

HOUSE BILL NO. 433

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE ROKEBERG

Introduced: 2/18/98

Referred: Labor and Commerce, Judiciary

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing a tax credit for taxpayers engaged in a trade or business
2 who employ certain persons who are state residents; and providing for an
3 effective date."

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

5 * **Section 1.** LEGISLATIVE FINDINGS. The legislature finds that

6 (1) it is in the best interest of the state to have a steady work force and to have
7 its residents gainfully employed;

8 (2) during 1995, private industry and state and local governments employed
9 more than 78,000 nonresidents;

10 (3) nonresidents made up 22.6 percent of all wage and salary workers in the
11 private sector and in state and local government in 1995;

12 (4) in 1995, nonresidents earned more than \$923,000,000, a nearly \$9,000,000
13 increase over 1994;

14 (5) more than 27,000 nonresidents were newly hired in the third quarter of

1 1995 alone;

2 (6) nonresident hire is not a new phenomenon in Alaska; since inception of
3 territorial status, seasonal employment, particularly in fishing and forestry, has been common;
4 there is a continual flow of population between Alaska and other states, but, with regard to
5 transient employment, the traffic is virtually "one way"; a small percentage of Alaska residents
6 earn wages in other states, while one in eight dollars of wages paid in Alaska are paid to
7 nonresidents;

8 (7) many residents of Alaska could have filled the positions that went to
9 nonresidents; maximizing the employment of Alaskans not only ensures that maximum benefit
10 accrues to the state from economic development activity, but also reduces demands upon state
11 "safety net" programs, such as unemployment insurance and public assistance;

12 (8) Alaska's jobless rate was 9.4 percent in January 1997; the unemployment
13 figures ranged from a high of 20.4 percent in the Yukon-Kuskokwim census area to 4.6
14 percent in the North Slope area; even in areas of Alaska with large amounts of commercial
15 activity, the unemployment figures varied; Anchorage, the state's largest city, had a January
16 unemployment rate of 6.1 percent, Fairbanks had a rate of 9.4 percent, while Juneau's rate was
17 8.1 percent; the Matanuska-Susitna Borough's unemployment rate for that same time period
18 was 12.8 percent and the Kenai Peninsula Borough's rate was 19 percent; the average for the
19 nation at the same time was 5.9 percent;

20 (9) the seasonally adjusted unemployment rate in January 1997 for Alaska was
21 7.5 percent, while it was 5.4 percent for the United States;

22 (10) more than 29,000 Alaskans were unemployed in January 1997, an increase
23 of 3,000 from December 1996.

24 * **Sec. 2.** AS 43.20 is amended by adding a new section to read:

25 **Sec. 43.20.023. Credit for taxpayer employing state resident.** (a) Subject
26 to (b) of this section, a taxpayer engaged in a trade or business is entitled to a credit
27 against the taxpayer's tax liability under this chapter for employing a person who, at
28 the time of the person's first employment by the taxpayer, was

29 (1) a resident of the state; and

30 (2) a graduate of or had been a student at a qualifying postsecondary
31 educational institution located in the state.

1 (b) The credit claimed by a taxpayer under (a) of this section is \$1,000 for
2 each employee described in (a) of this section. The amount of a credit under this
3 section

4 (1) may be claimed only during the taxpayer's tax year in which the
5 taxpayer first employed the state resident;

6 (2) may not

7 (A) be claimed as a credit under another provision of this title;

8 or

9 (B) also be allowed as a deduction under 26 U.S.C. 170 against
10 the tax imposed by this chapter.

11 (c) In this section,

12 (1) "postsecondary educational institution" has the meaning given in
13 AS 14.48.210;

14 (2) "qualifying postsecondary educational institution" means a
15 postsecondary educational institution that, for educational services rendered during the
16 period the person was a student at the institution, received state funds, grants, or other
17 aid; in this paragraph, "state funds, grants, or other aid" does not include student loans,
18 grants, or scholarships;

19 (3) "resident" means an individual who is physically present in the state
20 with the intent to remain permanently in the state under the requirements of
21 AS 01.10.055 and has been physically present in the state for at least one year at the
22 time of the person's first employment by the taxpayer.

23 * **Sec. 3.** This Act takes effect January 1, 1999, and applies to persons employed and
24 expenses incurred after December 31, 1998, for which the credit authorized by sec. 2 of this
25 Act may be claimed.