



STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Office of the Commissioner

*Sean Parnell, Governor
Susan K. Bell, Commissioner*

January 26, 2011

Representative Kurt Olson, Chair
House Labor & Commerce
State Capitol, Rm 24
Juneau, Alaska 99801

Re: House Bill 118 – Research and Development Tax Credit

Dear Representative Olson,

Please accept this request for your consideration to schedule HB 118 before the House Labor & Commerce Committee at your earliest convenience.

Innovation can be an expensive, intricate and time-intensive enterprise. But it also can spark a chain of investments in capital equipment, workers and spillover activities in every economic sector. In effect, the research and development tax credit would stimulate private-sector investment, entrepreneurial activity and business expansion in the state that will bring opportunity and sustainable long-term benefits to our economy.

The credit is 20 percent of qualified research and development expenditures that exceed the average qualified research and development expenditures as defined in 26 U.S.C 41(d) (Internal Revenue Code) for the three years immediately preceding the year in which the credit is claimed. Unused credits may be carried forward for up to seven years after the expenditure for which the credit is claimed. In order to prevent a corporate taxpayer from claiming more than one benefit for a single expenditure, the bill also would provide that a credit could not be claimed for expenditures the corporation deducted in calculating its tax liability, or for any other credit, including any federal credits, that has been apportioned to the state and claimed under the current Alaska Net Income Tax Act.

The bill also would also impose a reporting requirement on the Department of Revenue so the Legislature and the public are aware of the fiscal impact and economic benefits of the research and development credit to the state.

If you have any questions regarding this bill, please feel free to contact either myself at 465-2500 or Curtis Thayer, Deputy Commissioner of Commerce, Community and Economic Development at 269-8100.

Sincerely,

Susan K. Bell
Commissioner