

SENATE BILL NO. 97

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY SENATOR BISHOP

Introduced: 4/7/15

Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act imposing a limited education tax on wages and on net earnings from self-**
2 **employment; relating to the administration and enforcement of the education tax; and**
3 **providing for an effective date."**

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

5 * **Section 1.** AS 43.45 is amended by adding new sections to read:

6 **Chapter 45. Education Tax.**

7 **Sec. 43.45.011. Tax imposed.** (a) A tax is imposed on the wages and net
8 earnings from self-employment of every
9 (1) resident individual; and
10 (2) nonresident and part-year resident individual with income from a
11 source in the state.
12 (b) For an individual whose wages and net earnings from self-employment are
13 (1) \$10,000 or more, but less than \$50,000, the tax is \$100 a year;
14 (2) \$50,000 or more, but less than \$100,000, the tax is \$200 a year;

1 (3) \$100,000 or more, but less than \$500,000, the tax is \$300 a year;

2 (4) \$500,000 or more, the tax is \$500 a year.

3 (c) For purposes of (b) of this section, the wages and net earnings from self-
4 employment of a

5 (1) resident are the total annual wages and net earnings from self-
6 employment of the resident;

7 (2) nonresident or part-year resident are the annual wages and net
8 earnings from self-employment of the nonresident or part-year resident attributable to
9 a source in the state.

10 **Sec. 43.45.021. Collection of tax by employer.** (a) An employer shall deduct
11 and withhold one half of the estimated taxes due under AS 43.45.011 from an
12 employee's wages subject to withholding under 26 U.S.C. 3401 - 3406 from each of
13 the first two regular payrolls of the calendar year. If the employee's first two payrolls
14 are insufficient to cover the estimated tax due, the employer shall continue to deduct
15 and withhold from subsequent payrolls until the tax due under this chapter is fully
16 withheld. The employer shall withhold any outstanding amount of tax due under
17 AS 43.45.011 from the final regular payroll of the calendar year.

18 (b) An employer is liable for the tax required to be withheld from an employee
19 unless the employer can demonstrate that the employer relied on proof provided by the
20 employee that the total tax for the calendar year imposed under AS 43.45.011 had
21 already been withheld under this section or paid under AS 43.45.031. A deduction of
22 the tax may not be made from the wages of an individual who provides proof to the
23 employer that the entire tax imposed under AS 43.45.011 on that individual for the
24 calendar year has already been withheld or paid under AS 43.45.031. The department
25 may impose a civil penalty on an employer in an amount up to five times the amount
26 of tax due from employees but not remitted to the department. The penalty shall be
27 imposed in the manner provided by AS 43.05.245.

28 (c) Tax withheld by an employer becomes due and shall be paid by an
29 employer to the department in accordance with regulations adopted by the department.

30 (d) An employer shall maintain a record of the amount deducted from the
31 wages of each employee and shall furnish an annual statement of the deductions to

1 each employee and to the department in accordance with regulations adopted by the
2 department.

3 (e) The department shall, if it will result in cost savings for the state in the
4 administration of the tax, for employers in the administration of the tax, or both,
5 coordinate collection and reporting of the tax imposed in this chapter with the
6 collection and reporting of employment security contributions by the Department of
7 Labor and Workforce Development, including permitting the Department of Labor
8 and Workforce Development to collect the tax payments and remit them to the
9 department.

10 **Sec. 43.45.031. Payment of tax by self-employed individual.** A self-
11 employed individual shall remit to the department the tax due under AS 43.45.011 in
12 accordance with regulations adopted by the department until the entire tax has been
13 paid.

14 **Sec. 43.45.041. Refund of overpayments.** (a) If an individual pays to the
15 department, directly or through withholding by an employer, an amount exceeding the
16 total tax imposed under this chapter during a calendar year and the individual applies
17 for a refund in accordance with regulations adopted by the department, the department
18 shall refund the overpayment to the individual.

19 (b) Interest on an overpayment may not be allowed under AS 43.05.280 if the
20 department refunds the overpayment within 90 days after the date the individual
21 correctly files the refund claim.

22 (c) The Department of Revenue may adopt regulations to coordinate refunds
23 of overpayments under this section with refunds of employment security contributions
24 under AS 23.20.165.

25 (d) An individual may apply for a refund under this section only during the
26 calendar year immediately following the calendar year in which the excess was paid.

27 **Sec. 43.45.051. Report of payments to self-employed individuals.** A person
28 required to report a payment to a self-employed individual to the federal government
29 under 26 U.S.C. shall also report that payment to the department in accordance with
30 regulations adopted by the department.

31 **Sec. 43.45.061. Disposition of tax proceeds.** (a) The tax and penalties

collected by the department under this chapter shall be deposited into the general fund and accounted for separately.

(b) The legislature may appropriate the estimated amounts to be collected and separately accounted for under (a) of this section for education. Nothing in this section creates a dedicated fund.

Sec. 43.45.099. Definitions. In this chapter,

(1) "employee" has the meaning given in 26 U.S.C. 3401;

(2) "employer" has the meaning given in 26 U.S.C. 3401;

(3) "net earnings from self-employment" has the meaning given in 26 U.S.C. 1402;

(4) "wages" has the meaning given in 26 U.S.C. 3401.

* **Sec. 2.** AS 43.45.011, 43.45.021, 43.45.031, 43.45.041, 43.45.051, 43.45.061, and 43.45.099 are repealed.

* **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REGULATIONS. The Department of Revenue may adopt regulations to implement sec. 1 of this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of sec. 1 of this Act.

* **Sec. 4.** Section 2 of this Act takes effect on the earlier of the following:

(1) January 1, 2024; or

(2) the date that the commissioner of natural resources notifies the revisor of statutes that a tankship designed for transporting commercial quantities of liquefied natural gas has left the Port of Nikiski holding an amount of liquefied natural gas at or near the complete capacity of the ship.

* **Sec. 5.** Section 3 of this Act takes effect immediately under AS 01.10.070(c).

* **Sec. 6.** Except as provided in secs. 4 and 5 of this Act, this Act takes effect January 1, 2016.