

**ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS
STANDING COMMITTEE**

April 1, 2003
8:20 a.m.

MEMBERS PRESENT

Representative Carl Morgan, Chair
Representative Kelly Wolf, Vice Chair
Representative Pete Kott
Representative Tom Anderson
Representative Ralph Samuels
Representative Sharon Cissna
Representative Albert Kookesh

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 194

"An Act creating a tax credit under the Alaska Net Income Tax Act for contributions to regional development organizations; and providing for an effective date."

- MOVED HB 194 OUT OF COMMITTEE

PREVIOUS ACTION

BILL: HB 194

SHORT TITLE: REGIONAL DEVELOPMENT ORG TAX CREDIT

SPONSOR(S): REPRESENTATIVE(S) ANDERSON

Jrn-Date	Jrn-Page		Action
03/14/03	0541	(H)	READ THE FIRST TIME - REFERRALS
03/14/03	0541	(H)	CRA, L&C, FIN
04/01/03		(H)	CRA AT 8:00 AM CAPITOL 124

WITNESS REGISTER

MARK GRABER, Audit Manager Group 1
Tax Division
Department of Revenue
Anchorage, Alaska

POSITION STATEMENT: Answered questions with regard to HB 194.

TIM ROGERS, Legislative Program Coordinator
Municipality of Anchorage
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 194.

EDWARD LAMB, CEO
Alaska Regional Hospital;
Board Member, Anchorage Economic Development Corporation
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 194.

LARRY CRAWFORD, President
Anchorage Economic Development Corporation
Anchorage, Alaska

POSITION STATEMENT: Encouraged the committee to pass HB 194
from committee.

ACTION NARRATIVE

TAPE 03-11, SIDE A

Number 0001

CHAIR CARL MORGAN called the House Community and Regional Affairs Standing Committee meeting to order at 8:20 a.m. Representatives Morgan, Wolf, Kott, Anderson, and Samuels were present at the call to order. Representatives Cissna and Kookesh arrived as the meeting was in progress.

HB 194-REGIONAL DEVELOPMENT ORG TAX CREDIT

CHAIR MORGAN announced that the only order of business would be HOUSE BILL NO. 194, "An Act creating a tax credit under the Alaska Net Income Tax Act for contributions to regional development organizations; and providing for an effective date."

Number 0107

REPRESENTATIVE ANDERSON, speaking as the sponsor of HB 194, began by saying that HB 194 is about being pro business. He informed the committee that there are 18 Alaska Regional Development Organizations (ARDOR), of which the largest is the Anchorage Economic Development Council (AEDC). This legislation enhances the desire to contribute to ARDORS by giving a tax credit to corporations that do so. However, the established tax credit limit of \$150,000 is maintained and thus the budget isn't

directly impacted under the \$150,000 tax credit cap. Representative Anderson directed attention to page 3 of HB 194 which illustrates other tax credits that can be given when corporations give to certain entities and HB 194 merely adds [ARDORs] to the list.

REPRESENTATIVE ANDERSON pointed out that the committee packet should include a zero fiscal note from the Department of Community & Economic Development (DCED). He noted that the Department of Revenue hasn't provided a fiscal note yet. He reviewed various entities that will be positively impacted, including the Municipality of Anchorage, Providence [Hospital], Copper Valley Economic Development Council, and Chugach Electric. There is a diverse range of entities that will benefit from HB 194. This legislation induces businesses to contribute [to ARDORs] and encourage the growth of ARDORs, which is a catalyst into regional economic development.

REPRESENTATIVE SAMUELS inquired as to what entities can utilize [this tax credit].

Number 0535

MARK GRABER, Audit Manager Group 1, Tax Division, Department of Revenue, said that he doesn't have a complete list. However, he identified the education credit and the mining exploration credits as probably the two largest credits.

REPRESENTATIVE KOTT inquired as to how much revenue the state loses in taxes by virtue of the tax credit provided in statute.

MR. GRABER said that he could provide that answer after reviewing the [Department of Revenue's] annual report. However, he identified the most significant tax credit as the education credit. In response to Chair Morgan, Mr. Graber informed the committee that the department did prepare a fiscal note late Friday and it was a zero fiscal note. However, the analysis questioned what a regional development organization is the department was interested in being precise with regard to who the credit would go to. After hearing the earlier statements today, Mr. Graber surmised that a regional development organization is a fairly specific term of art.

REPRESENTATIVE ANDERSON explained that the legislation [creates] a tax credit for contributions to regional development organizations.

MR. GRABER explained that when he first reviewed the legislation, he didn't understand who would qualify for the credit. However, the opening remarks seem to indicate that [ARDORs] are a sort of sanctioned organization and thus the department will know which organizations these are.

REPRESENTATIVE ANDERSON specified that it would be a statutory business, a corporate business, or partnership.

MR. GRABER inquired as to how the department would determine which entities would qualify for this tax credit.

Number 0860

MITCH BRAVO, Lobbyist for the Anchorage Economic Development Corporation, pointed out that there are 13 ARDORs recognized by the DCED and those organizations are organized under Alaska Statute. However, the Department of Revenue has no reason to know that these organizations are organized as [ARDORs].

MR. GRABER asked if it would be appropriate to specify that in statute as a qualification for the tax credit, which is done with some other credits.

Number 0972

REPRESENTATIVE CISSNA related her assumption that this would apply to a broader group than just the ARDORs and suggested [changing the language] to do so.

REPRESENTATIVE ANDERSON referred to Section 7 which specifies the definition of "regional development organization" as found in AS 44.33.895. He then referred to the second paragraph of the sponsor statement, which in part says "The definition used in HB 194 for 'regional development organization' is from statutory language used to define an Alaska Regional Development Organization (ARDOR)." Therefore, this would only apply to the 13 ARDORs. He noted that he was nervous with the notion of [broadening the legislation] too much.

MR. GRABER remarked that if there is legislative intent on the record, then [the applicable entities could be identified] in regulation.

REPRESENTATIVE CISSNA asked whether it would be outside the boundaries of the sponsor's thoughts to broaden the legislation

a bit so that other groups conforming with the definition can [utilize this tax credit].

REPRESENTATIVE ANDERSON commented that would be a great idea in another piece of legislation. Representative Anderson said he didn't know the fiscal implications were the legislation to be expanded.

Number 1287

TIM ROGERS, Legislative Program Coordinator, Municipality of Anchorage, testified in support of HB 194. He noted that the committee packet should include a letter of support for HB 194 from the Municipality of Anchorage's Mayor, Mayor George Wuerch. Mr. Rogers informed the committee that the Anchorage Economic Development Corporation has been a key tool for economic development within Anchorage. This legislation would provide another tool to that organization in its mission to provide resources to existing businesses as well as attract new businesses into Anchorage. In conclusion, he urged the passage of HB 194 from committee.

Number 1360

EDWARD LAMB, CEO, Alaska Regional Hospital; Board Member, Anchorage Economic Development Corporation, testified in support of HB 194. Economic development is critical for the future of Alaska and anything that would encourage businesses to contribute to these ARDORs would be helpful, he said.

Number 1431

LARRY CRAWFORD, President, Anchorage Economic Development Corporation, highlighted that there are two caps. One cap is the \$150,000 cap and the other is the \$10,000 cap for this type of tax credit. He encouraged the committee pass HB 194 from committee. He characterized this legislation as bringing the private sector closer to economic development, which he viewed as positive.

CHAIR MORGAN, upon determining no one else wished to testify, closed public testimony.

Number 1554

REPRESENTATIVE KOTT requested that Mr. Graber forward the information he requested earlier to his office.

REPRESENTATIVE ANDERSON pointed out that HB 194 has referrals to the House Labor and Commerce Standing Committee and the House Finance Committee. He assured committee members that any commerce issues would be addressed in the House Labor and Commerce Standing Committee, which he chairs.

REPRESENTATIVE KOTT requested that Mr. Graber explain how he arrived at a zero fiscal note. He surmised that Mr. Graber was basing the fiscal note on the number of entities that currently have a tax incentive without considering that other entities might come on board to specifically contribute to ARDORs.

MR. GRABER said that it's difficult for the Department of Revenue to know which entities not already taking advantage of this credit would do so. Mr. Graber explained, "We were looking at it from the standpoint that you still have that \$150,000 cap and to the extent a corporation or a taxpayer is going to continue with the same level of contributions, it will just be a reclassification of one contribution to the other." He related that the department would probably recognize that [this tax credit] would stimulate additional contributions, although he didn't know of any way to measure it.

REPRESENTATIVE KOTT noted his agreement and confidence that [HB 194] will stimulate additional contributions.

REPRESENTATIVE ANDERSON explained that the assumption is that some of the companies that currently give up to the \$150,000 cap would continue to do so, although some may take \$10,000 and give it to an ARDOR rather than another entity. Therefore, the fiscal note would be zero due to the transfer.

Number 1773

REPRESENTATIVE KOTT moved to report HB 194 out of committee with individual recommendations and the accompanying zero fiscal note and forthcoming fiscal note [from the Department of Revenue]. There being no objection, HB 194 was reported from the House Community and Regional Affairs Standing Committee.

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 8:45 p.m.