Revenue

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
Foreign Royalty Exclusion

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
Excludes 80% of foreign royalties from taxable income.

(2) Authorizing Statute Regulation or Other Authority
AS 43.20.145(b)

(3) Year Enacted
1991

(4) Sunset or Repeal Date
None

(5) Legislative Intent
The sponsor of the legislation stated in committee that the purpose was to encourage foreign investment in Alaska.

(6) Public Purpose
To encourage investments in Alaska from multinational corporations.

(7) Estimated Revenue Impact
FY 2009 - Unknown
FY 2010 - Unknown
FY 2011 - Unknown
FY 2012 - Unknown
FY 2013 - Unknown

(8) Cost to Administer
None

(9) Number of Beneficiaries
250 companies

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
Unknown

(2) Estimate of Annual Benefit to Recipients
Unknown

(3) Legislative Intent Met?
No

(4) Should it be Continued, Modified or Terminated?
Recommend termination. The provision does not appear to be closely related to the legislative intent, and could be seen as a loophole because it allows taxpayers to reduce liability by shifting assets to offshore subsidiaries. Minnesota recently repealed a similar provision and significantly increased corporate income tax revenue.