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**CS FOR HOUSE BILL NO. 115(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): HOUSE FINANCE COMMITTEE

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the permanent fund dividend; relating to the Alaska permanent  
2 fund; relating to the procurement by the Alaska Permanent Fund Corporation; relating  
3 to the management of the budget reserve fund; relating to the appropriation of certain  
4 amounts of the earnings reserve account; relating to the taxation of income of  
5 individuals, partners, shareholders in S corporations, trusts, and estates; relating to a  
6 payment against the individual income tax from the permanent fund dividend  
7 disbursement; repealing tax credits applied against the tax on individuals under the  
8 Alaska Net Income Tax Act; and providing for an effective date."

9 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

10 \* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
11 to read:

12 **SHORT TITLE.** This Act may be known as the State Revenue Restructuring Act.

1 \* **Sec. 2.** AS 36.30.015 is amended by adding a new subsection to read:

2 (l) The board of trustees of the Alaska Permanent Fund Corporation shall  
3 adopt regulations to govern the procurement of supplies, services, and professional  
4 services. The regulations must be similar to the procedures described in this chapter  
5 and in regulations adopted under this chapter. Notwithstanding any other provisions of  
6 this subsection, the Alaska Permanent Fund Corporation shall comply with the five  
7 percent preference under AS 36.30.321(a) and the requirement that contracts for legal  
8 services be approved by the attorney general under (d) of this section.

9 \* **Sec. 3.** AS 36.30.990(1) is amended to read:

10 (1) "agency"

11 (A) means a department, institution, board, commission,  
12 division, authority, public corporation, the Alaska Pioneers' Home, the Alaska  
13 Veterans' Home, or other administrative unit of the executive branch of state  
14 government;

15 (B) does not include

16 (i) the University of Alaska;  
17 (ii) the Alaska Railroad Corporation;  
18 (iii) the Alaska Housing Finance Corporation;  
19 (iv) a regional Native housing authority created under  
20 AS 18.55.996 or a regional electrical authority created under  
21 AS 18.57.020;

22 (v) the Department of Transportation and Public  
23 Facilities, in regard to the repair, maintenance, and reconstruction of  
24 vessels, docking facilities, and passenger and vehicle transfer facilities  
25 of the Alaska marine highway system;

26 (vi) the Alaska Aerospace Corporation;  
27 (vii) the Alaska Retirement Management Board;  
28 (viii) the Alaska Seafood Marketing Institute;  
29 (ix) the Alaska children's trust and the Alaska  
30 Children's Trust Board;

31 (x) the Alaska Industrial Development and Export

Authority;

**(xi) the Alaska Permanent Fund Corporation;**

\* **Sec. 4.** AS 37.05.550(b) is amended to read:

(b) The legislature may appropriate to the fund money received by the state as Alaska marine highway system program receipts or from a settlement or final judicial determination of the Dinkum Sands case (United States v. Alaska) and the North Slope royalty case (State v. Amerada Hess, et al.) and not deposited into the Alaska permanent fund under **AS 37.13.010(a)** [AS 37.13.010(a)(1) OR (2)] or into the public school trust fund under AS 37.14.150.

\* **Sec. 5.** AS 37.10.430(c) is amended to read:

(c) A special subaccount is established in the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska). Money in the subaccount shall be invested to yield higher returns than might be feasible to obtain with other money in the budget reserve fund. [IN ESTABLISHING OR MODIFYING THE INVESTMENT POLICY FOR THE SUBACCOUNT IN THE CONSTITUTIONAL BUDGET RESERVE FUND, THE COMMISSIONER OF REVENUE SHALL ASSUME THAT THOSE FUNDS WILL NOT BE NEEDED FOR AT LEAST FIVE YEARS.] Income earned on money in the subaccount shall be retained in the subaccount by the department.

\* **Sec. 6.** AS 37.13.010(a) is amended to read:

(a) Under art. IX, sec. 15, of the state constitution, there is established as a separate fund the Alaska permanent fund. The Alaska permanent fund consists of

(1) 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state from mineral leases [ISSUED ON OR BEFORE DECEMBER 1, 1979], and 25 percent of all bonuses received by the state from mineral leases [ISSUED ON OR BEFORE FEBRUARY 15, 1980]; **and**

(2) [50 PERCENT OF ALL MINERAL LEASE RENTALS, ROYALTIES, ROYALTY SALE PROCEEDS, NET PROFIT SHARES UNDER AS 38.05.180(f) AND (g), AND FEDERAL MINERAL REVENUE SHARING PAYMENTS RECEIVED BY THE STATE FROM MINERAL LEASES ISSUED AFTER DECEMBER 1, 1979, AND 50 PERCENT OF ALL BONUSES RECEIVED

1 BY THE STATE FROM MINERAL LEASES ISSUED AFTER FEBRUARY 15,  
2 1980; AND

3 (3)] any other money appropriated to or otherwise allocated by law or  
4 former law to the Alaska permanent fund.

5 \* **Sec. 7.** AS 37.13.140 is amended to read:

6 **Sec. 37.13.140. Income and market value.** Net income of the fund includes  
7 income of the earnings reserve account established under AS 37.13.145. **The**  
8 **corporation shall determine the net** [NET] income of the fund [SHALL BE  
9 COMPUTED ANNUALLY AS OF THE LAST DAY OF THE FISCAL YEAR] in  
10 accordance with generally accepted accounting principles, excluding any unrealized  
11 gains or losses. [INCOME AVAILABLE FOR DISTRIBUTION EQUALS 21  
12 PERCENT OF THE NET INCOME OF THE FUND FOR THE LAST FIVE FISCAL  
13 YEARS, INCLUDING THE FISCAL YEAR JUST ENDED, BUT MAY NOT  
14 EXCEED NET INCOME OF THE FUND FOR THE FISCAL YEAR JUST ENDED  
15 PLUS THE BALANCE IN THE EARNINGS RESERVE ACCOUNT DESCRIBED  
16 IN AS 37.13.145.]

17 \* **Sec. 8.** AS 37.13.140 is amended by adding a new subsection to read:

18 (b) The corporation shall determine the amount available for distribution each  
19 year. The amount available for distribution is 5.25 percent of the average market value  
20 of the fund for the first five of the preceding six fiscal years, including the fiscal year  
21 just ended, computed annually for each fiscal year in accordance with generally  
22 accepted accounting principles. In this subsection, "the average market value of the  
23 fund" includes the balance of the earnings reserve account established under  
24 AS 37.13.145, but does not include that portion of the principal attributed to the  
25 settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First  
26 Judicial District).

27 \* **Sec. 9.** AS 37.13.140(b), added by sec. 8 of this Act, is amended to read:

28 (b) The corporation shall determine the amount available for distribution each  
29 year. The amount available for distribution is **five** [5.25] percent of the average market  
30 value of the fund for the first five of the preceding six fiscal years, including the fiscal  
31 year just ended, computed annually for each fiscal year in accordance with generally

1 accepted accounting principles. In this subsection, "the average market value of the  
2 fund" includes the balance of the earnings reserve account established under  
3 AS 37.13.145, but does not include that portion of the principal attributed to the  
4 settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First  
5 Judicial District).

6 \* **Sec. 10.** AS 37.13.145(b) is amended to read:

7 (b) **Each** [AT THE END OF EACH] fiscal year, the **legislature may**  
8 **appropriate** [CORPORATION SHALL TRANSFER] from the earnings reserve  
9 account to the

10 **(1) principal of the fund, 0.25 percent of the average market value**  
11 **of the fund for the first five of the preceding six fiscal years, including the fiscal**  
12 **year just ended, computed annually for each fiscal year in accordance with**  
13 **generally accepted accounting principles; in this paragraph, "average market**  
14 **value of the fund" has the meaning given in AS 37.13.140(b);**

15 **(2) dividend fund established under AS 43.23.045, 33** [50] percent of  
16 the **amount** [INCOME] available for distribution under **AS 37.13.140(b); and**

17 **(3) general fund, 67 percent of the amount available for**  
18 **distribution under AS 37.13.140(b)** [AS 37.13.140].

19 \* **Sec. 11.** AS 37.13.145(d) is amended to read:

20 (d) **Income** [NOTWITHSTANDING (b) OF THIS SECTION, INCOME]  
21 earned on money awarded in or received as a result of State v. Amerada Hess, et al.,  
22 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement,  
23 summary judgment, or adjustment to a royalty-in-kind contract that is tied to the  
24 outcome of this case, or interest earned on the money, or on the earnings of the money  
25 shall be treated in the same manner as other income of the Alaska permanent fund,  
26 except that it is not available for distribution [TO THE DIVIDEND FUND OR FOR  
27 TRANSFERS TO THE PRINCIPAL] under **(b)** [(c)] of this section, and shall be  
28 annually deposited into the Alaska capital income fund (AS 37.05.565).

29 \* **Sec. 12.** AS 37.13.145 is amended by adding new subsections to read:

30 (e) Each year that the balance of the earnings reserve account exceeds four  
31 times the amount calculated for appropriations under (b) and (f) of this section, after

1 the appropriations under (b) and (f) of this section, the legislature may appropriate  
2 from the earnings reserve account to the principal of the fund the lesser of the

3 (1) amount by which the balance of the earnings reserve account  
4 exceeds four times the amount calculated for appropriations under (b) and (f) of this  
5 section; or

6 (2) cumulative amount of inflation on the principal of the fund  
7 between the current fiscal year and June 30, 2015, less amounts transferred after  
8 June 30, 2015, to the fund to offset the effect of inflation on the principal of the fund.

9 (f) After the appropriations under (b) of this section, but before the  
10 appropriation under (e) of this section, for fiscal years 2018 and 2019, the legislature  
11 may appropriate from the earnings reserve account an additional amount, if necessary,  
12 to provide a dividend of at least \$1,250 for each individual.

13 \* **Sec. 13.** AS 37.13.145(e), added by sec. 12 of this Act, is amended to read:

14 (e) Each year that the balance of the earnings reserve account exceeds four  
15 times the amount calculated for appropriations under (b) [AND (f)] of this section,  
16 after the appropriations under (b) [AND (f)] of this section, the legislature may  
17 appropriate from the earnings reserve account to the principal of the fund the lesser of  
18 the

19 (1) amount by which the balance of the earnings reserve account  
20 exceeds four times the amount calculated for appropriations under (b) [AND (f)] of  
21 this section; or

22 (2) cumulative amount of inflation on the principal of the fund  
23 between the current fiscal year and June 30, 2015, less amounts transferred after  
24 June 30, 2015, to the fund to offset the effect of inflation on the principal of the fund.

25 \* **Sec. 14.** AS 37.13.150 is amended to read:

26 **Sec. 37.13.150. Corporation budget.** The revenue generated by the fund's  
27 investments must be identified as the source of the operating budget of the corporation  
28 in the state's operating budget under AS 37.07 (Executive Budget Act). The  
29 unexpended balance of the corporation's annual operating budget does not lapse at the  
30 end of the fiscal year but shall be treated as income **and part of the market value of**  
31 **the fund** under AS 37.13.140.

1 \* **Sec. 15.** AS 37.13.300(c) is amended to read:

2 (c) Net income from the mental health trust fund may not be included in the  
3 computation of net income or market value available for distribution under  
4 AS 37.13.140.

5 \* **Sec. 16.** AS 43.05.045(a) is amended to read:

6 (a) Except as provided in AS 43.22.070(h), or unless [UNLESS] an  
7 exemption is granted under (b) of this section, a taxpayer required to submit a return  
8 or report for a tax levied under this title or for any other tax administered by the  
9 department shall submit the return or report electronically in a format prescribed by  
10 the department. Failure to comply with this section may result in a civil penalty under  
11 AS 43.05.220(f). If a law under this title requires a report or return or a portion of a  
12 report or return to be in writing, an electronically filed report or return satisfies this  
13 section. A taxpayer shall submit attachments to a report or return required under this  
14 title electronically.

15 \* **Sec. 17.** AS 43 is amended by adding a new chapter to read:

16 **Chapter 22. Individual Income Tax.**

17 **Sec. 43.22.010. Income tax on individuals.** (a) Each calendar year or fraction  
18 of a calendar year, an income tax is imposed on the income

19 (1) of a resident;

20 (2) derived from or connected with a source in the state of a  
21 nonresident.

22 (b) The tax under this section for an individual is determined as follows:

23	If the taxable income is	Then the tax is
24	Less than \$10,300	\$0
25	\$10,300 but less than \$50,000	2.5 percent of the amount in
26		excess of \$10,300
27	\$50,000 but less than \$100,000	\$992.50 plus 4 percent of the amount
28		in excess of \$50,000
29	\$100,000 but less than \$200,000	\$2,992.50 plus 5 percent of the
30		amount in excess of \$100,000
31	\$200,000 but less than \$250,000	\$7,992.50 plus 6 percent of the

1 amount in excess of \$200,000  
 2 \$250,000 or more \$10,992.50 plus 7 percent of the  
 3 amount in excess of \$250,000.

4 (c) Except as otherwise provided in this section, the tax under this section for  
 5 two individuals who file a joint federal income tax return is determined as follows:

6 If the taxable income is	7 Then the tax is
7 Less than \$22,600	\$0
8 \$22,600 but less than \$100,000	2.5 percent of the amount in 9 excess of \$22,600
10 \$100,000 but less than \$200,000	\$1,935 plus 4 percent of the amount in 11 excess of \$100,000
12 \$200,000 but less than \$400,000	\$5,935 plus 5 percent of the amount in 13 excess of \$200,000
14 \$400,000 but less than \$500,000	\$15,935 plus 6 percent of the amount 15 in excess of \$400,000
16 \$500,000 or more	\$21,935 plus 7 percent of the amount 17 in excess of \$500,000.

18 (d) An individual who is eligible to file a joint federal income tax return but  
 19 who files an individual federal income tax return shall determine the tax imposed by  
 20 this chapter under (b) of this section.

21 (e) Two resident individuals who are eligible to file a joint federal income tax  
 22 return but who do not, individually or jointly, file a federal income tax return may  
 23 elect to determine the tax imposed by this chapter either

- 24 (1) individually under (b) of this section; or
- 25 (2) jointly under (c) of this section.

26 (f) Two individuals who file a joint federal income tax return one or both of  
 27 whom is not a resident may elect to determine the tax imposed by this chapter either

- 28 (1) individually under (b) of this section; or
- 29 (2) jointly under (c) of this section, as if both individuals were  
 30 residents; the income of the individuals filing jointly under this paragraph is not  
 31 subject to allocation under AS 43.22.015.



1           **Sec. 43.22.015. Allocation of individual income.** Except as otherwise  
2 provided in this chapter, the tax on a nonresident individual is the product of the tax  
3 determined under AS 43.22.010(b) on the nonresident individual's taxable income  
4 computed as if the nonresident individual were a resident individual, multiplied by a  
5 fraction, the numerator of which is the nonresident individual's taxable income and the  
6 denominator of which is the nonresident individual's taxable income computed as if  
7 the nonresident individual were a resident individual. However, if a nonresident  
8 individual's taxable income computed as if the nonresident individual were a resident  
9 individual is less than the nonresident individual's taxable income, the tax imposed by  
10 this chapter is on the nonresident individual's taxable income.

11           **Sec. 43.22.020. Tax on trusts and estates.** (a) A seven percent tax is imposed  
12 for each taxable year or portion of taxable year on the taxable income of a resident or  
13 nonresident trust or estate. A tax of 2.5 percent is imposed on the taxable income of a  
14 nonresident or resident Alaska Native Settlement Trust that has elected for alternative  
15 federal tax treatment under 26 U.S.C. 646 (Internal Revenue Code). In this section, the  
16 taxable income of a nonresident trust or estate is the income of the trust or estate that  
17 is derived from or connected with a source in the state.

18           (b) A trust is not subject to tax under this chapter if

- 19                   (1) all of the trustees of the trust are nonresidents;  
20                   (2) the entire corpus of the trust, including real, tangible, and  
21 intangible property, is located outside the state; and  
22                   (3) no income or gains of the trust are derived from or connected with  
23 a source in the state.

24           (c) For purposes of (b)(1) of this section, a trustee that is a nonresident  
25 banking corporation at the time the banking corporation becomes a trustee is a  
26 nonresident trustee until the banking corporation later becomes a resident trustee  
27 because it is acquired by or becomes an office or branch of a resident trustee.

28           **Sec. 43.22.025. Credit for income taxes imposed by other jurisdictions.** (a)  
29 A resident individual, trust, or estate or part-year resident individual, trust, or estate of  
30 the state is allowed a credit against the tax due under this chapter for an income tax  
31 that was imposed on the resident or part-year resident for the taxable year by another

1 state or the political subdivision of another state on income derived from or connected  
2 with that state or political subdivision.

3 (b) A credit allowed under (a) of this section

4 (1) for a resident individual, trust, or estate may not exceed the  
5 individual's, trust's, or estate's tax due under this chapter before credits are applied,  
6 multiplied by a ratio, the numerator of which is the portion of the individual's, trust's,  
7 or estate's taxable income that is derived from or connected with a source in another  
8 state or the political subdivision of another state and the denominator of which is the  
9 resident individual's, trust's, or estate's taxable income;

10 (2) for a part-year resident individual, trust, or estate may not exceed  
11 the individual's, trust's, or estate's tax due for the period of state residency before  
12 credits are applied, multiplied by a ratio, the numerator of which is the individual's,  
13 trust's, or estate's taxable income derived from or connected with a source in another  
14 state or the political subdivision of another state during the period of state residency  
15 and the denominator of which is the part-year resident individual's, trust's, or estate's  
16 taxable income during the period of state residency;

17 (3) may not reduce the tax due under this chapter to less than the tax  
18 that would have been due if the income derived from or connected with a source in  
19 another state or the political subdivision of another state and subject to taxation by the  
20 other state or political subdivision had been excluded from the resident or part-year  
21 resident individual's, trust's, or estate's taxable income during the calculation of tax  
22 under this chapter before the application of credits.

23 (c) If the tax administration of another state or a political subdivision of  
24 another state determines that a taxpayer has overpaid tax, affecting the computation of  
25 the credit allowed under this section for any taxable year, the taxpayer shall file an  
26 amended return with the department not later than 90 days after the final determination  
27 by the state or political subdivision that the tax was overpaid. The department may  
28 assess a taxpayer additional tax, proportional to the amount overpaid in the other state  
29 or political subdivision.

30 (d) A taxpayer is not allowed a credit under this section for taxes paid to  
31 another jurisdiction if the taxpayer has or will claim a credit against the income tax

1 imposed by the other jurisdiction for the tax paid or payable under this chapter.

2 (e) Income tax imposed on a partner or the shareholder of an S corporation on  
3 the income of the partnership or S corporation, including tax paid by the partnership or  
4 S corporation to satisfy the tax liability of the partner or shareholder, may be included  
5 in the calculation of a credit under this section. Tax imposed on the partnership or S  
6 corporation that is the direct liability of the partnership or S corporation and not that of  
7 the partner or shareholder may not be included in the calculation of a credit under this  
8 section.

9 **Sec. 43.22.030. Taxable income; general rule.** (a) In this chapter, taxable  
10 income is the taxpayer's federal adjusted gross income for the taxable year

11 (1) plus, if not already included in federal adjusted gross income,

12 (A) interest on obligations of another state, a political  
13 subdivision of another state, the public instrumentality of another state, or the  
14 local authority of another state;

15 (B) interest or dividends on obligations or securities issued by  
16 the United States, or an authority, commission, or instrumentality of the United  
17 States, that the Internal Revenue Code exempts from federal income tax but  
18 does not prevent from including;

19 (C) income taxes under this chapter;

20 (D) a gain realized but not recognized under 26 U.S.C. 1031  
21 (Internal Revenue Code); and

22 (E) a deduction allowed in the determination of federal  
23 adjusted gross income that is related to income that is not taxable under this  
24 chapter;

25 (2) minus, if included in federal adjusted gross income,

26 (A) interest income or a dividend from an obligation that is  
27 exempt from taxation by a state under federal law;

28 (B) a refund or credit for the overpayment of an income tax;

29 (C) an ordinary and necessary expense, including an interest  
30 expense, paid or incurred during the taxable year that is related to income  
31 exempt under the Internal Revenue Code but taxable by a state;

1 (D) a gain recognized under 26 U.S.C. 1031 (Internal Revenue  
2 Code) that was included in federal adjusted gross income under (1) of this  
3 subsection;

4 (E) income exempt under 4 U.S.C. 114;

5 (F) compensation prohibited from state taxation by 50 U.S.C.  
6 3901-4043 (Servicemembers Civil Relief Act);

7 (G) a permanent fund dividend received under AS 43.23; and

8 (H) \$4,000 for each exemption claimed on the taxpayer's  
9 federal income tax return for the individual, an individual filing jointly with the  
10 individual, or a dependent of the individual.

11 (b) When calculating taxable income, a taxpayer

12 (1) may not carry back a net operating loss under 26 U.S.C.  
13 172(b)(1)(A)(i) (Internal Revenue Code);

14 (2) may carry over a net operating loss under 26 U.S.C.  
15 172(b)(1)(A)(ii) (Internal Revenue Code), except that a loss may not be carried over  
16 for more than five years; for a taxpayer subject to AS 43.19 (Multistate Tax Compact),  
17 the amount of a net operating loss allowed to be carried over is limited to the amount  
18 apportioned to the state in the taxable year in which the loss was generated under  
19 AS 43.19 (Multistate Tax Compact);

20 (3) shall include the modifications required by AS 43.20.144(b)(2),  
21 concerning intangible drilling and development costs, AS 43.20.144(b)(3), concerning  
22 percentage depletion, and AS 43.20.144(b)(3), concerning depreciation.

23 **Sec. 43.22.035. Taxable income from partnerships and S corporations.** (a)

24 An individual that, during the taxable year, has income from a partnership or S  
25 corporation or a gain, loss, or deduction from a partnership or S corporation shall  
26 make an adjustment to taxable income described in AS 43.22.030 in proportion to the  
27 partner's or shareholder's distributive share of the adjustment. If a partner's or  
28 shareholder's distributive share of an adjustment is not required to be accounted for  
29 separately for federal income tax purposes, the partner's or shareholder's share of the  
30 adjustment must be determined in proportion to the partner's or shareholder's share of  
31 partnership or S corporation income or losses for federal income tax purposes.

1 (b) In determining taxable income, a partner or shareholder shall treat income  
2 from a partnership or S corporation or a gain, loss, or deduction from a partnership or  
3 S corporation as if it has the same character as it does for federal income tax purposes.  
4 If income from a partnership or S corporation or a gain, loss, or deduction from a  
5 partnership or S corporation is not accounted for separately for federal income tax  
6 purposes, a partner or shareholder shall treat it as if the income or gain, loss, or  
7 deduction was realized directly from the source from which it was realized by the  
8 partnership or S corporation or incurred in the same manner in which it was incurred  
9 by the partnership or S corporation.

10 (c) If the principal purpose of a special allocation of partnership income or a  
11 partnership gain, loss, or deduction is the avoidance or evasion of tax under this  
12 chapter, the partner's distributive share is determined as if the partnership agreement  
13 did not contain the special allocation. In this subsection, "special allocation" means an  
14 allocation of the distributive share of partnership income or a partnership gain, loss,  
15 expense, or deduction made under the partnership agreement to a partner in a  
16 proportion different than the partner's partnership interest.

17 **Sec. 43.22.040. Taxable income of an estate, trust, or beneficiary.** (a) The  
18 taxable income of an estate or trust is determined as if the estate or trust were an  
19 individual and is subject to adjustments under AS 43.22.030 and reduction under  
20 section 26 U.S.C. 661 (Internal Revenue Code). The department may establish in  
21 regulation the method for determining the taxable income of an estate or trust,  
22 including the manner in which the adjustments under AS 43.22.030 will be allocated  
23 between the estate's or trust's taxable share and a beneficiary's distributive share.  
24 Unless otherwise provided by the department in regulation, an allocation must be  
25 made in proportion to the estate's or trust's taxable share or the beneficiary's  
26 distributive share of the trust or estate for federal income tax purposes.

27 (b) If the principal purpose for a provision of an instrument directing the  
28 distribution of income or a gain or loss of an estate or trust is the avoidance or evasion  
29 of tax under this chapter, the taxable income of the estate, trust, or beneficiary shall be  
30 determined as if the instrument did not contain that provision.

31 **Sec. 43.22.045. Nonresident individuals; income derived from or**

1 **connected with a source in the state.** (a) The taxable income of a nonresident  
2 individual is the nonresident individual's income that is derived from or connected  
3 with a source in the state, as adjusted under AS 43.22.030. Taxable income of a  
4 nonresident individual includes

5 (1) a partner's distributive share of partnership income or a gain, loss,  
6 or deduction of a partnership as determined under AS 43.22.050;

7 (2) a shareholder's pro rata share of an S corporation's net income or  
8 loss, increased by the reductions for taxes described in 26 U.S.C. 1366(f)(2) and (3)  
9 (Internal Revenue Code), as determined under AS 43.22.050;

10 (3) income or loss of a business conducted by a nonresident individual,  
11 nonresident estate, or nonresident trust, other than income or loss from a partnership or  
12 S corporation, as determined under AS 43.22.050;

13 (4) the share of estate or trust income or a gain, loss, or deduction  
14 determined under AS 43.22.055;

15 (5) income or a gain, loss, or deduction from the sale or assignment of  
16 a beneficial interest, or other disposition of an interest in tangible personal property in  
17 the state, or rental income or loss from the use of tangible personal property in the  
18 state; if the income or gain, loss, or deduction is from tangible personal property used  
19 or employed both in and outside the state, the amount included in taxable income is  
20 determined by multiplying the income or gain, loss, or deduction by a fraction, the  
21 denominator of which is the total number of days during the taxable year that the  
22 property was used or employed to earn, accrue, or incur the income or gain, loss, or  
23 deduction and the numerator of which is the number of the days during which the  
24 property was used or employed to earn, accrue, or incur the income or gain, loss, or  
25 deduction in the state;

26 (6) income or a gain, loss, or deduction from the sale or assignment of  
27 a beneficial interest, or other disposition of an interest in real property in the state, or  
28 rental income or loss from the use of real property in the state, including the  
29 percentage of ordinary and capital gains received from a real estate investment trust,  
30 as defined in 26 U.S.C. 856 (Internal Revenue Code), that is attributable to rents from  
31 or sale or other disposition of real property located in the state; in this paragraph,

1 income or a gain, loss, or deduction from the sale, assignment of a beneficial interest,  
2 or other disposition of real property in the state includes income or a gain, loss, or  
3 deduction derived from the sale or assignment of a beneficial interest in a partnership,  
4 S corporation, nonpublicly traded C corporation with 100 or fewer shareholders,  
5 estate, or trust, if the entity owns real property in the state that has a fair market value  
6 equal to or exceeding 50 percent of all assets of the entity on the date of sale,  
7 assignment, or other disposition of the taxpayer's interest in the entity; for purposes of  
8 this paragraph,

9 (A) only assets owned for at least two years before the date of  
10 the sale, assignment, or other disposition of an interest in the entity shall be  
11 used to determine the fair market value of all of the assets of the entity on the  
12 date of sale, assignment, or other disposition; and

13 (B) the amount of income or a gain, loss, or deduction derived  
14 from or connected with a source in the state from the sale, assignment, or other  
15 disposition of an interest in an entity that is subject to the provisions of this  
16 paragraph is the amount recognized for federal income tax purposes related to  
17 the sale, assignment, or disposition, multiplied by a fraction, the numerator of  
18 which is the fair market value of the real property located in the state on the  
19 date of sale, assignment, or disposition and the denominator of which is the fair  
20 market value of all of the assets of the entity on the date of the sale,  
21 assignment, or disposition;

22 (7) income derived from a business, trade, profession, occupation, or  
23 employment carried on in the state, including

24 (A) compensation, salary, or wages for personal services  
25 rendered or performed in the state, including personal services, but not  
26 including a personal service that is casual, isolated, inconsequential, or  
27 ancillary to an out-of-state service that is

28 (i) performed in connection with presenting or receiving  
29 employment-related training or education in the state;

30 (ii) performed in connection with a site inspection,  
31 review, analysis, or management or any other supervision of a facility

1 located in the state;

2 (iii) performed in connection with research and  
3 development at a facility located in the state or in connection with the  
4 installation of new or upgraded equipment or systems at that facility;

5 (iv) performed as part of a project team working on the  
6 attraction or implementation of new investment in a facility located or  
7 planned to be located in the state;

8 (v) performed in connection with fishing, farming, or  
9 agriculture in the state; or

10 (vi) received from the federal government for services  
11 performed in the state;

12 (B) income received under a covenant not to compete, a  
13 severance agreement, a termination agreement, or unemployment  
14 compensation insurance attributable to a business, trade, profession,  
15 occupation, or employment previously carried on in the state, regardless of  
16 when received;

17 (C) income derived from a business, trade, profession,  
18 occupation, or employment carried on in the state by an individual who  
19 maintains or operates an office, shop, store, warehouse, boat, plane, factory,  
20 agency, or other place where the individual's affairs are systematically and  
21 regularly carried on, regardless of other transactions carried on outside the  
22 state; this subparagraph does not include income from an activity of an  
23 individual whose presence in the state is casual, isolated, inconsequential, or  
24 ancillary to out-of-state activities, except that, if a business, trade, profession,  
25 occupation, or employment is carried on partly in and partly outside the state,  
26 other than for the rendering of purely personal services by the individual, the  
27 taxable income derived from or connected with a source in the state is  
28 determined under AS 43.19 (Multistate Tax Compact) and AS 43.22.030;

29 (8) income from the management or investment function or activities  
30 conducted in the state from intangible property;

31 (9) dividends, interest, payments received under an annuity, gains, or



1 other intangible income received from, or attributable to, intangible personal property,  
2 including stock, bonds, notes, bank deposits, or annuities, if the intangible personal  
3 property is employed in a business, trade, profession, occupation, or employment  
4 carried on in the state;

5 (10) a gain derived by a nonresident individual from a statutory stock  
6 option, restricted stock, nonstatutory stock option, or stock appreciation right, who, at  
7 the time the gain is received, performs services in the state for or is employed in the  
8 state by the corporation granting the option, stock, or right, as determined in  
9 regulations adopted by the department;

10 (11) income from nonqualified deferred compensation plans  
11 attributable to services performed in the state, including compensation included in  
12 federal gross income under 26 U.S.C. 457A (Internal Revenue Code);

13 (12) proceeds from a gambling activity conducted in the state or lottery  
14 tickets purchased in the state, including payments received from a third party for the  
15 transfer of the rights to future proceeds related to a gambling activity in the state or  
16 lottery tickets purchased in the state;

17 (13) for an S corporation that terminates its taxable status in the state  
18 during the tax year, income or a gain recognized on the receipt of payments from an  
19 installment sale contract entered into at the time the S corporation was subject to tax in  
20 the state, allocated consistent with the applicable methods and rules under this chapter;

21 (14) royalties or other compensation received for the use of a patent,  
22 copyright, secret process or formula, good will, mark, trade brand, franchise, or other  
23 property having a taxable or business situs in the state;

24 (15) royalties or other compensation received for the use of a patent if  
25 the patent is employed in production, fabrication, manufacturing, or other process in  
26 the state;

27 (16) income or a gain from the disposition of an asset if the  
28 acquisition, management, or disposition of the asset constitutes an integral part of the  
29 nonresident individual's regular trade or business operation;

30 (17) income from the transmission, broadcast, distribution, or  
31 dissemination of a service directly or indirectly attributable to the performance in the

1 state of an athlete, entertainer, singer, musician, dancer, comedian, magician,  
2 performing artist, actor, actress, or similar person, including syndication fees.

3 (b) A deduction included in taxable income that results from a capital loss,  
4 passive activity loss, or net operating loss must be based solely on income or a gain,  
5 loss, or deduction derived from or connected with a source in the state. A nonresident  
6 individual shall treat a deduction under this subsection in the same manner as the  
7 corresponding federal deduction, unless the department requires otherwise in  
8 regulation.

9 **Sec. 43.22.050. Business conducted by a nonresident individual, trust, or**  
10 **estate; income derived from or connected with a source in the state.** The  
11 department shall adopt regulations governing the amount of income or a gain, loss, or  
12 deduction from a business conducted by a nonresident individual, trust, or estate that is  
13 derived from or connected with a source in the state for purposes of determining  
14 taxable income. Regulations adopted under this subsection must be consistent with  
15 AS 43.19 (Multistate Tax Compact) and AS 43.22.045 and include adjustments under  
16 AS 43.22.030. The department may by regulation require a taxpayer to allocate rather  
17 than apportion income or a gain, loss, or deduction under this section.

18 **Sec. 43.22.055. Nonresident trust, estate, or beneficiary; income derived**  
19 **from or connected with a source in the state.** (a) The department shall adopt  
20 regulations governing whether the income or a gain or loss of a nonresident estate or  
21 nonresident trust is taxable income derived from or connected with a source in the  
22 state. Regulations adopted under this subsection must be consistent with the remainder  
23 of this section and AS 43.22.045.

24 (b) A nonresident beneficiary shall include in taxable income derived from or  
25 connected with a source in the state a distribution from an estate or trust as if the  
26 nonresident beneficiary earned or incurred the income, gain, or loss attributable to the  
27 distribution directly from the source. For purposes of this subsection, the department  
28 may establish one or more methods for a nonresident beneficiary to determine the  
29 income or a gain or loss attributable to a distribution. The department shall  
30 consistently apply a method from year to year and apply the same method to other  
31 nonresident beneficiaries of the same trust or estate. Nothing in this subsection

1 requires the department to give effect to a provision of an instrument creating an estate  
2 or trust if the department reasonably believes that the principal purpose of the  
3 provision is to avoid or evade the tax imposed under this chapter.

4 **Sec. 43.22.060. Part-year resident individual, trust, or estate; residency**  
5 **income; income derived from or connected with a source in the state.** (a) Except as  
6 otherwise provided in this section, the taxable income of a part-year resident  
7 individual, trust, or estate is the sum of

8 (1) the taxable income of the part-year resident individual, trust, or  
9 estate during the period of residency; and

10 (2) the taxable income derived from or connected with a source in the  
11 state for the period of nonresidency of the individual, trust, or estate.

12 (b) The department shall adopt regulations to determine the taxable income of  
13 a part-year resident taxpayer who is granted a statutory stock option, restricted stock,  
14 nonstatutory stock option, or a stock appreciation right and who, during the grant  
15 period, performs services in the state for, or is employed in the state by, the  
16 corporation granting the option, stock, or right.

17 **Sec. 43.22.065. Determination of taxable year and method of accounting.**

18 (a) For purposes of the tax imposed under this chapter, a taxpayer's

19 (1) taxable year is the same as the taxpayer's taxable year for federal  
20 income tax purposes; and

21 (2) method of accounting is the same as the taxpayer's method of  
22 accounting for federal income tax purposes.

23 (b) The department shall adopt regulations to determine the taxable income of  
24 a taxpayer whose method of accounting changes during a taxable year or between  
25 taxable years.

26 **Sec. 43.22.070. Returns and payment of taxes.** (a) A person required to pay  
27 tax under this chapter shall file with the department a return setting out

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

29 (2) other information necessary to carry out this chapter, as required by  
30 the department in regulation.

31 (b) A return filed under this chapter must be made under oath and on penalty

1 of perjury.

2 (c) The total amount of tax imposed by this chapter is due and payable to the  
3 department at the same time and in the same manner as the federal individual income  
4 tax payable to the United States Internal Revenue Service.

5 (d) A taxpayer, upon request by the department, shall furnish to the  
6 department a true and correct copy of a return that the taxpayer has filed with the  
7 United States Internal Revenue Service.

8 (e) A taxpayer shall notify the department in writing of an alteration in, or  
9 modification of, the taxpayer's federal income tax return and of a recomputation of tax  
10 or determination of deficiency, whether with or without assessment. A full statement  
11 of the facts must accompany the notice. A taxpayer shall file the notice not later than  
12 60 days after the final determination of the alteration, modification, recomputation, or  
13 deficiency and shall pay any additional tax due under this chapter at that time. In this  
14 subsection, "final determination" means the time that an amended federal return is  
15 filed, a notice of deficiency or an assessment is mailed to the taxpayer by the Internal  
16 Revenue Service, and the taxpayer has exhausted rights of appeal under federal law.

17 (f) The department may credit or refund overpayments of taxes, taxes  
18 erroneously or illegally assessed or collected, penalties collected without authority,  
19 and taxes that are found unjustly assessed or excessive in amount, or otherwise  
20 wrongfully collected. The department shall, in regulation, set limitations, specify the  
21 manner in which claims for credits or refunds are made, and give notice of allowance  
22 or disallowance. When a refund is allowed to a taxpayer, the refund may be paid out  
23 of the general fund on a warrant issued under a voucher approved by the department.

24 (g) A partnership, S corporation, estate, or trust shall provide to its partners,  
25 beneficiaries, or shareholders, and to the department, all information necessary for its  
26 partners, beneficiaries, and shareholders to comply with this chapter.

27 (h) A taxpayer is not required to file a return under this section electronically,  
28 but a person employed to prepare and file income tax returns shall file the returns for  
29 those taxpayers electronically.

30 **Sec. 43.22.075. Tax withholding on wages of individuals and independent**  
31 **contractors.** (a) Every employer making payment of wages or salaries

1 (1) shall deduct and withhold an amount of tax computed in a manner  
2 to approximate the amount of tax due on those wages and salaries under this chapter  
3 for that taxable year;

4 (2) shall remit the tax withheld to the department accompanied by a  
5 return on a form prescribed by the department at the times required by the department  
6 by regulation;

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

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

14 (A) the name and taxpayer identification number of the  
15 employer;

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

17 (C) the total amount of wages and salary for the taxable year;

18 and

19 (D) the total amount deducted and withheld as tax under this  
20 chapter for the taxable year.

21 (b) The department shall publish the rate of withholding required by this  
22 section. Regulations adopted under this section shall require a person paying an  
23 independent contractor to withhold a portion of the amount paid to the independent  
24 contractor.

25 **Sec. 43.22.080. Withholding on nonresident partners; composite returns.**

26 (a) Unless otherwise provided by this section, a partnership that is required to file an  
27 annual information return under subchapter K of the Internal Revenue Code (26  
28 U.S.C. 701 - 777) shall file a partnership return as prescribed by the department and  
29 shall report any items of income or gain, loss, or deduction that are derived from or  
30 connected with a source in the state, as determined under this chapter.

31 (b) A partnership that is required to file a return under (a) of this section shall

1 withhold income tax from a nonresident partner's distributive share of the partnership's  
2 items of income or gain, loss, or deduction derived from or connected with a source in  
3 the state at the highest marginal income tax rate applicable to individuals for the  
4 taxable year.

5 **Sec. 43.22.085. Permanent fund tax payment.** The department shall adopt  
6 regulations establishing procedures for an individual eligible for a dividend under  
7 AS 43.23.005 to direct the department to hold all or a part of the amount of the  
8 dividend to pay the tax due under this chapter. The amount held under this section  
9 may not exceed the dividend amount after contributions, garnishments, levies, fees,  
10 attachments, assignments, or other reductions or donations allowed under AS 43.23.  
11 The department shall apply the amount held under this section to tax owed in the  
12 taxable year in which the taxpayer applies for the dividend. The department shall  
13 refund the amount of the dividend not applied against taxes under this section to the  
14 individual who appears on the application for the dividend.

15 **Sec. 43.22.090. Administration.** (a) The department shall adopt necessary  
16 regulations and forms to implement and interpret this chapter, including regulations  
17 and forms for the electronic filing and payment of tax due under this chapter. Federal  
18 regulations issued under the Internal Revenue Code shall be considered persuasive  
19 authority in interpreting any provision of the Internal Revenue Code on which the tax  
20 imposed by this chapter relies, whether or not a federal regulation has been  
21 specifically incorporated into a department regulation, unless the federal regulation

22 (1) conflicts with a provision of this chapter;

23 (2) conflicts with a regulation adopted by the department; or

24 (3) is inconsistent with the purposes of this chapter.

25 (b) A transaction or payment between related parties must have economic  
26 substance, must serve a bona fide business purpose, and must not have occurred for  
27 the primary purpose of lowering the tax due under this chapter. The department, upon  
28 review or audit of a taxpayer's return, may determine whether there is sufficient  
29 documentation or whether a transaction or payment meets the requirements of this  
30 subsection. If the department determines that the documentation or the transaction or  
31 payment fail to meet the requirements of this subsection, the department may adjust

1 the amount of a payment or transaction, disregard the payment or transaction, or make  
2 another adjustment necessary for determining the tax under this chapter. If a payment  
3 in an amount greater than \$500,000 is made, or is required to be made, from one party  
4 to a related party, the parties shall submit documentation substantiating that the  
5 amount of the payment is consistent with 26 U.S.C. 482 (Internal Revenue Code).  
6 Payments subject to this subsection include payments for interest, royalties,  
7 management fees, services, inventory, tangible personal property, intangible property,  
8 and real property.

9 (c) A tax deficiency assessed by the department under this section is assumed  
10 to be correct, and a taxpayer has the burden of proving that the tax deficiency is  
11 erroneous.

12 (d) The department shall adjust the income bracket amounts in  
13 AS 43.22.010(b) and (c) and the amount of the exemption under  
14 AS 43.22.030(a)(2)(H) biennially for inflation from calendar year 2018 using the  
15 Consumer Price Index for all urban consumers for Anchorage prepared by the Bureau  
16 of Labor Statistics, United States Department of Labor. The department shall round  
17 amounts under this subsection to the nearest \$100 and publish the adjusted amounts.

18 **Sec. 43.22.095. References to Internal Revenue Code.** (a) Unless the  
19 provision is inconsistent with this chapter or a regulation adopted under this chapter,  
20 the provisions of the Internal Revenue Code as now in effect or hereafter amended that  
21 are mentioned in this chapter are incorporated in this chapter by reference and have  
22 effect as though fully set out in this chapter.

23 (b) When provisions of the Internal Revenue Code incorporated by reference  
24 as provided in (a) of this section refer to rules and regulations adopted by the United  
25 States Commissioner of Internal Revenue, or hereafter adopted, they are regarded as  
26 regulations adopted by the department under and in accordance with the provisions of  
27 this chapter, unless and until the department adopts specific regulations in their place  
28 conformable with this chapter.

29 **Sec. 43.22.150. Definitions.** In this chapter,

30 (1) "domicile" means an individual's true, fixed, principal, and  
31 permanent home, to which the individual intends to return even though currently

1 living elsewhere; if an individual has two or more homes, "domicile" means the one  
2 that the individual regards and uses as the individual's more permanent home; once  
3 established, a domicile remains as such until an individual demonstrates a real change  
4 of intent and moves to a new domicile; indications of domicile include the

5 (A) location of the place of employment of the individual;

6 (B) location of real property owned by the individual;

7 (C) registration and physical location of motor vehicles, planes,  
8 boats, and snow machines owned by the individual;

9 (D) location of a bank account or active checking account of  
10 the individual;

11 (E) address where the individual receives mail;

12 (F) location of a school where the individual or a member of  
13 the individual's immediate family

14 (i) attends; or

15 (ii) receives resident tuition;

16 (G) location of an organization of which the individual is a  
17 member;

18 (H) location of a parent, child, grandchild, or great grandchild;

19 (I) location of dental and medical personnel that provide  
20 services to the individual on a regular or consistent basis;

21 (J) filing of a prior year tax return by the individual as a  
22 resident or nonresident;

23 (K) location where an individual is registered to vote;

24 (L) location where an individual holds a resident fishing,  
25 hunting, or trapping license;

26 (2) "federal adjusted gross income" has the meaning given to "adjusted  
27 gross income" in 26 U.S.C. 62;

28 (3) "fiduciary" means a guardian, trustee, executor, administrator,  
29 receiver, conservator, or a person, whether individual or corporate, acting in a similar  
30 position of special confidence toward another;

31 (4) "Internal Revenue Code" means the Internal Revenue Code of 1986



1 (26 U.S.C. 1 et seq.), as amended, and regulations issued thereunder, if the regulations  
2 are consistent with this chapter;

3 (5) "irrevocable trust" means a trust or portion of a trust that is not  
4 subject to a power to revest title in a person whose property constitutes the trust or a  
5 portion of the trust;

6 (6) "nonresident corporation" means a corporation whose place of  
7 management and control is outside the state;

8 (7) "nonresident estate" means an estate other than a resident estate or  
9 part-year resident estate;

10 (8) "nonresident individual" means an individual who is not a resident  
11 of the state for any portion of the taxable year;

12 (9) "nonresident trust" means a trust other than a resident trust or a  
13 part-year resident trust;

14 (10) "partner" means a partner as defined in 26 U.S.C. 7701(a)  
15 (Internal Revenue Code) and includes a member of a limited liability company or  
16 similar entity that is treated as a partnership for federal income tax purposes;

17 (11) "partnership" means an entity as defined in 26 U.S.C. 7701(a)  
18 (Internal Revenue Code) and includes a limited liability company and a similar entity  
19 treated as a partnership for federal income tax purposes;

20 (12) "part-year resident estate" means an estate that is a resident of the  
21 state for a portion of and not the entire taxable year;

22 (13) "part-year resident individual" means an individual who is a  
23 resident of the state for a portion of and not the entire taxable year;

24 (14) "part-year resident trust" means a trust that is a resident of the  
25 state for a portion of and not the entire taxable year;

26 (15) "related parties" means any parties that satisfy the definition of a  
27 related party in 26 U.S.C. 144, 147, or 267 (Internal Revenue Code);

28 (16) "resident corporation" means a corporation whose place of  
29 management and control is in the state;

30 (17) "resident estate" means the estate of a

31 (A) decedent who at the time of death was a resident of the

1 state, regardless of the residence of the fiduciary or beneficiary, if the  
2 disposition or administration of the estate is, or will be, subject to state law; or

3 (B) person who, at the time of commencement of a bankruptcy  
4 proceeding under Title 11 of the United States Code, was a resident of the  
5 state;

6 (18) "resident individual" means an individual who

7 (A) receives a permanent fund dividend under AS 43.23.005;

8 (B) receives a tax benefit available only to an individual  
9 domiciled in the state; or

10 (C) is domiciled in the state for the entire taxable year unless  
11 the individual maintains a permanent place of abode outside the state and  
12 spends, in the aggregate, not more than 30 days during the taxable year in the  
13 state;

14 (19) "resident trust" means

15 (A) a trust, or a portion of a trust, consisting of property  
16 transferred by will of a decedent who at the time of death was a resident of the  
17 state if the disposition or administration of the property is, or will be, subject to  
18 state law;

19 (B) a trust consisting of the property of a person who was a  
20 resident at the time the property was transferred to the trust and, at the time of  
21 the transfer, the trust was

22 (i) an irrevocable trust;

23 (ii) a revocable trust and the trust has not later become  
24 irrevocable;

25 (iii) a revocable trust and later became irrevocable at a  
26 time the person transferring property to the trust was a resident;

27 (C) a trust consisting of property that is or will be disposed of  
28 or administered under state law;

29 (D) a trust with a fiduciary or beneficiary, other than a  
30 beneficiary whose interest in the trust is contingent, that is a resident of the  
31 state, and the laws of the state will govern the administration of the trust; the

1 residence of a corporate fiduciary means the principal place where the  
2 corporation transacts the administration of the trust; or

3 (E) a trust that is administered primarily in the state and  
4 governed by the laws of the state;

5 (20) "revocable trust" means a trust or portion of a trust that is subject  
6 to a power, exercisable immediately or at a future time, to revest title in a person  
7 whose property constitutes the trust or portion of the trust;

8 (21) "S corporation" means a corporation that has elected to file a  
9 federal income tax return under 26 U.S.C. 1361 - 1379 (Internal Revenue Code);

10 (22) "taxable income" means income taxable under this chapter;

11 (23) "taxable year" means the calendar year or a fiscal year ending  
12 during the calendar year;

13 (24) "taxpayer" means an individual, trust, or estate subject to a tax  
14 imposed by this chapter.

15 \* **Sec. 18.** AS 43.23.025 is amended by adding a new subsection to read:

16 (c) Notwithstanding (a) of this section, the amount of each permanent fund  
17 dividend for fiscal years 2018 and 2019 shall be at least \$1,250. If the amount of  
18 appropriations is not sufficient to provide the dividend amount in this subsection, the  
19 commissioner shall reduce the dividend amount under this subsection by an equal  
20 amount for each eligible individual.

21 \* **Sec. 19.** AS 43.23.055 is amended to read:

22 **Sec. 43.23.055. Duties of the department.** The department shall

23 (1) annually pay permanent fund dividends from the dividend fund,  
24 without further appropriation;

25 (2) subject to AS 43.23.011 and paragraph (8) of this section, adopt  
26 regulations under AS 44.62 (Administrative Procedure Act) that establish procedures  
27 and time limits for claiming a permanent fund dividend; the department shall  
28 determine the number of eligible applicants by October 1 of the year for which the  
29 dividend is declared and pay the dividends by December 31 of that year;

30 (3) adopt regulations under AS 44.62 (Administrative Procedure Act)  
31 that establish procedures and time limits for an individual upon emancipation or upon

1 reaching majority to apply for permanent fund dividends not received during minority  
2 because the parent, guardian, or other authorized representative did not apply on  
3 behalf of the individual;

4 (4) assist residents of the state, particularly in rural areas, who because  
5 of language, disability, or inaccessibility to public transportation need assistance to  
6 establish eligibility and to apply for permanent fund dividends;

7 (5) use a list of individuals ineligible for a dividend under  
8 AS 43.23.005(d) provided annually by the Department of Corrections and the  
9 Department of Public Safety to determine the number and identity of those  
10 individuals;

11 (6) adopt regulations that are necessary to implement AS 43.23.005(d);

12 (7) adopt regulations that establish procedures for the parent, guardian,  
13 or other authorized representative of a disabled individual to apply for prior year  
14 permanent fund dividends not received by the disabled individual because no  
15 application was submitted on behalf of the individual;

16 (8) adopt regulations that establish procedures for an individual to  
17 apply to have a dividend disbursement under AS 37.25.050(a)(2) reissued if it is not  
18 collected within two years after the date of its issuance; however, the department may  
19 not establish a time limit within which an application to have a disbursement reissued  
20 must be filed;

21 (9) provide any information, upon request, contained in permanent  
22 fund dividend records to the child support services agency created in AS 25.27.010, or  
23 the child support enforcement agency of another state, for child support purposes  
24 authorized under law; if the information is contained in an electronic data base, the  
25 department shall provide the requesting agency with either

26 (A) access to the data base; or

27 (B) a copy of the information in the data base and a statement  
28 certifying its contents;

29 (10) establish a fraud investigation unit for the purpose of assisting the

30 (A) Department of Law in the prosecution of individuals who  
31 apply for or obtain a permanent fund dividend in violation of a provision in

1 AS 11, by detecting and investigating those crimes; and

2 (B) commissioner to detect and investigate the claiming or  
3 paying of permanent fund dividends that should not have been claimed by or  
4 paid to an individual and to impose the penalties and enforcement provisions  
5 under AS 43.23.035.

6 \* **Sec. 20.** AS 43.23 is amended by adding a new section to read:

7 **Sec. 43.23.092. Permanent fund dividend individual income tax payment.**

8 In accordance with AS 43.22.085, the department shall prepare the Alaska permanent  
9 fund dividend application to allow an applicant to direct the department to hold all or  
10 part of the amount of the individual's permanent fund dividend for application against  
11 the individual income tax imposed under AS 43.22.

12 \* **Sec. 21.** AS 37.13.145(c) is repealed July 1, 2017.

13 \* **Sec. 22.** AS 43.05.085; AS 43.20.012(b), and 43.20.013 are repealed January 1, 2019.

14 \* **Sec. 23.** AS 37.13.145(f) and AS 43.23.025(c) are repealed June 30, 2020.

15 \* **Sec. 24.** The uncodified law of the State of Alaska is amended by adding a new section to  
16 read:

17 FISCAL YEAR 2017. Notwithstanding another provision of law, the legislature may  
18 appropriate from the earnings reserve account for fiscal year 2017 the amount by which 5.25  
19 percent of the average market value of the fund for fiscal years 2011, 2012, 2013, 2014, and  
20 2015, computed annually for each fiscal year in accordance with generally accepted  
21 accounting principles, exceeds \$695,650,000. In this section, "average market value of the  
22 fund" includes the balance of the earnings reserve account established under AS 37.13.145,  
23 but does not include that portion of the principal attributed to the settlement of State v.  
24 Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District).

25 \* **Sec. 25.** The uncodified law of the State of Alaska is amended by adding a new section to  
26 read:

27 APPLICABILITY. AS 43.22, added by sec. 17 of this Act, applies to income received  
28 on or after the effective date of sec. 17 of this Act.

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

31 TRANSITION: REGULATIONS. (a) The Department of Revenue may adopt

1 regulations necessary to implement this Act. The regulations take effect under AS 44.62  
2 (Administrative Procedure Act), but not before the effective date of the law implemented by  
3 the regulation.

4 (b) The commissioner of revenue and the Alaska Permanent Fund Corporation may  
5 adopt regulations, policies, and procedures necessary to implement this Act. The regulations,  
6 policies, or procedures may not take effect before the effective date of the law implemented  
7 by the regulation, policy, or procedure.

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

10 **RETROACTIVITY.** If sec. 24 of this Act takes effect after June 29, 2017, sec. 24 of  
11 this Act is retroactive to June 29, 2017.

12 \* **Sec. 28.** Sections 1, 24, 26, and 27 of this Act take effect immediately under  
13 AS 01.10.070(c).

14 \* **Sec. 29.** Sections 2 and 3 of this Act take effect January 1, 2018.

15 \* **Sec. 30.** Sections 16, 17, 20, 22, and 25 of this Act take effect January 1, 2019.

16 \* **Sec. 31.** Section 9 of this Act takes effect July 1, 2019.

17 \* **Sec. 32.** Section 13 of this Act takes effect June 30, 2020.

18 \* **Sec. 33.** Except as provided in secs. 28 - 32 of this Act, this Act takes effect July 1, 2017.