

SENATE BILL NO. 220

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Introduced: 5/12/03

Referred: Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to a state sales and use tax; relating to taxes levied by cities and**
2 **boroughs; providing authority to the Department of Revenue to enter into the**
3 **Streamlined Sales and Use Tax Agreement; increasing the motor fuel tax and repealing**
4 **the special tax rates on blended fuels; and providing for an effective date."**

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

6 * **Section 1.** AS 28.10.021(a) is amended to read:

7 (a) The owner of a vehicle subject to registration shall apply for registration
8 under this chapter by properly completing the form prescribed by the commissioner
9 under AS 28.05.041. Before the issuance of a certificate of registration by the
10 department, the owner shall

11 (1) pay all registration fees and taxes required under this chapter,
12 [AND] federal heavy vehicle use taxes required under 26 U.S.C. 4481 (Internal
13 Revenue Code of 1954), **and the sales or use tax levied under AS 43.44.010;**

14 (2) unless the owner qualifies as a self-insurer under AS 28.20.400 or

1 is exempted from obtaining liability insurance under AS 28.22.011, certify to the
 2 department the existence of a motor vehicle liability policy that complies with
 3 AS 28.22.011 for the vehicle being registered; in this paragraph, "certify" means to
 4 indicate by check-off on the vehicle registration form prescribed by the department the
 5 existence of a policy of insurance, if a policy is required at that time, and the intention
 6 to continue the policy or obtain a policy as required by this subsection; and

7 (3) comply with other applicable statutes and regulations.

8 * **Sec. 2.** AS 29.10.200(51) is amended to read:

9 (51) AS 29.45.650 [AS 29.45.650(c), (d), (e), AND (f)] (sales and use
 10 tax);

11 * **Sec. 3.** AS 29.10.200(52) is amended to read:

12 (52) AS 29.45.700 [AS 29.45.700(d)] (sales and use tax);

13 * **Sec. 4.** AS 29.10.200 is amended by adding a new paragraph to read:

14 (64) AS 29.45.720 (specific taxes on tangible personal property and
 15 services).

16 * **Sec. 5.** AS 29.35.110(a) is amended to read:

17 (a) Borough revenues received through taxes **levied** [COLLECTED] on an
 18 areawide basis by the borough may be expended on general administrative costs and
 19 on areawide functions only. Borough revenues received through taxes **levied**
 20 [COLLECTED] on a nonareawide basis may be expended on general administrative
 21 costs and functions that render service only to the area outside all cities in the
 22 borough.

23 * **Sec. 6.** AS 29.35.170 is amended to read:

24 **Sec. 29.35.170. Assessment and collection of taxes.** (a) A borough shall
 25 assess [AND COLLECT] property [, SALES, AND USE] taxes **and collect taxes,**
 26 **other than general sales and use taxes,** that are levied in its boundaries, subject to
 27 AS 29.45.

28 (b) Taxes, **other than general sales and use taxes,** levied by a city shall be
 29 collected by a borough and returned in full to the levying city. This subsection applies
 30 to home rule and general law municipalities.

31 * **Sec. 7.** AS 29.45.650 is repealed and reenacted to read:

1 **Sec. 29.45.650. General sales and use tax.** (a) Except as provided in
 2 AS 04.21.010(c) and AS 29.45.750, a borough may levy a general sales tax on the sale
 3 and rental of tangible personal property and on services provided in the borough.

4 (b) A borough levying a general sales tax may also by ordinance levy a use tax
 5 on the storage, use, or consumption of tangible personal property and on the use of
 6 services in the borough. The use tax rate must equal the sales tax rate, and the use tax
 7 shall be levied only on purchasers.

8 (c) A tax authorized under this section shall be administered and collected by
 9 the state under AS 43.44. The exemptions to a tax authorized under this section shall
 10 be identical to those provided in AS 43.44.

11 (d) After December 31, 2007, a municipality may not levy a sales and use tax
 12 on the sale or use of tangible personal property or the sale of services exceeding six
 13 percent.

14 (e) After December 31, 2009, a municipality may not levy a sales and use tax
 15 on the sale or use of tangible personal property or the sale of services exceeding five
 16 percent.

17 * **Sec. 8.** AS 29.45.660(a) is amended to read:

18 (a) If the borough levies [AND COLLECTS] only a **general** sales tax and use
 19 tax, the assembly shall provide a notice substantially in the form set out in
 20 AS 29.45.020. In providing notice under this subsection, the assembly shall substitute
 21 for the millage equivalency its estimate of the equivalent sales tax rate for each of the
 22 categories of financial assistance set out in AS 29.45.020. Notice shall be provided

23 (1) by publishing in a newspaper of general circulation in the borough
 24 a copy of the notice once each week for a period of three successive weeks, with
 25 publication to occur not later than 45 days after the final adoption of the borough's
 26 budget; or

27 (2) if there is no newspaper of general circulation in the borough, by
 28 posting a copy of the notice for at least 20 days in at least two public places in the
 29 borough, with posting to occur not later than 45 days after the final adoption of the
 30 borough's budget.

31 * **Sec. 9.** AS 29.45.700 is repealed and reenacted to read:

1 **Sec. 29.45.700. Power of levy.** A city may levy a sales and use tax in the
2 manner provided for boroughs under AS 29.45.650.

3 * **Sec. 10.** AS 29.45 is amended by adding a new section to read:

4 **Article 5B. Specific Taxes on Tangible Personal Property and Services.**

5 **Sec. 29.45.720. Specific taxes on tangible personal property and services.**

6 Except as specifically prohibited or limited, a municipality may levy specific excise
7 taxes on single categories of tangible personal property or services, such as bed taxes
8 and fish taxes.

9 * **Sec. 11.** AS 29.45.810(a) is amended to read:

10 (a) A party to a contract approved by the legislature as a result of submission
11 of a proposed contract developed under AS 43.82 or as a result of acts by the
12 legislature in implementing the purposes of AS 43.82, and the property, gas, products,
13 and activities associated with the approved qualified project that is subject to the
14 contract, are exempt, as specified in the contract, from all taxes identified in the
15 contract that would be levied [AND COLLECTED] by a municipality under state law
16 as a consequence of the participation by the party in the approved qualified project.

17 * **Sec. 12.** AS 43.40.010(a) is amended to read:

18 (a) There is levied a tax of 20 [EIGHT] cents a gallon on all motor fuel sold or
19 otherwise transferred within the state, except that

20 (1) the tax on aviation gasoline is four and seven-tenths cents a gallon;

21 (2) the tax on motor fuel used in and on watercraft of all descriptions is
22 five cents a gallon; **and**

23 (3) the tax on all aviation fuel other than gasoline is three and two-
24 tenths cents a gallon [; AND

25 (4) THE TAX RATE ON MOTOR FUEL THAT IS BLENDED
26 WITH ALCOHOL IS THE SAME TAX RATE A GALLON AS OTHER MOTOR
27 FUEL; HOWEVER,

28 (A) IN AN AREA AND DURING THE MONTHS IN WHICH
29 FUEL CONTAINING ALCOHOL IS REQUIRED TO BE SOLD,
30 TRANSFERRED, OR USED IN AN EFFORT TO ATTAIN AIR QUALITY
31 STANDARDS FOR CARBON MONOXIDE AS REQUIRED BY FEDERAL

1 OR STATE LAW OR REGULATION, THE TAX RATE ON MOTOR FUEL
 2 THAT IS BLENDED WITH ALCOHOL IS SIX CENTS A GALLON LESS
 3 THAN THE TAX ON OTHER MOTOR FUEL NOT DESCRIBED IN (1) -
 4 (3) OF THIS SUBSECTION;

5 (B) NOTWITHSTANDING (A) OF THIS PARAGRAPH,
 6 THROUGH JUNE 30, 2004, THE TAX ON MOTOR FUEL SOLD OR
 7 OTHERWISE TRANSFERRED WITHIN THE STATE IS EIGHT CENTS A
 8 GALLON LESS THAN THE TAX ON OTHER MOTOR FUEL NOT
 9 DESCRIBED IN (1) - (3) OF THIS SUBSECTION IF THE MOTOR FUEL

10 (i) IS AT LEAST 10 PERCENT ALCOHOL BY
 11 VOLUME, HAS BEEN PRODUCED FROM THE PROCESSING OF
 12 LIGNOCELLULOSE DERIVED FROM WOOD, AND WAS
 13 PRODUCED IN A FACILITY THAT PROCESSES
 14 LIGNOCELLULOSE FROM WOOD, BUT THIS REDUCTION IN
 15 THE RATE OF TAX APPLIES TO MOTOR FUEL SOLD OR
 16 TRANSFERRED THAT CONTAINS ALCOHOL THAT WAS
 17 PRODUCED ONLY DURING THE FIRST FIVE YEARS OF THE
 18 FACILITY'S PROCESSING OF LIGNOCELLULOSE FROM
 19 WOOD; OR

20 (ii) IS AT LEAST 10 PERCENT ALCOHOL BY
 21 VOLUME, HAS BEEN PRODUCED FROM THE PROCESSING OF
 22 WASTE SEAFOOD, AND WAS PRODUCED IN A FACILITY
 23 THAT PROCESSES ALCOHOL FROM WASTE SEAFOOD, BUT
 24 THIS REDUCTION IN THE RATE OF TAX APPLIES TO MOTOR
 25 FUEL SOLD OR TRANSFERRED THAT CONTAINS ALCOHOL
 26 THAT WAS PRODUCED ONLY DURING THE FIRST FIVE
 27 YEARS OF THE FACILITY'S PROCESSING OF ALCOHOL FROM
 28 WASTE SEAFOOD].

29 * **Sec. 13.** AS 43.40.010(b) is amended to read:

30 (b) There is levied a tax of 20 [EIGHT] cents a gallon on all motor fuel
 31 consumed by a user, except that

1 (1) the tax on aviation gasoline consumed is four and seven-tenths
2 cents a gallon;

3 (2) the tax on motor fuel used in and on watercraft of all descriptions is
4 five cents a gallon; **and**

5 (3) the tax on all aviation fuel other than gasoline is three and two-
6 tenths cents a gallon [; AND

7 (4) THE TAX RATE ON MOTOR FUEL THAT IS BLENDED
8 WITH ALCOHOL IS THE SAME TAX RATE A GALLON AS OTHER MOTOR
9 FUEL; HOWEVER,

10 (A) IN AN AREA AND DURING THE MONTHS IN WHICH
11 FUEL CONTAINING ALCOHOL IS REQUIRED TO BE SOLD,
12 TRANSFERRED, OR USED IN AN EFFORT TO ATTAIN AIR QUALITY
13 STANDARDS FOR CARBON MONOXIDE AS REQUIRED BY FEDERAL
14 OR STATE LAW OR REGULATION, THE TAX RATE ON MOTOR FUEL
15 THAT IS BLENDED WITH ALCOHOL IS SIX CENTS A GALLON LESS
16 THAN THE TAX ON OTHER MOTOR FUEL NOT DESCRIBED IN (1) -
17 (3) OF THIS SUBSECTION;

18 (B) NOTWITHSTANDING (A) OF THIS PARAGRAPH,
19 THROUGH JUNE 30, 2004, THE TAX ON MOTOR FUEL CONSUMED
20 BY A USER WITHIN THE STATE IS EIGHT CENTS A GALLON LESS
21 THAN THE TAX ON OTHER MOTOR FUEL NOT DESCRIBED IN (1) -
22 (3) OF THIS SUBSECTION IF THE MOTOR FUEL

23 (i) IS AT LEAST 10 PERCENT ALCOHOL BY
24 VOLUME, HAS BEEN PRODUCED FROM THE PROCESSING OF
25 LIGNOCELLULOSE DERIVED FROM WOOD, AND WAS
26 PRODUCED IN A FACILITY THAT PROCESSES
27 LIGNOCELLULOSE FROM WOOD, BUT THIS REDUCTION IN
28 THE RATE OF TAX APPLIES TO MOTOR FUEL CONSUMED BY
29 A USER THAT CONTAINS ALCOHOL THAT WAS PRODUCED
30 ONLY DURING THE FIRST FIVE YEARS OF THE FACILITY'S
31 PROCESSING OF LIGNOCELLULOSE FROM WOOD; OR

1 (ii) IS AT LEAST 10 PERCENT ALCOHOL BY
 2 VOLUME, HAS BEEN PRODUCED FROM THE PROCESSING OF
 3 WASTE SEAFOOD, AND WAS PRODUCED IN A FACILITY
 4 THAT PROCESSES ALCOHOL FROM WASTE SEAFOOD, BUT
 5 THIS REDUCTION IN THE RATE OF TAX APPLIES TO MOTOR
 6 FUEL CONSUMED BY A USER THAT CONTAINS ALCOHOL
 7 THAT WAS PRODUCED ONLY DURING THE FIRST FIVE
 8 YEARS OF THE FACILITY'S PROCESSING OF ALCOHOL FROM
 9 WASTE SEAFOOD].

10 * **Sec. 14.** AS 43.40.010(g) is amended to read:

11 (g) The proceeds of the revenue from the tax on all motor fuels, except as
 12 provided in (e), (f), (j), and (m) [AND (j)] of this section, shall be deposited in a
 13 special highway fuel tax account in the state general fund. The legislature may
 14 appropriate funds from it for expenditure by the Department of Transportation and
 15 Public Facilities directly or as matched with available federal-aid highway money for
 16 maintenance of highways, construction of highway projects and ferries included in the
 17 program provided for in AS 19.10.150, including approaches, appurtenances and
 18 related facilities and acquisition of rights-of-way or easements, and other highway
 19 costs including surveys, administration, and related matters. All departments of the
 20 state government authorized to spend funds collected from taxes imposed by this
 21 chapter shall perform, when feasible, all construction or reconstruction projects by
 22 contract after the projects have been advertised for competitive bids, except that, when
 23 feasible, arrangements shall be made with political subdivisions to carry out the
 24 construction or reconstruction projects. If it is not feasible for the work to be
 25 performed by state engineering forces, the commissioner of transportation and public
 26 facilities may contract on a professional basis with private engineering firms for road
 27 design, bridge design, and services in connection with surveys. If more than one
 28 private engineering firm is available for the work the contracts shall be entered into on
 29 a negotiated basis.

30 * **Sec. 15.** AS 43.40.010 is amended by adding a new subsection to read:

31 (m) An amount equal to the revenue obtained from six cents of the tax

1 collected under (a) and (b) of this section, excluding the amounts collected under
 2 (a)(1) - (4) and (b)(1) - (4) of this section, shall be separately accounted for in the
 3 special highway fuel tax account under AS 43.40.010(g). The annual estimated
 4 balance of the amount separately accounted for may be appropriated by the legislature
 5 to the Department of Community and Economic Development for distribution to
 6 municipalities according to AS 29.60.110.

7 * **Sec. 16.** AS 43.40.030(a) is amended to read:

8 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to
 9 operate an internal combustion engine is entitled to a refund of **18** [SIX] cents a gallon
 10 if

11 (1) the tax on the motor fuel has been paid;

12 (2) the motor fuel is not aviation fuel, or motor fuel used in or on
 13 watercraft; and

14 (3) the internal combustion engine is not used in or in conjunction with
 15 a motor vehicle licensed to be operated on public ways.

16 * **Sec. 17.** AS 43 is amended by adding a new chapter to read:

17 **Chapter 44. Sales and Use Tax.**

18 **Article 1. Levy and Collection of the Tax.**

19 **Sec. 43.44.010. Levy of sales and use tax.** (a) There is levied a sales tax on
 20 sales and rents of tangible personal property and on sales of services.

21 (b) For the privilege of using property in this state, there is levied a use tax on
 22 the person using property that was

23 (1) manufactured by the person using the property in this state; or

24 (2) acquired outside this state as the result of a transaction that would
 25 have been subject to the sales tax had it occurred in this state.

26 (c) For the privilege of using services in this state, there is levied a use tax on
 27 the person using services.

28 (d) The rate of levy of the sales tax levied under (a) of this section and of the
 29 use taxes levied under (b) and (c) of this section is three percent of the sales price or
 30 purchase price of the tangible personal property or service.

31 **Sec. 43.44.015. Relationship to municipal levies.** (a) The rate of levy under

1 this subsection is decreased in a borough or city that levies taxes under AS 29.45.650
 2 or 29.45.700 so that the total sales and use tax levied in that borough or city, including
 3 the sales and use tax under this chapter, does not exceed eight percent. This decrease
 4 only applies in conjunction with borough or city sales and use tax rates approved or in
 5 effect on April 1, 2003.

6 (b) A municipality may not increase the rate of a municipal sales and use tax
 7 above the rate in effect on April 1, 2003, if that increase would cause the total
 8 combined state and municipal sales and use taxes in a municipality to exceed eight
 9 percent.

10 (c) The total combined state and municipal sales and use taxes in a
 11 municipality may not exceed eight percent. In a municipality

12 (1) subject to both a city sales and use tax and a borough sales and use
 13 tax, if the total combined municipal sales and use tax rates exceed eight percent, the
 14 borough shall be entitled to levy the borough sales and use tax at its full rate, not to
 15 exceed eight percent, the city shall reduce the rate of its sales and use tax accordingly,
 16 and the rate of the state sales and use tax within that municipality shall be zero;

17 (2) subject to both a city sales and use tax and a borough sales and use
 18 tax, where the total combined municipal sales and use tax rates do not exceed eight
 19 percent, the borough shall be entitled to levy the borough sales and use tax at its full
 20 rate, the city shall be entitled to levy the city sales and use tax at its full rate, and the
 21 state shall reduce the rate of the state sales and use tax within that municipality
 22 accordingly;

23 (3) subject only to a borough sales and use tax or a city sales and use
 24 tax, but not both, if the total combined municipal and state sales and use tax rates
 25 exceed eight percent, the municipality shall be entitled to levy the municipal sales and
 26 use tax at its full rate, not to exceed eight percent, and the state shall reduce the rate of
 27 the state sales and use tax within that municipality accordingly.

28 **Sec. 43.44.020. Collection of tax.** (a) The tax described in AS 43.44.010(a)
 29 is imposed on the purchaser and must be collected by the seller and paid to the
 30 department by the seller as provided in AS 43.44.340. The seller holds all taxes
 31 collected in trust for the state. The tax must be applied to the sales price.

1 (b) The purchaser of property subject to the tax described in AS 43.44.010(b)
2 is responsible for payment of the tax as provided in AS 43.44.340.

3 (c) The purchaser of services subject to the tax described in AS 43.44.010(c)
4 is responsible for payment of the tax as provided in AS 43.44.340.

5 **Sec. 43.44.030. Presumption of taxability; sales price and purchase price.**

6 (a) In order to prevent evasion of the sales tax or use tax and to aid in its
7 administration, it is presumed that

8 (1) all sales by a person engaging in business are subject to the sales
9 tax or use tax; and

10 (2) all property purchased or sold by any person for delivery into this
11 state is purchased or sold for a taxable use in this state.

12 (b) In a sale in which the amount of money paid does not represent the
13 purchase price of the property or service purchased, the use tax must be imposed on
14 the purchase price of the property or service purchased.

15 (c) For purposes of this section, the sales price or purchase price of property
16 must be determined as of the time of acquisition, introduction into this state, or
17 conversion to use, whichever is latest.

18 **Sec. 43.44.040. Separate statement of tax; no advertising to absorb or**
19 **refund tax.** (a) If any person collects a tax in excess of the tax imposed by
20 AS 43.44.010(a), both the tax and the excess tax must be remitted to the department.

21 (b) The sales tax must be stated separately for all sales, except for sales from
22 coin-operated or currency-operated machines.

23 (c) A person may not advertise, hold out, or state to the public or to any
24 customer that the tax imposed by AS 44.43.010(a) will be absorbed or refunded.

25 **Sec. 43.44.050. Liability of user for payment of use tax.** (a) A person in
26 this state who uses property is liable to the state for payment of the use tax if the tax is
27 payable on the purchase price of the property but has not been paid.

28 (b) The liability imposed by this section is discharged if the purchaser has paid
29 the sales or use tax to the seller for payment to the department.

30 **Sec. 43.44.060. Nexus.** To the fullest extent permitted under the Constitution
31 of the United States, a person who has nexus with the State of Alaska and whose sales

1 are not subject to the sales tax shall collect the use tax from the purchaser and pay the
2 tax collected to the department.

3 **Article 2. Exemptions.**

4 **Sec. 43.44.090. Exemption: government agencies.** (a) Sales by, sales to, or
5 uses by the United States are exempt from the sales tax and use tax.

6 (b) Sales to or uses by an instrumentality of the state, as that term is defined in
7 AS 39.52.960, an Indian tribe included on the list published under 25 U.S.C. 479a-1,
8 or a foreign government are exempt from the sales and use tax.

9 **Sec. 43.44.095. Exemption for corporations exempt from taxation under**
10 **26 U.S.C. 501(c)(3).** With the exception of sales governed by AS 05.15, all sales by,
11 sales to, or uses by a corporation that is exempt from taxation under 26 U.S.C.
12 501(c)(3) (Internal Revenue Code) are exempt from the sales tax and use tax.

13 **Sec. 43.44.100. Exemption for food stamps and special supplemental**
14 **nutrition program for women, infants, and children.** The sale of an item lawfully
15 purchased with food stamp program benefits issued under 7 U.S.C. 2011 - 2025 (Food
16 Stamp Act) or purchased with food instruments, food vouchers, or other type of
17 certificate issued under 42 U.S.C. 1786 (special supplemental nutrition program for
18 women, infants, and children) is exempt from the sales tax and use tax.

19 **Sec. 43.44.110. Exemption for intangibles.** The following are exempt from
20 the sales tax and use tax, even if they are construed to be tangible personal property or
21 a service:

22 (1) wages, salaries, commissions, and any other form of remuneration
23 for personal services if paid by an employer to an employee; the terms used in this
24 section have the meanings given in 26 U.S.C. 3121 (Internal Revenue Code);

25 (2) interest on money loaned or deposited;

26 (3) dividends or interest from stocks, bonds, or securities; and

27 (4) proceeds from the sale of stocks, bonds, or securities.

28 **Sec. 43.44.140. Exemption for isolated or occasional sale or lease of**
29 **property or services.** The isolated or occasional sale or lease of property or the
30 performance of a service by a person who is not regularly engaged in or who does not
31 intend to engage in the business of selling or leasing the same or a similar property or

1 service is exempt from the sales tax and use tax. Occasional sales include sales that
2 are occasional but not continuous and that are made for the purpose of fundraising by
3 nonprofit organizations, including but not limited to youth clubs, service clubs, and
4 fraternal organizations.

5 **Sec. 43.44.150. Exemption for personal effects.** The use by an individual of
6 personal or household effects brought into the state for the establishment by the
7 individual of an initial residence in this state and the use of property brought into the
8 state by a nonresident for the nonresident's own nonbusiness use while temporarily
9 within this state is exempt from the use tax.

10 **Sec. 43.44.155. Exemption for motor vehicles, watercraft, aircraft, and**
11 **mobile homes.** The sales price or purchase price of a motor vehicle, watercraft,
12 aircraft, or mobile home in excess of \$5,000 is exempt from the sales tax and use tax.
13 For purposes of this section, "motor vehicle" has the meaning given in AS 28.40.100.

14 **Sec. 43.44.160. Exemption for the sale of property for resale.** The sale of
15 property is exempt from the sales tax and use tax if the purchaser resells the property
16 either by itself or in combination with other property in the ordinary course of
17 business and the property will be subject to the sales tax imposed by AS 43.44.010(a).

18 **Sec. 43.44.170. Exemption for the sale of service for resale.** The sale of a
19 service for resale is exempt from the sales tax and use tax if

20 (1) the purchaser resells the service and separately states the sales price
21 of the service purchased in the charge for the service in the subsequent sale; and

22 (2) the subsequent sale is in the ordinary course of business and subject
23 to the sales tax imposed by AS 43.44.010(a).

24 **Sec. 43.44.180. Exemption for a sale to a miner or manufacturer.** (a) The
25 sale of property to a purchaser engaged in the business of mining or manufacturing is
26 exempt from the sales tax and use tax if the purchaser incorporates the property as an
27 ingredient or component part of the product in the business of mining or
28 manufacturing.

29 (b) For the purposes of this section, electrical energy or electricity used or
30 consumed by electrolytic reduction used in the reduction or refinement of ores is
31 considered a component part of the product.

1 **Sec. 43.44.190. Exemption for property held for lease.** The sale, use, lease,
2 or rental of property held for lease is exempt from the sales and use tax if the person
3 holding the property for lease, or purchasing, leasing, or renting the property for the
4 purpose of holding the property for lease

5 (1) is engaged in a business that derives more than 50 percent of its
6 receipts from leasing or selling property of the type held;

7 (2) does not use the property in any manner other than holding it for
8 lease or sale or leasing or selling it either by itself or in combination with other
9 tangible personal property in the ordinary course of business;

10 (3) does not use the property in a manner incidental to the performance
11 of a service; and

12 (4) the subsequent lease or rental is subject to the tax imposed by
13 AS 43.44.010(a).

14 **Sec. 43.44.200. Exemption for transactions subject to other taxes.** (a)
15 Motor fuel transactions subject to tax under AS 43.40 are exempt from the sales tax
16 and use tax.

17 (b) Transactions subject to tax under AS 43.52 are exempt from the sales tax
18 and use tax.

19 (c) Insurance premiums subject to tax under AS 21.09.210 are exempt from
20 the sales tax and use tax.

21 **Sec. 43.44.210. Exemption for certain intrastate transportation and**
22 **services in interstate commerce.** (a) The transport of persons or property from one
23 point within this state to another point within this state is exempt from the sales tax
24 and use tax if the persons or property, including any reasonably necessary services, are
25 being transported in interstate or foreign commerce under a single contract.

26 (b) Handling, storage, drayage, or packing of property or another accessorial
27 service on property is exempt from the sales tax and use tax if

28 (1) the property has been or will be moved in interstate or foreign
29 commerce;

30 (2) the services are performed by a local agent for a carrier or by a
31 carrier; and

1 (3) the services are performed under a single contract in relation to
2 interstate transportation services.

3 **Sec. 43.44.220. Exemption for health care.** The following are exempt from
4 the sales tax and use tax:

5 (1) health care services provided by a person licensed or certified to
6 provide those services under AS 08 or a "health care facility" as that term is defined in
7 AS 08.68.395(g)(2);

8 (2) drugs, durable medical equipment, mobility enhancing equipment,
9 and prosthetic devices obtained on prescription from a person licensed to prescribe
10 those goods under AS 08 or from a health care facility, as that term is defined in
11 AS 08.68.395(g)(2).

12 **Sec. 43.44.230. Exemption for child care services.** Child care services are
13 exempt from the sales tax and use tax.

14 **Article 3. Collection and Payment Provisions.**

15 **Sec. 43.44.240. Tax credit for sales or use tax paid to another state.** (a) A
16 buyer liable for use tax on tangible personal property or services is entitled to a full
17 credit for the amount of sales or use tax paid on the tangible personal property or
18 services to another state.

19 (b) The credit shall be applied first against the amount of use tax levied under
20 this chapter. Any unused portion of the credit shall then be applied against the amount
21 of use tax levied by a municipality under AS 29.45.650 or 29.45.700.

22 **Sec. 43.44.250. Exempt sales.** All exempt sales under AS 43.44.090 -
23 43.44.230 must be documented in an invoice. The department shall prescribe by
24 regulation the requirements for an invoice.

25 **Sec. 43.44.252. Exemption certificate: form.** (a) The department shall
26 provide for a uniform exemption certificate. A purchaser shall use the certificate
27 when purchasing goods or services for resale or for other exempt transactions.

28 (b) At a minimum, the certificate must provide

29 (1) the number of the seller's permit issued to the purchaser as
30 provided in AS 43.44.260 or the number of the direct pay permit issued to the
31 purchaser as provided in AS 43.44.255, as applicable;

1 (2) the general character of property or service sold by the purchaser in
2 the regular course of business;

3 (3) the property or service purchased;

4 (4) the name and address of the purchaser; and

5 (5) a signature line for the purchaser.

6 **Sec. 43.44.254. Exemption certificate: requirements.** (a) An exemption
7 certificate executed by a purchaser or lessee must be in the possession of the seller or
8 lessor at the time that an exempt transaction occurs.

9 (b) An exemption certificate must contain the information and be in the form
10 prescribed by the department.

11 (c) If the seller or lessor accepts an exemption certificate and believes in good
12 faith that the purchaser or lessee will employ the property or service transferred in an
13 exempt manner, the properly executed exemption certificate is considered conclusive
14 evidence, as to the seller or lessor, that the sale is exempt.

15 **Sec. 43.44.255. Direct pay permit.** A direct pay permit authorizes its holder
16 to purchase tangible personal property and services without paying tax to the seller
17 and authorizes the seller to not collect any tax on a sale to the permit holder. A person
18 who purchases tangible personal property or services under a direct pay permit issued
19 under this section is liable for any sales and use tax due. The tax due must be paid by
20 the permit holder on a quarterly basis on a schedule established by the department. To
21 obtain a direct pay permit, a person must apply to the department and satisfy criteria
22 for direct pay permit holders established by the department by regulation.

23 **Sec. 43.44.260. Seller's permit.** (a) A person wishing to engage in business
24 in this state shall obtain a seller's permit before engaging in business in this state.

25 (b) Upon an applicant's compliance with this chapter, the department shall
26 issue to the applicant a numbered seller's permit. A permit is valid until revoked or
27 suspended but is not assignable. A permit is valid only for the person in whose name
28 it is issued. A copy of the permit must be conspicuously displayed at all times at the
29 place for which it is issued.

30 **Sec. 43.44.270. Permit application: requirements; place of business; form.**

31 (a) A person wishing to engage in business in this state shall file with the department

1 an application for a seller's permit. If the person has more than one location in which
 2 the person maintains an office or other place of business, an application may include
 3 multiple locations. A vending machine operator who has more than one vending
 4 machine location is considered to have only one place of business for purposes of this
 5 section. An applicant who does not maintain an office or other place of business and
 6 who moves from place to place is considered to have only one place of business and
 7 shall attach the permit to the applicant's cart, stand, truck, or other merchandising
 8 device.

9 (b) Each application for a permit must be on a form or in a format prescribed
 10 by the department and must set out the name under which the applicant intends to
 11 transact business, the location of the applicant's place or places of business, and other
 12 information that the department may require. The application must be filed by the
 13 owner if the owner is a natural person, by a member or partner if the owner is an
 14 association or partnership, or by a person authorized to sign the application if the
 15 owner is a corporation.

16 **Sec. 43.44.280. Revocation or suspension of permit: hearing; notice;
 17 appeal.** (a) Subject to the provisions of (b) of this section, the department may, for
 18 reasonable cause, revoke or suspend a permit held by a person who fails to comply
 19 with the provisions of this chapter.

20 (b) The department shall provide written notice and an opportunity for a
 21 hearing on a proposed revocation or suspension. The hearing must be conducted
 22 informally and is not subject to AS 44.62 (Administrative Procedure Act).

23 (c) If a permit is revoked, the department may not issue a new permit except
 24 upon application accompanied by reasonable evidence of the intention of the applicant
 25 to comply with the provisions of this chapter. The department may, as a condition for
 26 the issuance of a new permit to the applicant, require security in addition to that
 27 authorized by AS 43.44.370 in an amount reasonably necessary to ensure compliance
 28 with this chapter.

29 (d) A person aggrieved by the department's final decision to revoke a permit
 30 as provided in (a) of this section may appeal the decision to the superior court.

31 **Sec. 43.44.290. Improper use of subject of purchase obtained with**

1 **exemption certificate; penalty.** (a) If a purchaser who uses an exemption certificate
2 uses the subject of the purchase for a purpose other than one allowed as exempt under
3 this chapter, the use is considered a taxable sale as of the time of first use by the
4 purchaser, and the sales price is the price that the purchaser paid. If the sole
5 nonexempt use is rental while holding for sale, the purchaser shall include in the sales
6 price the amount of the rental charged. Upon subsequent sale of the property, the
7 seller shall include the entire amount of the sales price, without deduction of amounts
8 previously received as rentals.

9 (b) A person who uses an exemption certificate for property that will be used
10 for purposes other than the purpose claimed is subject to a penalty, payable to the
11 department, of \$100 or 100 percent of the tax due, whichever is greater, for each
12 transaction in which an improper use of a certificate has occurred.

13 **Sec. 43.44.300. Commingling exemption certificate goods.** If a purchaser
14 uses an exemption certificate with respect to the purchase of fungible goods and
15 commingles these goods with fungible goods that were not purchased with an
16 exemption certificate but that are so similar that the identity of the goods in the
17 commingled mass cannot be determined, sales from the mass of commingled goods
18 are considered to be sales of the goods purchased with the certificate until the quantity
19 of commingled goods sold equals the quantity of goods originally purchased under the
20 certificate.

21 **Sec. 43.44.310. Liability for payment of tax; security for retailer without**
22 **place of business; penalty.** (a) Liability for the payment of the sales tax and use tax
23 is not extinguished until the taxes have been paid to the department.

24 (b) A retailer who does not maintain an office or other place of business in this
25 state is liable for the sales tax or use tax on all property sold or leased and services
26 provided in this state in accordance with this chapter and may be required to furnish
27 adequate security as provided in AS 43.44.370 to ensure collection and payment of the
28 taxes. When authorized and except as otherwise provided in this chapter, the retailer
29 is liable for the taxes on all property sold and services provided in this state in the
30 same manner as a retailer who maintains an office or other place of business in this
31 state. The seller's permit provided for in AS 43.44.260 may be canceled at any time if

1 the department considers the security inadequate or believes that the taxes can be
2 collected more effectively in another manner.

3 (c) An agent, canvasser, or employee of a retailer doing business in this state
4 who does not possess a seller's permit issued by the department may not sell, solicit
5 orders for, or deliver property or services in Alaska. If an agent, canvasser, or
6 employee violates the provisions of this chapter, the person is subject to a fine of not
7 more than \$100, or 100 percent of the tax due, whichever is greater, for each separate
8 transaction or event.

9 **Sec. 43.44.320. Interstate and intrastate carriers as retailers.** A person
10 engaged in the business of interstate or intrastate transportation of property or
11 passengers shall register as a retailer with the department and pay the taxes imposed
12 by AS 43.44.010.

13 **Sec. 43.44.330. Method of accounting.** A person who has a seller's permit
14 shall report and pay the sales and use tax using the same method of accounting that the
15 person uses for federal tax purposes.

16 **Sec. 43.44.340. Returns: payment; authority of department.** (a) A person
17 who has a tax liability under AS 43.44.010 shall file a return on a form or in a format
18 prescribed by the department and pay the tax due monthly. The return shall be filed
19 on or before the 20th day following the end of the month for which the tax is due.
20 Each person engaged in business in this state or using property in this state that is
21 subject to taxation under AS 43.44.010 shall file a return.

22 (b) For the purposes of the sales tax or use tax, a return must be filed by

23 (1) a retailer required to collect the tax; and

24 (2) a person who

25 (A) purchases an item the storage, use, or other consumption of
26 which is subject to the sales tax or use tax; and

27 (B) has not paid the tax to a retailer required to pay the tax.

28 (c) Each return must be authenticated by the person filing the return or by the
29 person's agent authorized in writing to file the return.

30 **Sec. 43.44.345. Methods.** (a) The department shall adopt regulations
31 providing for payment of the sales and use tax based on a rounding method.

1 (b) The department may use sampling principles or methods in lieu of 100
2 percent examination of records in conducting a sales tax or use tax audit.

3 **Sec. 43.44.350. Credit for taxes paid on worthless accounts; taxes paid if**
4 **account collected.** (a) Sales taxes paid on an accrual basis by a person filing a return
5 under AS 43.44.340 on sales found to be worthless and actually deducted by the
6 person as a bad debt for federal income tax purposes may be credited on a subsequent
7 payment of the tax.

8 (b) If the accounts are subsequently collected, the sales tax must be paid on
9 the amount collected.

10 **Sec. 43.44.360. Timely filing allowance.** (a) A person filing a return under
11 AS 43.44.340 may claim an allowance for each permitted location in the amount of
12 two percent of the tax determined to be payable to the state or \$75 a month, whichever
13 is less, if the return is timely filed and the tax is timely paid.

14 (b) The allowance may be deducted on the return. The allowance may not be
15 greater than the tax determined to be payable to the state.

16 **Sec. 43.44.370. Security: limitations; sale of security deposit at auction;**
17 **bond.** (a) The department may require a retailer to deposit with the department
18 security in a form and amount that the department determines is appropriate. The
19 deposit may not be more than twice the estimated average liability for the period for
20 which the return is required to be filed or \$10,000, whichever is less. The amount of
21 security may be increased or decreased by the department, subject to the limitations
22 provided in this section.

23 (b) If necessary, the department may sell at public auction property deposited
24 as security to recover a sales tax or use tax amount required to be collected, including
25 interest and penalties. Notice of the sale must be served personally on or sent by
26 certified mail to the person who deposited the security. After the sale, any surplus
27 above the amount due that is not required as security under this section must be
28 returned to the person who deposited the security.

29 (c) In lieu of security, the department may require a retailer to file a bond
30 issued by a surety company authorized to transact business in this state to guarantee
31 solvency and responsibility.

1 (d) In addition to the other requirements of this section, the department may
 2 require the corporate officers, directors, or shareholders of a corporation to provide a
 3 personal guaranty and assumption of liability for the payment of the tax due under this
 4 chapter.

5 **Sec. 43.44.380. Taxpayer quitting business; liability of successor.** (a) All
 6 taxes payable under this chapter are due and payable immediately whenever a
 7 taxpayer quits business, sells, exchanges, or otherwise disposes of the business or
 8 disposes of the stock of goods. The taxpayer shall make a return and pay the taxes due
 9 within 10 days after the taxpayer quits business, sells, exchanges, or otherwise
 10 disposes of the business or disposes of the stock of goods.

11 (b) Except as provided in (d) of this section, a person who becomes a
 12 successor in the taxpayer's business or stock of goods is liable for the full amount of
 13 the tax and shall withhold from the sales price payable to the taxpayer a sum sufficient
 14 to pay any tax due until the taxpayer produces either a receipt from the department
 15 showing payment in full of any tax due or a statement from the department that tax is
 16 not due.

17 (c) If a tax is due but has not been paid as provided in (a) of this section, the
 18 successor is liable for the payment of the full amount of tax. The payment of the tax
 19 by the successor is considered to be a payment on the sales price and, if the payment is
 20 greater in amount than the sales price, the amount of the difference becomes a debt
 21 due to the successor from the taxpayer owing the tax under (a) of this section.

22 (d) A successor is not liable for any tax due from the person from whom the
 23 successor acquired a business or stock of goods if (1) the successor gives written
 24 notice to the department of the acquisition; and (2) an assessment is not issued by the
 25 department against the former operator of the business within six months after receipt
 26 of the notice from the successor. If an assessment is issued by the department and a
 27 copy of the assessment is not mailed to the successor, the successor is not liable for the
 28 tax due.

29 **Sec. 43.44.390. Tax as debt.** (a) The tax imposed by this chapter and related
 30 interest and penalties become a personal debt of the person required to file a return
 31 from the time the liability arises, regardless of when the time for payment of the

1 liability occurs.

2 (b) If the personal representative of an estate has voluntarily distributed the
3 assets held in that capacity without reserving sufficient assets to pay the taxes, interest,
4 and penalties, the personal representative is personally liable for any deficiency, to the
5 extent permitted under AS 13.16.

6 (c) This section applies to corporate officers, directors, or shareholders
7 required by the department to personally guarantee the payment of the taxes for their
8 corporation. The officer or employee of a corporation whose duty it is to collect,
9 truthfully account for, and pay to the state the taxes imposed by this chapter and who
10 fails to pay the taxes is liable to the state for the taxes imposed by this chapter and the
11 penalty and interest due on the taxes.

12 **Sec. 43.44.400. Refunds and credits.** The department may credit or refund
13 overpayments of taxes, taxes erroneously or illegally assessed or collected, penalties
14 collected without authority, and taxes that are found unjustly assessed or excessive in
15 amount, or otherwise wrongfully collected. The department shall set limitations,
16 specify the manner in which claims for credits or refunds are made, and give notice of
17 allowance or disallowance. When a refund is allowed to a taxpayer, it shall be paid
18 out of the general fund on a warrant issued under a voucher approved by the
19 department.

20 **Article 4. General Provisions.**

21 **Sec. 43.44.500. Definitions.** In this chapter,

22 (1) "consideration" means a valuable inducement and includes, without
23 limitation, money, property, and services;

24 (2) "engaging in business" means carrying on or causing to be carried
25 on any activity with the purpose of direct or indirect benefit;

26 (3) "lease," "leasing," or "rental," regardless of whether a transaction is
27 characterized as a lease or rental under generally accepted accounting principles, 26
28 U.S.C. (Internal Revenue Code), AS 45.01 - AS 45.08, AS 45.12, AS 45.14, and
29 AS 45.29 (Uniform Commercial Code), or other provisions of federal, state, or local
30 law,

31 (A) means a transfer of possession or control of tangible

1 personal property for a fixed or indeterminate term for consideration; a lease or
2 rental may include future options to purchase or extend;

3 (B) does not include

4 (i) a transfer of possession or control of property under
5 a security agreement or deferred payment plan that requires the transfer
6 of title upon completion of the required payments;

7 (ii) a transfer of possession or control of property under
8 an agreement that requires the transfer of title upon completion of
9 required payments if payment of an option price does not exceed the
10 greater of one hundred dollars or one percent of the total required
11 payments; or

12 (iii) providing tangible personal property along with an
13 operator for a fixed or indeterminate period of time; a condition of this
14 exclusion is that the operator is necessary for the equipment to perform
15 as designed; for the purpose of this sub-subparagraph, an operator must
16 do more than maintain, inspect, or set up the tangible personal property;

17 (C) includes agreements covering motor vehicles and trailers if
18 the amount of consideration may be increased or decreased by reference to the
19 amount realized upon sale or disposition of the property as defined in 26
20 U.S.C. 7701(h)(1);

21 (4) "maintaining an office or other place of business" means

22 (A) a person's having or maintaining in this state, directly or by
23 an affiliate, an office, distribution house, sales house, warehouse, or place of
24 business; or

25 (B) an agent's operating within this state under the authority of
26 the person or its affiliate, whether the place of business or agent is located in
27 the state permanently or temporarily or whether the person or affiliate is
28 authorized to do business in the state;

29 (5) "manufacturing" means combining or processing components or
30 materials, including the processing of ores in a mill, smelter, refinery, or reduction
31 facility, to increase the value of the components or materials for sale in the ordinary

1 course of business; "manufacturing" does not include construction;

2 (6) "permit" or "seller's permit" means a seller's permit as described in
3 AS 43.44.260;

4 (7) "person" means an individual, estate, trust, receiver, cooperative
5 association, club, corporation, company, firm, partnership, joint venture, syndicate, or
6 other entity, including a gas, water, or electric utility owned or operated by a borough,
7 municipality, or other political subdivision of the state;

8 (8) "purchase price" means "sales price" and applies to the measure
9 subject to use tax;

10 (9) "sale," "selling," or "purchasing" means the transfer of property for
11 consideration or the performance of a service for consideration;

12 (10) "sales price"

13 (A) means the total amount of consideration, including cash,
14 credit, property, and services, for which personal property or services are sold,
15 leased, or rented, valued in money, whether received in money or otherwise,
16 without any deduction for the following:

17 (i) the seller's cost of the property sold;

18 (ii) the cost of materials used, labor or service cost,
19 interest, losses, all costs of transportation to the seller, all taxes
20 imposed on the seller, and any other expense of the seller;

21 (iii) charges by the seller for any services necessary to
22 complete the sale, other than delivery and installation charges;

23 (iv) delivery charges;

24 (v) installation charges;

25 (vi) the value of exempt personal property given to the
26 purchaser where taxable and exempt personal property have been
27 bundled together and sold by the seller as a single product or piece of
28 merchandise;

29 (vii) credit for a trade-in, as determined by state law;

30 (B) does not include

31 (i) discounts, including cash, term, or coupons that are

1 not reimbursed by a third party that are allowed by a seller and taken by
2 a purchaser on a sale;

3 (ii) interest, financing, and carrying charges from credit
4 extended on the sale of personal property or services if the amount is
5 separately stated on the invoice, bill of sale, or similar document given
6 to the purchaser; and

7 (iii) taxes legally imposed directly on the consumer that
8 are separately stated on the invoice, bill of sale, or similar document
9 given to the purchaser;

10 (11) "sales tax" or "use tax" means the applicable tax imposed by
11 AS 43.44.010;

12 (12) "service" means an activity that is engaged in for another person
13 for consideration and that is distinguished from the sale or lease of property; "service"
14 includes (A) activities performed by a person for its members or shareholders; (B)
15 construction activities and all tangible personal property that will become an
16 ingredient or component part of a construction project; and (C) labor; professional
17 services; transportation; telephone or other communications service; entertainment,
18 including cable, subscription, or pay television or other telecommunications service;
19 the supplying of food, lodging, or other accommodations in hotels, restaurants, or
20 elsewhere; admission to exhibitions; the use of a computer, computer time, a computer
21 system, a computer program, a computer network, or any part of a computer system or
22 network; and the supplying of equipment for use; in determining what a service is, the
23 intended use, principal objective, or ultimate objective of the contracting parties is
24 irrelevant;

25 (13) "tangible personal property" means personal property that can be
26 seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to
27 the senses; "tangible personal property" includes electricity, water, gas, steam, and
28 prewritten computer software;

29 (14) "tax" means the tax levied by AS 43.44.010;

30 (15) "use" or "using" includes use, consumption, or storage, other than
31 storage for resale or for use solely outside this state in the ordinary course of business.

1 * **Sec. 18.** Section 4, ch. 100, SLA 2002, is repealed and reenacted to read:

2 Sec. 4. AS 29.45.650(a) is amended to read:

3 (a) Except as provided in AS 04.21.010(c) [AND AS 29.45.750], a borough
4 may levy a general sales tax on the sale and rental of tangible personal property and on
5 services provided in the borough.

6 * **Sec. 19.** The uncodified law of the State of Alaska is amended by adding a new section to
7 read:

8 **AUTHORITY TO ENTER STREAMLINED SALES AND USE TAX**
9 **AGREEMENT.** (a) The department is authorized and directed to enter into the Streamlined
10 Sales and Use Tax Agreement with one or more states to simplify and modernize sales and
11 use tax administration in order to substantially reduce the burden of tax compliance for all
12 sellers and for all types of commerce. In furtherance of the Streamlined Sales and Use Tax
13 Agreement, the department is authorized to act jointly with other states that are members of
14 the Streamlined Sales and Use Tax Agreement to establish standards for certification of a
15 certified service provider and certified automated system and establish performance standards
16 for multistate sellers.

17 (b) The department shall adopt regulations implementing this chapter consistent with
18 the Streamlined Sales and Use Tax Agreement.

19 (c) The department is authorized to take other actions reasonably required to
20 implement the provisions set out in this section. Other actions authorized by this section
21 include the joint procurement, with other member states, of goods and services in furtherance
22 of the cooperative agreement.

23 (d) The department or the department's designee is authorized to represent this state
24 before the other states that are signatories to the Streamlined Sales and Use Tax Agreement.

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

27 **TRANSITIONAL PROVISIONS.** (a) The Department of Revenue may proceed to
28 adopt regulations necessary to implement this Act. The regulations take effect under
29 AS 44.62 (Administrative Procedure Act), but not before the effective date of the provision
30 being implemented.

31 (b) A municipality that imposes a general sales and use tax shall conform its tax base,

1 including exemptions, definitions, and sourcing rules, to AS 43.44 not later than January 1,
2 2006.

3 (c) Notwithstanding any other provision of this Act, a municipality that levies a
4 general sales and use tax on the effective date of this section may continue to collect the
5 municipality's general sales and use tax through December 31, 2007. The state shall assume
6 responsibility for administering a municipal general sales and use tax on January 1, 2008,
7 unless requested to do so earlier by a municipality that has conformed its tax base, including
8 exemptions, definitions, and sourcing rules, to AS 43.44.

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

11 **CONDITIONAL EFFECT.** The exemption in AS 43.44.200(b), enacted by sec. 17 of
12 this Act, takes effect only if a bill passed by the Twenty-Third Alaska State Legislature
13 providing for the levy and collection of a tax on motor vehicle rentals is enacted into law.

14 * **Sec. 22.** If the exemption in AS 43.44.200(b), enacted by sec. 17 of this Act, takes effect,
15 it takes effect on the day the tax referred to in sec. 21 of this Act takes effect.

16 * **Sec. 23.** Sections 19 and 20 of this Act take effect immediately under AS 01.10.070(c).

17 * **Sec. 24.** Sections 12 - 16 of this Act take effect July 1, 2003.

18 * **Sec. 25.** Except as provided in secs. 22 - 24 of this Act, this Act takes effect January 1,
19 2004.