

Revenue

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
Reduced Tax Rate on Capital Gains

Department of Revenue Submission per AS 43.05.095

(1) Description of Provision

Long term capital gains are taxed at a maximum rate of 4.5%, while other income is taxed at a maximum rate of 9.4%.

(2) Authorizing Statute Regulation or Other Authority

AS 43.20.021 (c)

(3) Year Enacted

1975

(4) Sunset or Repeal Date

None

(5) Legislative Intent

The rate differential reflects preferential treatment of capital gains in the federal tax code when Alaska's rate structure was adopted. The intent was to allow for efficient administration of taxes by basing Alaska's taxes on the federal code.

(6) Public Purpose

To generate state revenue by efficient administration of tax.

(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

Unknown

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. This provision was adopted for conformity with the federal corporate income tax, which at the time had a lower rate for capital gains than other income. The federal tax code no longer treats capital gains differently from other income, so this provision is no longer necessary for conformity (it actually puts Alaska out of