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Nauman
3/29/17

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 36()

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - FIRST SESSION

BY

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVE GARA

A BILL

FOR AN ACT ENTITLED

1 **"An Act bearing the short title of the 'Fair Contribution by High Profit Businesses Act';**
2 **requiring certain persons in the business of oil and gas production or transportation to**
3 **pay income tax; establishing a tax on the income of a sole proprietorship, partnership,**
4 **limited liability company, or S corporation; relating to exemptions from the tax on**
5 **corporations; and providing for an effective date."**

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 *** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
8 to read:

9 SHORT TITLE. This Act may be known as the Fair Contribution by High Profit
10 Businesses Act.

11 *** Sec. 2.** AS 43.20.011(e) is amended to read:

12 (e) There is imposed for each taxable year upon the entire taxable income of
13 every person engaged in the production of oil or gas from a lease or property in

this state, person engaged in the transportation of oil or gas by pipeline in this state, or corporation derived from sources within the state a tax computed as follows:

If the taxable income is	Then the tax is:
Less than \$25,000	zero
\$25,000 but less than \$49,000	2 percent of the taxable income over \$25,000
\$49,000 but less than \$74,000	\$480 plus 3 percent of the taxable income over \$49,000
\$74,000 but less than \$99,000	\$1,230 plus 4 percent of the taxable income over \$74,000
\$99,000 but less than \$124,000	\$2,230 plus 5 percent of the taxable income over \$99,000
\$124,000 but less than \$148,000	\$3,480 plus 6 percent of the taxable income over \$124,000
\$148,000 but less than \$173,000	\$4,920 plus 7 percent of the taxable income over \$148,000
\$173,000 but less than \$198,000	\$6,670 plus 8 percent of the taxable income over \$173,000
\$198,000 but less than \$222,000	\$8,670 plus 9 percent of the taxable income over \$198,000
\$222,000 or more	\$10,830 plus 9.4 percent of the taxable income over \$222,000.

* **Sec. 3.** AS 43.20.012(a) is amended to read:

(a) The tax imposed by this chapter does not **apply to a public corporation, as defined in AS 45.77.020**

[(1) APPLY TO AN INDIVIDUAL;

(2) APPLY TO A FIDUCIARY;

(3) FOR A TAX YEAR BEGINNING AFTER DECEMBER 31, 2012, APPLY TO AN ALASKA CORPORATION THAT IS A QUALIFIED SMALL BUSINESS AND THAT MEETS THE ACTIVE BUSINESS REQUIREMENT IN 26 U.S.C. 1202(e) AS THAT SUBSECTION READ ON JANUARY 1, 2012; OR

(4) FOR A TAX YEAR BEGINNING AFTER JUNE 30, 2007, APPLY TO THE INCOME RECEIVED BY A REGIONAL ASSOCIATION QUALIFIED UNDER AS 16.10.380 OR NONPROFIT CORPORATION HOLDING A HATCHERY PERMIT UNDER AS 16.10.400 FROM THE SALE OF SALMON OR SALMON EGGS UNDER AS 16.10.450 OR FROM A COST RECOVERY FISHERY UNDER AS 16.10.455].

* **Sec. 4.** AS 43.20 is amended by adding a new section to read:

Sec. 43.20.019. Tax on a qualified entity. (a) For each calendar year, a qualified entity shall pay a tax on the qualified entity's taxable income derived from sources within the state, as follows:

If the taxable income is	Then the tax is:
Less than \$200,000	zero
\$200,000 but less than \$500,000	5 percent of the taxable income over \$200,000
\$500,000 but less than \$1,000,000	\$15,000 plus 7.5 percent of the taxable income over \$500,000
\$1,000,000 or more	\$52,500 plus 9.4 percent of the taxable income over \$1,000,000.

(b) The net income of an entity established under 43 U.S.C. 1601 et seq. (Alaska Native Claims Settlement Act) is exempt from the tax imposed under this section.

(c) The department shall adopt regulations to implement this section, including regulations

(1) governing the distributive share of partnership income, or a gain, loss, or deduction attributable to a nonresident partner;

(2) governing the pro rata share of S corporation income, or a gain, loss, or deduction attributable to a nonresident S corporation shareholder;

(3) to prevent the double taxation of income of an entity wholly or partially owned by another entity; and

(4) requiring a taxpayer to file a return stating the amount of the tax due under this section.

(d) A taxpayer who has income from business activity that is taxable both inside and outside the state or income from other sources both inside and outside the state shall allocate and apportion net income as provided in AS 43.19 (Multistate Tax Compact), or as provided by this chapter.

(e) Income on which tax is paid under this section shall be excluded from income for purposes of an individual income tax, if an individual income tax is imposed under state law. For purposes of this subsection, income on which there is a zero tax rate under this section shall be included in income for purposes of an individual income tax.

(f) In this section, "qualified entity" means a sole proprietorship, partnership, limited liability company, or entity that has elected to file federal returns under 26 U.S.C. 1361 - 1379 (Internal Revenue Code) but does not include an entity engaged in the production of oil or gas from a lease or property in the state or engaged in the transportation of oil or gas by pipeline in the state.

* **Sec. 5.** AS 43.20.012(c) and 43.20.012(d) are repealed.

* **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. (a) AS 43.20.011(e), as amended by sec. 2 of this Act, applies to a corporation or person engaged in the production of oil or gas from a lease or property in the state, or engaged in the transportation of oil or gas by pipeline in the state, filing a return for taxable year commencing after the effective date of sec. 2 of this Act.

(b) AS 43.20.019, added by sec. 4 of this Act, applies to a qualified entity filing a return for a taxable year commencing after the effective date of sec. 4 of this Act. In this section, "qualified entity" has the meaning given in AS 43.20.019.

* **Sec. 7.** This Act takes effect December 31, 2018.