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HB 115 Education Funding Act Summary of Changes Version K to Version K.A

Section 43.22.015 (Page 4, Line 4) – This section, relating to the calculation of tax on a nonresident individual, is amended to clarify how the personal exemption is considered in the calculation of the tax.

For a non-resident individual, the tax is first calculated on all of their income as if the non-resident individual were a resident but taking the non-resident exemption under AS 43.22.030(b)(2), as outlined in the next section. The tax due is then reduced by a fraction which is the non-resident's income from a source within the state divided by the non-resident's total taxable income.

Section 43.22.030 (Page 7, Line 12) – This section has been amended to move the personal exemption from (a)(2) to a new subsection (b). New subsection (b) now differentiates between the personal exemption for residents and the personal exemption for non-residents. Residents are allowed an exemption of \$4000 for each individual claimed on the federal income tax return. Non-residents are allowed an exemption for each individual claimed on their federal tax return. The exemption is \$4000 multiplied by a fraction that is their Alaska source income divided by their total income as if they were a resident. By reducing the exemption by a fraction similar to what is used to determine the non-resident tax due, this change ensures that the value of the personal exemption a non-resident receives is equivalent to the proportion of non-resident income that is taxed by the state.