

AMENDMENT

By DAVIES & Hudson
#2

OFFERED IN THE HOUSE

TO: CSHB 303(FIN)

1 Page 1, lines 1 - 2:

2 Delete all material.

3 Insert ""An Act relating to taxation of income; and providing for an effective
4 date.""

5

6 Page 1, line 4, through page 9, line 25:

7 Delete all material and insert new bill sections to read:

8 ** Section 1. AS 43.20 is amended by adding a new section to read:

9 Sec. 43.20.009. Tax on individuals. (a) There is imposed for each taxable
10 year an income tax on the taxable income of every

11 (1) resident individual; and

12 (2) nonresident and part-year resident individual with income from
13 sources in the state.

14 (b) As soon as practicable after September 30 of each year, the department
15 shall publish the applicable tax rate under this subsection for the following calendar
16 year. The applicable tax rate is:

17 (1) four percent if, on September 30 of that year, the unaudited balance
18 in the budget reserve fund created by art. IX, sec. 17, Constitution of the State of
19 Alaska, was equal to or less than \$2,000,000,000;

20 (2) two percent if, on September 30 of that year, the unaudited balance
21 in the budget reserve fund created by art. IX, sec. 17, Constitution of the State of
22 Alaska, was more than \$2,000,000,000 but not more than \$2,500,000,000; or

23 (3) one percent if, on September 30 of that year, the unaudited balance
24 in the budget reserve fund created by art. IX, sec. 17, Constitution of the State of

1 Alaska, was more than \$2,500,000,000.

2 (c) For a resident individual, the tax under this section is the sum of the
3 taxpayer's taxable income multiplied by the tax rate described in (b) of this section.

4 (d) For a part-year resident individual or a nonresident individual, the tax
5 under this section shall be computed by applying the rate described in (b) of this
6 section to the individual's taxable income, and multiplying the result by a fraction, the
7 numerator of which is taxable income from all sources in the state and the
8 denominator of which is taxable income from all sources.

9 (e) The minimum tax under this section is \$25.

10 (f) In this section, "taxable income" has the meaning given in 26 U.S.C. 63
11 (Internal Revenue Code).

12 * Sec. 2. AS 43.20.030(a) is amended to read:

13 (a) If **an individual**, a corporation, or a partnership that has a corporation as a
14 partner, is required to make a return **of income** under the provisions of the Internal
15 Revenue Code, **the individual, corporation, or partnership** [IT] shall file with the
16 department, within 30 days after the federal return is required to be filed, a return
17 setting out

18 (1) the amount of tax due under this chapter, less **allowable** credits
19 **and payments** claimed against the tax; and

20 (2) other information **that the department requires** for the purpose of
21 carrying out the provisions of this chapter [THAT THE DEPARTMENT
22 REQUIRES].

23 * Sec. 3. AS 43.20.030(d) is amended to read:

24 (d) A taxpayer, upon request by the department, shall **file with the taxpayer's**
25 **state return** [FURNISH TO THE DEPARTMENT] a true [AND CORRECT] copy of
26 the tax return [WHICH THE TAXPAYER HAS] filed with the United States Internal
27 Revenue Service. Every taxpayer shall **file an amended return with** [NOTIFY] the
28 department, **and remit any additional tax and interest due, within** [IN WRITING
29 OF ANY ALTERATION IN, OR MODIFICATION OF, THE TAXPAYER'S
30 FEDERAL INCOME TAX RETURN AND OF A RECOMPUTATION OF TAX OR
31 DETERMINATION OF DEFICIENCY, WHETHER WITH OR WITHOUT

1 ASSESSMENT. A FULL STATEMENT OF THE FACTS MUST ACCOMPANY
 2 THIS NOTICE. THE NOTICE SHALL BE FILED WITHIN] 60 days after a [THE]
 3 final determination of the taxpayer's federal tax liability [MODIFICATION,
 4 RECOMPUTATION OR DEFICIENCY, AND THE TAXPAYER SHALL PAY THE
 5 ADDITIONAL TAX OR PENALTY UNDER THIS CHAPTER]. For purposes of
 6 this subsection [SECTION], a final determination means [SHALL MEAN] the date
 7 [TIME] that an amended federal return is filed, the date a federal [OR A NOTICE
 8 OF DEFICIENCY OR AN] assessment is made, or the date the restrictions on
 9 assessment are waived by [MAILED TO] the taxpayer [BY THE INTERNAL
 10 REVENUE SERVICE, EXCEPT THAT IN NO EVENT WILL THERE BE A FINAL
 11 DETERMINATION FOR PURPOSES OF THIS SECTION UNTIL THE
 12 TAXPAYER HAS EXHAUSTED RIGHTS OF APPEAL UNDER FEDERAL
 13 LAW].

14 * Sec. 4. AS 43.20.031(c) is amended to read:

15 (c) In computing the tax under this chapter, a corporation [THE
 16 TAXPAYER] is not entitled to deduct any taxes based on or measured by net income.

17 * Sec. 5. AS 43.20.040 is repealed and reenacted to read:

18 **Sec. 43.20.040. Income from sources in the state.** (a) In this chapter,
 19 income from sources in the state includes

- 20 (1) compensation for personal services rendered in the state;
 21 (2) working in the state for salary or wages;
 22 (3) income from real or tangible personal property located in the state;
 23 (4) income from stocks, bonds, notes, bank deposits, and other
 24 intangible personal property having a taxable or business situs in the state; however,
 25 the receipt of interest income from intangible property in the state does not alone
 26 establish a taxable or business situs in the state;
 27 (5) rentals and royalties for the use of or for the privilege of using, in
 28 the state, patents, copyrights, secret processes and formulas, good will, marks, trade
 29 brands, franchises, and other property having a taxable or business situs in the state;
 30 (6) income distributed from a trust established under or governed by
 31 the laws of the state;

1 (7) income of whatever nature from a source with a taxable or business
2 situs in the state.

3 (b) Except as provided in (a)(4) of this section, in this section, income is from
4 a source with a taxable or business situs in the state if it is attributed to or derived from

5 (1) business facilities or property in the state;

6 (2) business, farming, or fishing activities in the state;

7 (3) conducting in the state the management or investment function for
8 intangible property;

9 (4) a partnership or limited liability company conducting business
10 activities in the state;

11 (5) a corporation transacting business activities in the state that has
12 elected to file federal returns under subchapter S of the Internal Revenue Code;

13 (6) any other activity from which income is received, realized, or
14 derived in the state.

15 (c) If a business, trade, or profession is carried on partly inside and partly
16 outside the state, other than the rendering of purely personal services by an individual,
17 the income from sources in the state shall be determined as provided in AS 43.19.

18 * **Sec. 6.** AS 43.20 is amended by adding a new section to article 1 to read:

19 **Sec. 43.20.046. Individual income tax credits.** (a) For a resident, the
20 income tax imposed on that resident by another state or territory of the United States
21 for the taxable year, on income derived from sources in that state or territory, is
22 allowed as a credit against the tax under this chapter.

23 (b) The credit under (a) of this section is determined by multiplying the tax
24 computed under this chapter by a fraction, the numerator of which is the income
25 derived from sources in the other state or territory and the denominator of which is
26 income derived from all sources. The credit under (a) of this section may not exceed
27 the actual tax paid to the other state or territory.

28 (c) To the extent required by federal law, an individual is allowed as a credit
29 against the tax under this chapter 10.2 percent of interest received by the individual in
30 the taxable year upon obligations unconditionally backed by the full faith and credit of
31 the United States.

1 (d) An individual is allowed only the state credits provided in this section.
2 The total state credit allowed under this section may not exceed the tax liability for the
3 taxable year for the individual. A credit may not be carried, in whole or in part, to a
4 different taxable year.

5 * Sec. 7. AS 43.20 is amended by adding a new section to read:

6 **Sec. 43.20.171. Tax withholding on wages of individuals.** (a) Every
7 employer making payment of wages, salaries, or crew shares

8 (1) shall deduct and withhold an amount of tax computed in a manner
9 to approximate the amount of tax due on those wages, salaries, or crew shares under
10 this chapter for that taxable year;

11 (2) shall remit the tax withheld to the department accompanied by a
12 return on a form prescribed by the department at the times required by the department
13 by regulation;

14 (3) is liable for the payment of the tax required to be deducted and
15 withheld under this section but is not liable to any individual for the amount of the
16 payment; and

17 (4) shall furnish to the employee on or before January 31 of the
18 succeeding year, or within 30 days after a request by the employee after the
19 employee's termination if the 30-day period ends before January 31, a written
20 statement on a form prescribed by the department showing

21 (A) the name and taxpayer identification number of the
22 employer;

23 (B) the name and social security number of the employee;

24 (C) the total amount of wages, salary, or crew shares for the
25 taxable year; and

26 (D) the total amount deducted and withheld as tax for the
27 taxable year.

28 (b) The department shall publish the rate of withholding required by this
29 section.

30 (c) In this section,

31 (1) "employee" includes an individual who receives compensation on a

1 crew share basis in connection with a commercial fishing activity;

2 (2) "employer" includes a person who pays compensation to an
3 individual on a crew share basis in connection with a commercial fishing activity.

4 * **Sec. 8.** AS 43.20.200(b) is amended to read:

5 (b) The same period of limitation upon the assessment and collection of taxes
6 imposed under this chapter and the same exceptions to it shall apply as provided in 26
7 U.S.C. 6501 - 6503 (Internal Revenue Code). In the case of additional tax due by
8 reason of a modification, recomputation, or determination of deficiency in a taxpayer's
9 federal income tax return, the period of limitation on assessment commences from the
10 date that the **amended return** [NOTICE] required in AS 43.20.030(d) is filed, and if
11 no **amended return** [NOTICE] is filed the tax may be assessed at any time.

12 * **Sec. 9.** AS 43.20.340 is amended by adding new paragraphs to read:

13 (12) "individual" means a natural person, married or unmarried, adult
14 or minor, subject to payment of income tax under 26 U.S.C. (Internal Revenue Code);

15 (13) "nonresident" means an individual who is not a resident or part-
16 year resident;

17 (14) "resident" means an individual who, for the entire taxable year,
18 was domiciled in the state or resided in the state.

19 * **Sec. 10.** AS 43.05.085; AS 43.20.012, 43.20.013, and 43.20.072(d) are repealed.

20 * **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to
21 read:

22 INDIVIDUAL INCOME TAX RATE FOR 2003. The tax rate for 2003 under
23 AS 43.20.009, added by sec. 1 of this Act, is four percent.

24 * **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to
25 read:

26 TRANSITION: REGULATIONS. The Department of Revenue may proceed to adopt
27 regulations necessary to implement the provisions of this Act. The regulations take effect
28 under AS 44.62 (Administrative Procedure Act), but not before the effective date of the
29 provision being implemented.

30 * **Sec. 13.** Section 12 of this Act takes effect immediately under AS 01.10.070(c).

31 * **Sec. 14.** Except as provided in sec. 13 of this Act, this Act takes effect January 1, 2003."