

# Fiscal Note

State of Alaska  
2023 Legislative Session

Bill Version: HB 109  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB109-DOR-TAX-03-17-23  
Title: REDUCE CORP. NET INCOME TAX RATE  
Sponsor: CARPENTER  
Requester: (H) Ways & Means

Department: Department of Revenue  
Appropriation: Taxation and Treasury  
Allocation: Tax Division  
OMB Component Number: 2476

## Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2024 Appropriation Requested	Included in Governor's FY2024 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2024	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Fund Source (Operating Only)

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Positions

Full-time							
Part-time							
Temporary							

## Change in Revenues

1004 Gen Fund (UGF)	(169,000.0)		(328,000.0)	(333,000.0)	(350,000.0)	(369,000.0)	(387,000.0)
<b>Total</b>	<b>(169,000.0)</b>	<b>0.0</b>	<b>(328,000.0)</b>	<b>(333,000.0)</b>	<b>(350,000.0)</b>	<b>(369,000.0)</b>	<b>(387,000.0)</b>

**Estimated SUPPLEMENTAL (FY2023) cost:** 0.0 (separate supplemental appropriation required)

**Estimated CAPITAL (FY2024) cost:** 0.0 (separate capital appropriation required)

**Does the bill create or modify a new fund or account?** No  
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/24

## Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

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Division:	Tax Division	Date:	03/17/2023 01:00 PM
Approved By:	Eric DeMoulin, Director	Date:	03/24/23
Agency:	Department of Revenue		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2023 LEGISLATIVE SESSION

BILL NO. HB 109

### Analysis

#### Background Information

Under current law, C-corporations are subject to ten graduated tax brackets with tax rates ranging from zero to 9.4 percent. This bill would remove the graduated tax rates above two percent, leaving a rate of zero for taxable income of less than \$25,000 and a rate of 2 percent for taxable income of \$25,000 or more.

The bill has an effective date of January 1, 2024.

#### Revenue Impact

This bill would reduce corporate income tax revenue by \$169 million in FY 2024, which assumes the current tax structure would be effective for half of the fiscal year and the new structure for the second half of the fiscal year. Regulations would need to be drafted to detail how the taxable income should be accounted for in each half of the year. The first full fiscal year impact would be in FY 2025 with a reduction of \$328 million in revenue.

#### Implementation Cost

This bill would require the Department to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file a return online. The update would consist of reprogramming both systems, updating the return rules in TRMS and testing both systems thoroughly to verify that they function as expected. We would also need to update the current tax return forms. However, this bill would not require the Department of Revenue to make material changes to TRMS. Therefore, there would be no cost to the Department of Revenue for implementation.