

CS FOR SENATE BILL NO. 29(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Offered: 3/14/12

Referred: Finance

Sponsor(s): SENATOR WIELECHOWSKI

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the reporting and analysis of certain information relating to tax**
2 **credits, exclusions, exemptions, waivers, and other tax expenditures; relating to bills**
3 **creating tax expenditures; and providing for an effective date."**

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

5 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 **SHORT TITLE.** This Act may be known as the Alaska Tax Break Transparency Act.

8 * **Sec. 2.** AS 24.08 is amended by adding a new section to read:

9 **Sec. 24.08.038. Tax expenditure bills.** The legislature shall include a
10 statement of the rationale and purpose of a tax expenditure in a bill creating a tax
11 expenditure. In this section, "tax expenditure" has the meaning given in AS 43.05.090.

12 * **Sec. 3.** AS 24.20 is amended by adding a new section to read:

13 **Sec. 24.20.232. Analysis of tax expenditures.** If the sum of tax expenditures
14 of a specific type exceeds \$1,000,000 in fiscal year 2012 or a succeeding fiscal year,

1 the legislative finance division shall analyze the use of the tax expenditure on the
2 following schedule to determine whether the statute authorizing the tax expenditure
3 has achieved its purpose:

4 (1) tax expenditures existing on July 1, 2015, shall be analyzed once
5 between July 1, 2015, and June 30, 2020, and before a delayed repeal of a tax
6 expenditure;

7 (2) a tax expenditure created after July 1, 2015, shall be analyzed after
8 it has been in effect for seven years or, if the statute authorizing the expenditure has a
9 delayed repeal date, one year before the effective date of the delayed repeal of the tax
10 expenditure.

11 * **Sec. 4.** AS 37.07.020(a) is amended to read:

12 (a) **After considering the revenue and tax expenditure report prepared by**
13 **the Department of Revenue under AS 43.05.090, the** [THE] governor shall prepare
14 a budget for the succeeding fiscal year that must cover all estimated receipts, including
15 all grants, loans, and money received from the federal government and all proposed
16 expenditures of the state government. The budget shall be organized so that the
17 proposed expenditures for each agency are presented separately. The budget must be
18 accompanied by the information required under AS 37.07.050 and by the following
19 separate bills: (1) an appropriation bill authorizing the operating and capital
20 expenditures of the state's integrated comprehensive mental health program under AS
21 37.14.003(a); (2) an appropriation bill authorizing state operating expenditures other
22 than those included in the state's integrated comprehensive mental health program; (3)
23 an appropriation bill authorizing capital expenditures other than those included in the
24 state's integrated comprehensive mental health program; and (4) a bill or bills covering
25 recommendations, if any, in the budget for new or additional revenue. The budget for
26 the succeeding fiscal year and each of the bills shall become public information on
27 December 15 at which time the governor shall submit copies to the legislature and
28 make copies available to the public. The bills, identical in content to the copies
29 released on December 15, shall be delivered to the rules committee of each house
30 before the fourth legislative day of the next regular session for introduction.

31 * **Sec. 5.** AS 37.07.020(b) is amended to read:

1 (b) In addition to the budget and bills submitted under (a) of this section, the
 2 governor shall submit a capital improvements program covering the succeeding six
 3 fiscal years. The governor shall also submit a fiscal plan with estimates of significant
 4 sources and uses of funds for the succeeding 10 fiscal years. The fiscal plan

5 (1) must include sufficient details to identify

6 (A) significant sources of funds;

7 (B) significant uses of funds, including lump sum projections

8 of

9 (i) operating expenditures;

10 (ii) capital expenditures;

11 (iii) debt service expenditures;

12 (iv) fund capitalizations;

13 (v) appropriations of income of the Alaska permanent
 14 fund (art. IX, sec. 15, Constitution of the State of Alaska), if any;

15 (2) must balance sources and uses of funds held while providing for
 16 essential state services and protecting the economic stability of the state;

17 (3) must include projected balances of significant funds held in
 18 separate accounts, including the budget reserve fund (art. IX, sec. 17, Constitution of
 19 the State of Alaska), the public education fund (AS 14.17.300), and the Alaska capital
 20 income fund (AS 37.05.565);

21 (4) must set out significant assumptions used in the projections with
 22 sufficient detail to enable the legislature to rely on the fiscal plan in understanding,
 23 evaluating, and resolving issues of state budgeting, including information that supports
 24 major areas of operating increases, such as population demographics that affect the
 25 need for particular government services;

26 **(5) must consider issues raised by the revenue and tax expenditure**
 27 **report prepared by the Department of Revenue under AS 43.05.090.**

28 * **Sec. 6.** AS 43.05.090 is amended to read:

29 **Sec. 43.05.090. Preparation and publication of reports and statistics.** The
 30 department shall prepare and annually publish statistics of the revenues derived under
 31 the tax laws administered by it, **including an analysis of tax revenue losses due to**

1 **tax expenditures.**

2 * **Sec. 7.** AS 43.05.090 is amended by adding new subsections to read:

3 (b) The revenue and tax expenditure report must include

4 (1) the statutory authority for each type of tax expenditure;

5 (2) the annual sum of tax expenditures for the prior fiscal year,
6 separately calculated for each type of expenditure, and the total number of taxpayers
7 who benefitted from each type of expenditure;

8 (3) an estimate of tax expenditures for the current fiscal year,
9 separately calculated for each type of expenditure;

10 (4) an estimate of the public costs of administering the tax
11 expenditures.

12 (c) The department shall annually transmit an electronic copy of the revenue
13 and tax expenditure report to each member of the legislature and make the report
14 available to the public on the department's Internet website.

15 (d) The department shall notify the legislative finance division when the sum
16 of tax expenditures of a specific type has exceeded \$1,000,000 in fiscal year 2012 or a
17 succeeding fiscal year and provide the legislative finance division with the
18 nonconfidential or, subject to the division's execution of a confidentiality agreement,
19 confidential information necessary to complete the analysis under AS 24.20.232.

20 (e) In this section, "tax expenditure" means a tax credit, exclusion, exemption,
21 waiver, or other loss of state tax revenue due to an express provision of state tax law;
22 "tax expenditure" does not include federal tax expenditures under federal law adopted
23 by reference in AS 43.20.021 or tax deductions incurred in the ordinary course of
24 trade or business.

25 * **Sec. 8.** Sections 1 and 2 of this Act take effect immediately under AS 01.10.070(c).

26 * **Sec. 9.** Sections 3 - 7 of this Act take effect July 1, 2015.