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Changes between HB 365 ver. H and CSHB 365 ver. P 29-LS 1422

Ver. H changed the PFD to a Refundable Tax Credit and required over 40 pages of statute modifications related to this name change. Ver. P maintains the PFD system and simply allows a person to apply their PFD as a Refundable Tax Credit to their upcoming state income tax due. Because of this main difference, 43 pages were deleted from ver. P. The remaining changes are below.

Section 1 ver. P corresponds with Section 22 ver. H - One addition in ver.P directs to the general fund, 2.3% of the average market value (POMV) of the permanent fund, including the earnings reserves, for the past 5 fiscal years, including the fiscal year ended.

Section 2 ver. P corresponds with Section 24 ver. H - State Income Tax – only a few changes to the subsections as follows:

- **Subsection: Sec. 43.22.010:** Ver. P clarifies that residents will be taxed on all their income and long term capital gains regardless of which state it was earned in. Nonresidents will only be taxed on their income and long term capital gains earned within the state. The explanation of how a person's long term capital gains is reworded in ver. P but means the same as ver. H. The definition of *federal income tax due* was expanded to clarify it is after credits and deductions (typically Line 63 on 1040 form).
- **Subsection: Sec. 43.22.030:** Because Ver. P 43.22.010 (above) taxes residents on all income and long term capital gains and nonresidents on only income and long term capital gains earned within the state, in ver.P this section had to differentiate between *income* and *income from sources in the state*.
- **Subsection: Sec. 43.22.040:** In ver. P this subsection is reworded to reflect that the PFD system is maintained and a person may apply their PFD as a Refundable Tax Credit against their upcoming state income tax due, as determined under AS 43.23.092 (section 5 in ver. P).

Section 3 ver. P corresponds with Section 47 ver. H – Ver. P Keeps the term “dividend”. In ver. H, the PFD had been changed to a Refundable Tax Credit. In ver. P, the PFD is maintained (and a person has the choice on their application to apply it as a Refundable Tax Credit). Ver. P also clarifies that nothing in this subsection creates a dedicated fund.

Section 4 ver. P - Adds a new section not in ver. H: States that on Feb. 1 each year the PFD-Dept. of Revenue will estimate how much money will be appropriated from PFDs to be applied to state income taxes and into the general fund. The estimate will be based on AS 43.23.092 (see Sect. 5) and the number of residents who received a PFD and chose to apply their PFD to their upcoming income tax due. In ver. H, Section 53, money was appropriated for the Refundable Tax Credit which was replacing the PFD.

Section 5 ver. P - Adds a new section not in ver. H: AS 43.23.092: Directs the PFD-Dept. of Revenue to create a spot on the PFD application where an applicant may apply their PFD to their upcoming state income tax due. The amount applied to state income taxes will be what is remaining after any optional charitable donations to Pick Click Give or college funds, or any voluntary or involuntary garnishments are deducted. The section also directs the department to adopt regulations to implement this new process.

Section 6 ver. P corresponds with Section 94 ver. H – Repeals section:

- Ver. P adds: AS 37.13.145(c): repeals inflation proofing of the permanent fund.
- Ver. P keeps from ver. H: AS 43.20.012(b) and AS 43.20.013: these remove a former tax credit for political contributions that existed under Alaska’s prior individual income tax which was repealed in 1980.
- Ver.P does not include AS 43.05.085 which was in ver. H. This was an oversight by the Legal department and should still be repealed. 43.05.085 *List of Contributions* is related to AS 43.20.013 which is repealed in both ver. P and ver. H (see above).

Section 7 ver. P corresponds with Section 96 ver. H - This is just a section number change for the “Effective date of January 1, 2017.”