

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 48
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVES GARA, TARR, JOSEPHSON, AND TUCK, Gruenberg, Kawasaki, Kerttula

Introduced: 2/12/14

Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act bearing the short title of the 'New Business Development Act'; and reducing the**
2 **corporate income tax by two-thirds for the first three years of profitability of a new**
3 **corporation not owned by an existing corporation or a new corporation in a separate**
4 **line of business owned by an existing corporation."**

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

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

8 SHORT TITLE. This Act may be known as the New Business Development Act.

9 * **Sec. 2.** AS 43.20.011(e) is amended to read:

10 (e) There is imposed for each taxable year upon the entire taxable income of
11 every corporation derived from sources within the state a tax. **Except as provided in**
12 **(g) of this section, the tax is** computed as follows:

13 If the taxable income is:	Then the tax is:
14 Less than \$25,000	zero

1	\$25,000 but less than \$49,000	2 percent of the taxable income over
2		\$25,000
3	\$49,000 but less than \$74,000	\$480 plus 3 percent of the taxable
4		income over \$49,000
5	\$74,000 but less than \$99,000	\$1,230 plus 4 percent of the taxable
6		income over \$74,000
7	\$99,000 but less than \$124,000	\$2,230 plus 5 percent of the taxable
8		income over \$99,000
9	\$124,000 but less than \$148,000	\$3,480 plus 6 percent of the taxable
10		income over \$124,000
11	\$148,000 but less than \$173,000	\$4,920 plus 7 percent of the taxable
12		income over \$148,000
13	\$173,000 but less than \$198,000	\$6,670 plus 8 percent of the taxable
14		income over \$173,000
15	\$198,000 but less than \$222,000	\$8,670 plus 9 percent of the taxable
16		income over \$198,000
17	\$222,000 or more	\$10,830 plus 9.4 percent of the taxable
18		income over \$222,000.

19 * **Sec. 3.** AS 43.20.011 is amended by adding a new subsection to read:

20 (g) For the first three taxable years of profitability following incorporation,
 21 even if the three years are not consecutive, the tax due under (e) of this section shall be
 22 reduced by two-thirds. The tax reduction provided by this subsection does not apply to
 23 the purchase of an existing corporation or to the expansion of an existing corporation.
 24 The tax reduction provided by this subsection does not apply to a new corporation that
 25 is owned 50 percent or more by a person or combination of persons that also own 50
 26 percent or more of a corporation existing at the time of the incorporation of the new
 27 corporation, unless the new corporation is in a separate line of business. The
 28 commissioner of commerce, community, and economic development may adopt
 29 regulations that identify the method and means for determining whether a corporation
 30 is in a separate line of business. In this subsection, "separate line of business" means a
 31 business that provides services or products that are materially different from the

1 services or products of the existing business; for purposes of a corporation engaged
2 primarily in resource extraction, exploration is not a separate line of business from
3 production.