

# Fiscal Note

State of Alaska  
2021 Legislative Session

Bill Version:	CSHB 37(W&M)
Fiscal Note Number:	1
(H) Publish Date:	5/19/2021

Identifier: HB37-DOA-OAH-5-7-21  
 Title: INCOME TAX; PERMANENT FUND; EARNINGS RES.  
 Sponsor: WOOL  
 Requester: House Way and Means

Department: Department of Administration  
 Appropriation: Centralized Administrative Services  
 Allocation: Office of Administrative Hearings  
 OMB Component Number: 2771

### Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2022 Appropriation Requested	Included in Governor's FY2022 Request	Out-Year Cost Estimates					
			FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
<b>OPERATING EXPENDITURES</b>								
Personal Services					83.5	166.9	166.9	166.9
Travel								
Services					5.0	10.0	10.0	10.0
Commodities					10.0			
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>98.5</b>	<b>176.9</b>	<b>176.9</b>	<b>176.9</b>

### Fund Source (Operating Only)

1007 I/A Rcpts (Other)				98.5	176.9	176.9	176.9
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>98.5</b>	<b>176.9</b>	<b>176.9</b>	<b>176.9</b>

### Positions

Full-time				1.0	1.0	1.0	1.0
Part-time							
Temporary							

### Change in Revenues

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Estimated SUPPLEMENTAL (FY2021) cost:** 0.0 *(separate supplemental appropriation required)*

**Estimated CAPITAL (FY2022) cost:** 0.0 *(separate capital appropriation required)*

**Does the bill create or modify a new fund or account?** No  
*(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)*

### ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
 If yes, by what date are the regulations to be adopted, amended or repealed?

### Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

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 Agency: Office of Management and Budget

Phone: (907)269-8170  
 Date: 05/07/2021  
 Date: 05/07/21

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2021 LEGISLATIVE SESSION

Analysis

Section 10 of the bill establishes a personal income tax on residents and non-residents. The tax is payable by non-residents on the portion of their income derived from sources within the State. Like the federal income tax, it would be payable based on calendar year earnings.

To qualify as "from a source in the state" income is broadly defined to include both regular compensation, rents, profits, other proceeds businesses and other assets within Alaska. Partnership income and earnings from subchapter-S corporations transacting business in Alaska will be subject to this tax. The bill provides for withholding of tax by employers. Employers must also provide annual income statements analogous to the federal W-2.

The Office of Administrative Hearings (OAH) presently handles appeals relating to corporate income tax, oil and gas production tax, fish tax, and a variety of other taxes. Appeals from final Department of Revenue decisions on audit findings and other disputes relating to personal income tax would fall within OAH jurisdiction. The appeals would flow from the Informal Conference Decisions generated by the new appeals officers that the Department of Revenue projects to employ.

We expect the volume of appeals to be highest at the inception of the tax, beginning about nine months after the first tax returns would be due and building to an early peak. The load would taper to a lower level as the public, and the businesses required to withhold state tax, become more accustomed to the personal income tax. The tapering period is beyond the horizon of this fiscal note.

Section 10 is effective January 1, 2022, generating tax return obligations in the first half of calendar year 2023 and the potential for some appeals, but not at the peak level, later in that calendar year. We project only one additional tax-qualified administrative law judge position in the second half of FY 2024 and thereafter, but a large number of appeals in FY 2025 and FY 2026 may slow turnaround during those years. If it becomes necessary to avoid unreasonable delays in processing tax appeals, OAH will request additional funds to reduce short-term backlogs through non-permanent hires or professional services contracts.