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February 29, 2012

Representative Mia Costello
 Alaska State Legislature
 State Capitol, Room 412
 Juneau, AK 99801

Re: HB 252

Dear Representative Costello:

I write to you today to offer Anchorage Economic Development Corporation's support for the passage of HB252, "An Act exempting certain small businesses from the corporate income tax." Focused on promoting investment in intellectual property and high growth types of businesses, HB252 will be an important step in the broader effort to further diversify the Alaska economy.

HB252 will exempt corporations from Alaska's corporate income tax based on certain criteria identified in the existing U.S. Internal Revenue Code (IRC) Section 1202, which already offers individuals who invest in "qualified small businesses" to exclude 50% of the gain on the sale of stock from their individual income tax. In effect, HB252 sweetens the investment opportunity in types of businesses identified in the bill and puts Alaska on a very competitive footing compared to other U.S. states and regions in the global effort to attract venture capital investments.

Alaska already offers a moderately competitive state and local taxation structure for the business and industry sectors HB252 would address. With the passage of HB 252, Alaska would become a very attractive region for venture capital investments. In a recent survey of global corporate executives conducted by Area Development Online, when asked what incentive is considered most important when making a location investment decision, 67% responded that tax incentives such as credits and exemptions were by far the most important. HB252 will help to address this expectation of global business leaders.

HB252 will also foster locally generated venture investments by the private sector in Alaska startup businesses. Currently, there appear to be no businesses currently located within Alaska that are qualified investments under IRC Section 1202. By rewarding both Alaska and out of state based investors who are willing to take the risks associated with investments in a startup business venture, HB252 will help to create new economic growth and the creation of new jobs across Alaska.

AEDC supports the passage of HB252 and urges all members of the legislature and Governor Parnell to support this important legislation.

Sincerely,

Bill Popp
 President & CEO