

ALASKA STATE LEGISLATURE

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HB 115: State Revenue Restructuring Act **Version: 30-LS0125L**

Summary of Changes **Version E to Version L**

Title – On line one the title has been expanded to include “relating to the permanent fund; relating to the procurement by the Alaska Permanent Fund Corporation; relating to the management of the budget reserve fund” and on line five “individuals, partners, shareholders in S corporations, trusts, and estates.”

New Section 2 – Add a new subsection (*I*) to AS 36.30.015 to direct the trustees of the Alaska Permanent Fund Corporation to adopt regulations regarding procurement.

New Section 3 - Amends AS 36.30.990(1) to add the Alaska Permanent Fund Corporation to the list of entities excluded from the definition of ‘agency’ for the purposes of the state procurement code. This exempts the corporation from the requirements in the state procurement code.

New Section 4 – Amends AS Sec. 37.05.055(b) to conform to the changes made in section 6.

New Section 5 – Amends AS 37.10.430(c), relating to the subaccount in the constitutional budget reserve fund, to remove the requirement that any funds invested in the subaccount shall be invested under the assumption that those funds will not be needed for at least five years.

New Section 6 – Amends AS 37.13.010(a) and deletes AS 37.13.010(a)(2). The resulting change means that the Alaska Permanent fund will be filled by the constitutionally required 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, and net profit shares. The additional 25% of royalties from leases issued after December 1, 1979, which are above the constitutionally required 25%, will now remain in the general fund and will not be deposited into the permanent fund.

Section 8 – Amends AS 37.13.140(b), created by this act, to change the amount available for distribution from the earnings reserve to be 5.25% of the average market value (POMV) of the permanent fund. [This rate of distribution will be in effect from July 1, 2017 through the June 30, 2019. Also adds a technical change to *include* the fiscal year just ended in the average market value of the fund instead of *excluding* the fiscal year just ended.

Section 9 – Adds a new section to further amend AS 37.13.140(b) which will reduce the amount available for distribution from 5.25% to 5% of the average market value (POMV) of the permanent

fund. This change is effective July 1, 2019 and will replace the distribution rate created in the previous section.

Section 10 – Adds a new subsection to AS 37.13.145(b) which states that each fiscal year the legislature will transfer an amount equal to 0.25 percent of the market value from the earnings reserve account to the principal of the fund.

Includes a technical amendment on lines 16 and 17 to change “income” to “amount.”

Section 12 – Amends AS 37.13.145(e), created by this act, to clarify that the amount available for appropriation to the principal of the fund when the earnings reserve account exceeds four times the amount calculated in AS 37.13.145(b) is the *lesser* of the amount in excess of that calculation or the amount necessary offset the cumulative effect of inflation since the last inflation-proofing transfer occurred.

New Subsection (f) is added to AS 37.13.145 to state that the legislature shall appropriate from the earnings reserve account the additional amount, if necessary, to provide for a per person dividend of \$1,250 per eligible Alaskan. This additional appropriation is in effect for fiscal years 2018 and 2019. [This subsection is repealed at the end of fiscal year 2019.]

Section 13 – Further amends AS 37.13.145(e), previously created by this act, to remove references to subsection (f). Subsection (f), created in the previous section, is repealed on June 30, 2020 (the last day of fiscal year 2019). This new version of AS 37.13.145(e), without the references to (f), becomes effective on that date.

-----**Start of Income Tax section**-----

Section 16 – This section, allowing an exemption from the requirement to file a tax return electronically, was previously included in the bill. It has been amended to reference AS 43.22.070(h), which is now the section of statute which exempts individuals from the electronic filing requirement.

Section 17 – Previous section 11 of the bill, which created an individual income tax based on federal tax liability in AS 43, has been replaced with section 17. Section 17 creates an individual income tax based on adjusted gross income. The subsections of this chapter have been modified to reflect this change in tax base and to include certain administrative authorities.

----- **end of Income Tax section** -----

New Section 18 - Adds a new subsection (c) to AS 43.23.025, relating to the calculation of the permanent fund dividend, to state that for fiscal years 2018 and 2019 the amount of the permanent fund dividend shall be at least \$1250. [This section is repealed at the end of fiscal year 2019].

New Section 19 – Amends AS 43.23.055(1) to clarify that the department of revenue will annually pay permanent fund dividends from the dividend fund without further appropriation.

New Section 23 – AS 37.13.145(f) and AS 43.23.025(c), both created by this act, are repealed on June 30, 2020. These subsections relate to the minimum dividend of \$1250 which is set of fiscal years 2018 and 2019 only.

New Section 24 - Creates a new section in uncodified law which sets the amount the legislature may appropriate from the earnings reserve account for fiscal year 2017. The amount is equal to 5.25 percent of the average market value of the fund, minus \$695,650,000 which is the value of the permanent fund dividends already paid from the earnings reserve account for fiscal year 2017.

Section 26 – Additional transition language is included in new subsection (b) to allow the commissioner of revenue and the Alaska Permanent Fund Corporation to adopt the necessary regulations to implement this act.

Sections 27 – 33 -Effective dates: Various conforming amendments are made to the effective date sections to reflect the new sections that have been added to this bill. The effective date of section 17, addressing the income tax, is now January 1, 2019. Unless otherwise specified, this bill now has an effective date of July 1, 2017.