for the immediately
9 preceding **refundable income tax credit** [DIVIDEND] year. The coordination fee
10 shall be separately accounted for under AS 37.05.142 and shall be accounted for
11 separately from the application fee collected under (f) of this section. The annual
12 estimated balance in the account maintained under AS 37.05.142 for coordination fees
13 collected under this subsection may be appropriated for costs of administering this
14 section.

Pick
click
Give
Continued

END

15 * **Sec. 62.** AS 43.23.065 is amended to read:

16 **Sec. 43.23.065. Exemption of and levy on permanent fund refundable**
17 **income tax credits** [DIVIDENDS]. (a) Except as provided in (b) of this section, 20
18 percent of the annual permanent fund **refundable income tax credit that**
19 **[DIVIDEND PAYABLE TO]** an individual is **eligible for under AS 43.23.025 is**
20 exempt from levy, execution, garnishment, attachment, or any other remedy for the
21 collection of debt. No other exemption applies to a **refundable income tax credit**
22 **[DIVIDEND]**. Notwithstanding other laws, a writ of execution upon a **refundable**
23 **income tax credit** [DIVIDEND] that has not been delivered to the debtor may be
24 served on the commissioner by

Name
Changes

- 25 (1) certified mail, return receipt requested; or
26 (2) a civilian process server licensed by the commissioner of public
27 safety using electronic execution procedures, as provided under regulations adopted by
28 the department.

29 (b) An exemption is not available under this section for **a** permanent fund
30 **refundable income tax credit** [DIVIDENDS] taken to satisfy

- 31 (1) child support obligations required by court order or decision of the

Excerpts from HB 365

These pages only include those sections of the bill that are part of the Short Sectional.

29-LS1422\H

1 Native Claims Settlement Act):

2 (A) cash dividends and other income equal to at least \$2,000 as
3 established by the department by regulation;

4 (B) stock;

5 (C) noncash dividends from stock; and

6 (D) land;

7 (3) a permanent fund refundable income tax credit [DIVIDEND]
8 issued under AS 43.23;

*Name
change*

9 (4) compensation to volunteers under the federal retired and senior
10 volunteers (42 U.S.C. 5001), foster grandparents (42 U.S.C. 5011), and senior
11 companion (42 U.S.C. 5013) programs made in accordance with 42 U.S.C. 5044(f);

12 (5) federal World War II restitution payments made under 50 U.S.C.
13 App. 1989b-4 and c-5;

14 (6) payments under AS 18.67 (Violent Crimes Compensation Board);

15 (7) an amount, determined by the department by regulation, that is
16 sufficient for burial expenses of the resident, the resident's spouse, and dependents of
17 the resident;

18 (8) real property being used as the primary residence of the resident's
19 spouse or a dependent of the resident;

20 (9) other real or personal property equal to at least a total value of up to
21 \$10,000 as established by the department by regulation;

22 (10) federal payments that are excluded by law from income for federal
23 assistance purposes.

24 * Sec. 91. AS 09.38.015(a)(9); AS 43.05.085; AS 43.20.012(b), 43.20.013;
25 AS 43.23.035(b), and 43.23.035(d) are repealed.

*Sect 91
Repeals*

26 * Sec. 92. The uncodified law of the State of Alaska is amended by adding a new section to
27 read:

28 APPLICABILITY. (a) The individual income tax under AS 43.22, enacted by sec. 24
29 of this Act, applies to income received on or after the effective date of this Act.

Sect. 92

30 (b) Notwithstanding the changes made in secs. 1 - 23 and 25 - 91 of this Act related to
31 the change of the permanent fund dividend to a refundable income tax credit, for purposes of

Excerpts from HB 365

These pages only include those sections of the bill that are part of the Short Sectional.

29-LS1422\H

1 awarding a dividend, or considering or disputing the eligibility of an individual for a
2 permanent fund dividend, before the effective date of this Act, the Department of Revenue
3 shall apply AS 43.23 and the regulations adopted thereunder, as those statutes and regulations
4 read on the day before the effective date of this Act.

5 * Sec. 93. This Act takes effect January 1, 2017.

Sect. 93