

Introduced: 2/2/73
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR

CS

2 HOUSE BILL NO. 171

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Income Tax; and
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 43.20 is amended by adding a new section to read:

10 Sec. 43.20.011. TAX ON INDIVIDUALS, FIDUCIARIES, AND CORPORA-
11 TIONS. (a) There is imposed for each taxable year upon the taxable
12 income of every resident, nonresident and part-year resident indivi-
13 dual and fiduciary of the state, except those qualifying for the
14 rates in (b) or (c) of this section, taxes computed according to
15 the following table.

16 If the taxable income is:	Then the tax is:
17 Not over \$2,000	3 per cent of the taxable income
18 Over \$2,000 but not over \$4,000	\$60 plus 3.5 per cent of excess 19 over \$2,000
20 Over \$4,000 but not over \$6,000	\$130 plus 4.0 per cent of excess 21 over \$4,000
22 Over \$6,000 but not over \$8,000	\$210 plus 5.0 per cent of excess 23 over \$6,000
24 Over \$8,000 but not over \$10,000	\$310 plus 5.5 per cent of excess 25 over \$8,000
26 Over \$10,000 but not over \$12,000	\$420 plus 6.0 per cent of excess 27 over \$10,000
28 Over \$12,000 but not over \$14,000	\$540 plus 7.0 per cent of excess 29 over \$12,000

1	Over \$14,000 but not over \$16,000	\$680 plus 7.5 per cent of excess
2		over \$14,000
3	Over \$16,000 but not over \$18,000	\$830 plus 8.0 per cent of excess
4		over \$16,000
5	Over \$18,000 but not over \$20,000	\$990 plus 8.5 per cent of excess
6		over \$18,000
7	Over \$20,000 but not over \$22,000	\$1,160 plus 9.0 per cent of
8		excess over \$20,000
9	Over \$22,000 but not over \$26,000	\$1,340 plus 9.5 per cent of
10		excess over \$22,000
11	Over \$26,000 but not over \$32,000	\$1,720 plus 10.0 per cent of
12		excess over \$26,000
13	Over \$32,000 but not over \$38,000	\$2,320 plus 10.5 per cent of
14		excess over \$32,000
15	Over \$38,000 but not over \$44,000	\$2,950 plus 11.0 per cent of
16		excess over \$38,000
17	Over \$44,000 but not over \$50,000	\$3,610 plus 11.5 per cent of
18		excess over \$44,000
19	Over \$50,000 but not over \$60,000	\$4,300 plus 12.0 per cent of
20		excess over \$50,000
21	Over \$60,000 but not over \$70,000	\$5,500 plus 12.5 per cent of
22		excess over \$60,000
23	Over \$70,000 but not over \$80,000	\$6,750 plus 13.0 per cent of
24		excess over \$70,000
25	Over \$80,000 but not over \$90,000	\$8,050 plus 13.5 per cent of
26		excess over \$80,000
27	Over \$90,000 but not over \$100,000	\$9,400 plus 14.0 per cent of
28		excess over \$90,000
29	Over \$100,000 but not over \$150,000	\$10,800 plus 14.0 per cent of

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	excess over \$100,000
Over \$150,000 but not over \$200,000	\$17,800 plus 14.5 per cent of excess over \$150,000
Over \$200,000	\$25,050 plus 14.5 per cent of excess over \$200,000

(b) There is imposed for each taxable year upon the taxable income of every resident, nonresident and part-year resident married individual who makes a single return jointly with his spouse (as defined in section 6013 of the Internal Revenue Code) and upon every resident, nonresident and part-year resident surviving spouse (as defined in section 2(a) of the Internal Revenue Code) taxes computed according to the following table.

If the taxable income is:	Then the tax is:
Not over \$4,000	3 per cent of the taxable income
Over \$4,000 but not over \$8,000	\$120 plus 3.5 per cent of excess over \$4,000
Over \$8,000 but not over \$12,000	\$260 plus 4.0 per cent of excess over \$8,000
Over \$12,000 but not over \$16,000	\$420 plus 5.0 per cent of excess over \$12,000
Over \$16,000 but not over \$20,000	\$620 plus 5.5 per cent of excess over \$16,000
Over \$20,000 but not over \$24,000	\$840 plus 6.0 per cent of excess over \$20,000
Over \$24,000 but not over \$28,000	\$1,080 plus 7.0 per cent of excess over \$24,000
Over \$28,000 but not over \$32,000	\$1,360 plus 7.5 per cent of excess over \$28,000
Over \$32,000 but not over \$36,000	\$1,660 plus 8.0 per cent of

1		excess over \$32,000
2	Over \$36,000 but not over \$40,000	\$1,980 plus 8.5 per cent of
3		excess over \$36,000
4	Over \$40,000 but not over \$44,000	\$2,320 plus 9.0 per cent of
5		excess over \$40,000
6	Over \$44,000 but not over \$52,000	\$2,680 plus 9.5 per cent of
7		excess over \$44,000
8	Over \$52,000 but not over \$64,000	\$3,440 plus 10.0 per cent of
9		excess over \$52,000
10	Over \$64,000 but not over \$76,000	\$4,640 plus 10.5 per cent of
11		excess over \$64,000
12	Over \$76,000 but not over \$88,000	\$5,900 plus 11.0 per cent of
13		excess over \$76,000
14	Over \$88,000 but not over \$100,000	\$7,220 plus 11.5 per cent of
15		excess over \$88,000
16	Over \$100,000 but not over \$120,000	\$8,600 plus 12.0 per cent of
17		excess over \$100,000
18	Over \$120,000 but not over \$140,000	\$11,000 plus 12.5 per cent of
19		excess over \$120,000
20	Over \$140,000 but not over \$160,000	\$13,500 plus 13.0 per cent of
21		excess over \$140,000
22	Over \$160,000 but not over \$180,000	\$16,100 plus 13.5 per cent of
23		excess over \$160,000
24	Over \$180,000 but not over \$200,000	\$18,800 plus 14.0 per cent of
25		excess over \$180,000
26	Over \$200,000 but not over \$300,000	\$21,600 plus 14.0 per cent of
27		excess over \$200,000
28	Over \$300,000 but not over \$400,000	\$35,600 plus 14.5 per cent of
29		excess over \$300,000

1 Over \$400,000 \$50,100 plus 14.5 per cent of
2 excess over \$400,000

3 (c) There is imposed for each taxable year upon the taxable
4 income of every resident, nonresident and part-year resident head
5 of a household (as defined in Section 2(b) of the Internal Revenue
6 Code), taxes computed according to the following table.

7 If the taxable income is:	Then the tax is:
8 Not over \$2,000	3 per cent of the taxable income
9 Over \$2,000 but not over \$4,000	\$60 plus 3.5 per cent of excess 10 over \$2,000
11 Over \$4,000 but not over \$6,000	\$130 plus 4.0 per cent of excess 12 over \$4,000
13 Over \$6,000 but not over \$8,000	\$210 plus 4.5 per cent of excess 14 over \$6,000
15 Over \$8,000 but not over \$10,000	\$300 plus 5.0 per cent of excess 16 over \$8,000
17 Over \$10,000 but not over \$12,000	\$400 plus 5.5 per cent of excess 18 over \$10,000
19 Over \$12,000 but not over \$14,000	\$510 plus 6.0 per cent of excess 20 over \$12,000
21 Over \$14,000 but not over \$16,000	\$630 plus 6.5 per cent of excess 22 over \$14,000
23 Over \$16,000 but not over \$18,000	\$760 plus 7.0 per cent of excess 24 over \$16,000
25 Over \$18,000 but not over \$20,000	\$900 plus 7.0 per cent of excess 26 over \$18,000
27 Over \$20,000 but not over \$22,000	\$1,040 plus 7.5 per cent of 28 excess over \$20,000
29 Over \$22,000 but not over \$24,000	\$1,190 plus 8.0 per cent of

1		excess over \$22,000
2	Over \$24,000 but not over \$28,000	\$1,350 plus 8.5 per cent of
3		excess over \$24,000
4	Over \$28,000 but not over \$32,000	\$1,690 plus 9.0 per cent of excess
5		over \$28,000
6	Over \$32,000 but not over \$38,000	\$2,050 plus 9.5 per cent of
7		excess over \$32,000
8	Over \$38,000 but not over \$44,000	\$2,430 plus 10.0 per cent of
9		excess over \$38,000
10	Over \$44,000 but not over \$50,000	\$3,030 plus 10.5 per cent of
11		excess over \$44,000
12	Over \$50,000 but not over \$60,000	\$3,660 plus 11.0 per cent of
13		excess over \$50,000
14	Over \$60,000 but not over \$70,000	\$4,760 plus 11.5 per cent of
15		excess over \$60,000
16	Over \$70,000 but not over \$80,000	\$5,910 plus 12.0 per cent of
17		excess over \$70,000
18	Over \$80,000 but not over \$90,000	\$7,110 plus 12.5 per cent of
19		excess over \$80,000
20	Over \$90,000 but not over \$100,000	\$8,360 plus 13.0 per cent of
21		excess over \$90,000
22	Over \$100,000 but not over \$150,000	\$9,660 plus 13.5 per cent of
23		excess over \$100,000
24	Over \$150,000 but not over \$200,000	\$16,410 plus 14.0 per cent of
25		excess over \$150,000
26	Over \$200,000 but not over \$300,000	\$23,410 plus 14.5 per cent of
27		excess over \$200,000
28	Over \$300,000	\$37,910 plus 14.5 per cent of
29		excess over \$300,000

1 (d) The department shall compute and publish the Alaska income
2 tax liability for resident taxpayers at the midpoint of each bracket
3 of adjusted gross income (as defined in Section 62 of the Internal
4 Revenue Code) modified as required by sec. 31 of this chapter in
5 \$25 steps below \$3,000 and \$50 steps to \$20,000 rounding the
6 calculations to the nearest dollar. Resident taxpayers electing
7 to take the standard deductions may file returns based upon and
8 pay taxes according to tables established under this section.

9 (e) There is imposed for each taxable year upon the entire
10 taxable income of every corporation derived from sources within
11 the state a tax consisting of a normal tax equal to 5.4 per cent
12 of taxable income, and a surtax which is equal to 4.0 per cent of
13 taxable income. For purposes of this chapter the surtax exemption
14 for a taxable year is \$25,000 for each non-affiliated corporation.
15 For affiliated corporations this exemption shall be apportioned in
16 its entirety only among corporations subject to the tax imposed by
17 this section.

18 (f) An affiliated group of corporations may elect to file or
19 the commissioner of revenue may require a filing of a consolidated
20 or combined return for the taxable year in place of separate returns.
21 For purposes of calculating the amount of tax payable under this
22 section by the affiliated group or by the commissioner of revenue,
23 Internal Revenue Code sections 1501, 1502, 1503, 1504, 1505, 1551
24 and 1552 and the regulations relating to these sections as amended,
25 apply. The provisions of this section apply to an election made
26 for any taxable year ending on or after the effective date of this
27 section.

28 * Sec. 2. AS 43.20 is amended by adding a new section to read:

29 Sec. 43.20.021. INTERNAL REVENUE CODE ADOPTED BY REFERENCE.

1 (a) Subtitle F and Chapter 1 of Subtitle A of the 1954 Internal
2 Revenue Code, Public Law 591, Eighty-third Congress, Second Session,
3 as amended are adopted by reference as a part of this chapter. These
4 portions of the Internal Revenue Code have full force and effect
5 under this chapter unless excepted to or modified by other provisions
6 of this chapter.

7 (b) The penalty tax provided for in the provisions of Internal
8 Revenue Code Sections 1561-1563 is 1 per cent.

9 (c) For purposes of calculating the federal tax payable on
10 personal holding companies provided for in the provisions of Internal
11 Revenue Code Section 541 the rate is 12.6 per cent.

12 (d) Where a credit allowed under the Internal Revenue Code is
13 also allowed in computing Alaska Income Tax it is limited to 16 per
14 cent of the amount of the credit determined for federal income tax
15 purposes for individuals and 18 per cent for corporations.

16 * Sec. 3. AS 43.20.030(a) is amended to read:

17 (a) Every individual, fiduciary, partnership, corporation, and
18 bank required to make a return under the provisions of the Internal
19 Revenue Code shall at the same time file with the department a
20 return setting out (1) the amount of tax and the balance of tax due
21 or overpayment of tax as reported on returns made to the United
22 States Internal Revenue Service [COLLECTOR OF INTERNAL REVENUE];
23 (2) the amount of tax due under this chapter, less credits claimed
24 against the tax; and (3) other information for the purpose of
25 carrying out the provisions of this chapter which the department
26 requires.

27 * Sec. 4. AS 43.20.030(d) is amended to read:

28 (d) A taxpayer, upon request by the department, shall furnish
29 to the department a true and correct copy of the tax return which he

1 has filed with the United States Internal Revenue Service [COLLECTOR
2 OF INTERNAL REVENUE]. Every taxpayer shall notify the department in
3 writing of any alteration in, or modification of, his federal income
4 tax return and of a recomputation of tax or determination of
5 deficiency (whether with or without assessment). A full statement
6 of the facts shall accompany this notice. The notice shall be filed
7 within 60 days [20 DAYS] after the modification, recomputation, or
8 determination of deficiency, and the taxpayer shall pay the additional
9 tax or penalty under this chapter.

10 * Sec. 5. AS 43.20 is amended by adding a new section to read:

11 Sec. 43.20.031. TAXABLE INCOME OF RESIDENTS; DEDUCTIONS;
12 EXEMPTIONS. (a) The taxable income of a resident of the state is
13 his entire taxable income derived from sources within the state
14 with the following modifications:

15 (1) A taxpayer whose income includes a cost-of-living
16 allowance which is exempt from federal income tax shall determine
17 and include that amount as part of his income as if the cost-of-
18 living allowance were not exempt.

19 (2) The benefits allowed to taxpayers under Internal
20 Revenue Code Sections 1301 - 1307, as amended, are allowed only
21 to taxpayers who have been residents of the state for the full
22 base period as well as for the computation year as defined in
23 these sections. The commissioner shall prescribe regulations
24 governing benefits under these sections allowable to spouses
25 eligible to file a joint Alaska return for the computation year
26 when one spouse has not been a resident of Alaska for the full
27 base period.

28 (3) Deductions claimed shall be allowed only if and to
29 the extent that they are connected with income which arises from

1 sources within the state, or property having a situs for taxation
2 within the state.

3 (b) The following exemptions are allowed in computing taxable
4 income under this section.

5 (1) Service pay received by members of the Armed Forces of
6 the United States or auxiliary branches of the Armed Forces.

7 (2) Annuities received under the United States Civil
8 Service retirement system from the United States Civil Service
9 retirement and disability fund.

10 (3) Income of a person derived from the sale of halibut
11 taken from waters outside the territorial limits of the state and
12 regulated by an international body or treaty organization provided:

13 (A) the person selling halibut in the state which
14 is taken from outside the territorial limits of the state
15 executes and submits to the department within 30 days after
16 the sale an exemption certificate on a form approved by the
17 department and the attorney general; a separate certificate
18 shall be submitted for each sale;

19 (B) a person who wilfully makes and subscribes to
20 a certificate referred to in (b)(3)(A) of this section which
21 is not true and correct as to every material fact is punishable
22 by a fine of not more than \$10,000, or by imprisonment for not
23 more than five years, or by both.

24 (c) In computing the tax under this chapter, the taxpayer is
25 not entitled to deduct from the adjusted gross income the taxes
26 payable to the state under this chapter.

27 (d) Banks and savings and loan associations chartered by the
28 federal government or the state are exempt from income tax under
29 this chapter.

1 * Sec. 6. AS 43.20 is amended by adding a new section to read:

2 Sec. 43.20.035. COMPUTATION OF TAXABLE INCOME OF NONRESIDENTS
3 AND PART-YEAR RESIDENTS. (a) The taxable income of nonresidents
4 or part-year residents of this state is taxable income as determined
5 pursuant to sec. 31 of this chapter when attributable to sources within
6 the state as provided in sec. 40 of this chapter with the following
7 adjustments:

8 (1) A nonresident or part-year resident who claims the
9 standard deduction as defined in Internal Revenue Code Section 141
10 is allowed the deduction in the proportion provided in (b) of this
11 section.

12 (2) A nonresident or part-year resident is entitled
13 to claim the personal exemptions as defined in Internal Revenue Code
14 Section 151 in the proportion provided in (b) of this section.

15 (3) A nonresident or part-year resident who itemizes
16 deductions is allowed a deduction for those items deductible under
17 the Internal Revenue Code in the proportion provided in (b) of this
18 section.

19 (b) The ratio for prorating allowed by this section is the
20 taxpayer's adjusted gross income from Alaska sources divided by
21 the taxpayer's adjusted gross income from all sources. The ratio
22 shall not exceed 100 per cent. The adjusted gross income for
23 purposes of this subsection means adjusted gross income as defined
24 in Internal Revenue Code Section 62 as modified by the provisions
25 of sec. 31 of this chapter.

26 * Sec. 7. AS 43.20.040 is repealed and re-enacted to read:

27 Sec. 43.20.040. INCOME FROM SOURCES IN THE STATE. (a) Income
28 from sources in the state, for the purposes of this chapter, includes

29 (1) income from real or tangible personal property

1 located in the state;

2 (2) income from a business, trade or profession having
3 a business situs in the state and compensation for services
4 rendered in the state;

5 (3) income from stocks, bonds, notes, bank deposits and
6 other intangible personal property having a business or taxable
7 situs in the state;

8 (4) rentals and royalties for the use of, or for the
9 privilege of using in the state, patents, copyrights, secret
10 processes and formulas, good will, trademarks, trade brands,
11 franchises, and other property having a taxable or business situs
12 in the state;

13 (5) income from intangible personal property located
14 outside the state, including all interest and dividends received
15 by a resident of the state.

16 (b) For purposes of this section, a taxpayer is considered
17 as having a taxable or business situs in the state if he

18 (1) owns or operates business facilities or property in
19 the state, or

20 (2) conducts business, farming or fishing operations in
21 the state, or

22 (3) works for salary or wages in the state, or

23 (4) is a member of a partnership which transacts business
24 in the state, or

25 (5) is a stockholder of a corporation which transacts
26 business in the state and has elected to file federal returns
27 pursuant to subchapter S of the Internal Revenue Code, or

28 (6) is a person who is a beneficiary of any estate or
29 trust deriving income from sources in the state, or

1 (7) is engaged in any other activity from which income
2 is received, realized or derived in the state.

3 (c) If a corporation receives 50 per cent or more of its
4 income within the state and is taxable on that income and provides
5 a fee, salary or other compensation to its nonresident officers or
6 directors, the compensation shall be treated as income from sources
7 within the state. Whether or not any personal services have been
8 performed by nonresident officers or directors in the state, these
9 officers or directors are considered to have a business situs in this
10 state. If compensation is not reported to the state as income, the
11 corporation may not deduct as part of its expenses for the taxable
12 year any part of the compensation in computing taxable income. This
13 subsection does not prevent the commissioner of revenue from requiring
14 an apportionment under ch. 19 of this title.

15 * Sec. 8. AS 43.20.170(c)(2) is amended to read:

16 (2) shall make return of and pay to the department
17 quarterly, or at other times as the department may require [ALLOW],
18 the amount of tax levied which under the provisions of this chapter
19 he is required to deduct and withhold. Upon failure of the employer
20 to comply with the provisions of this subsection, the provisions of
21 sec. 210 of this chapter apply.

22 * Sec. 9. AS 43.20.190 is repealed and re-enacted to read:

23 Sec. 43.20.190. PUBLICITY. (a) Except in connection with
24 a proceeding involving taxes due under this title or proceedings in
25 court, and except as otherwise provided in this section, it is
26 unlawful for an officer or employee of the state to divulge or
27 make known the amount of income or the particulars set out or
28 disclosed in a report or return under this chapter.

29 (b) Neither the original tax return nor a copy of it is

1 admissible in evidence in a court unless offered

2 (1) by the taxpayer who filed the return;

3 (2) by the state in an action to which the state is a
4 party for the purpose of enforcing a tax imposed by this title;

5 (3) as otherwise authorized by the Internal Revenue Code.

6 (c) The department, upon written request, shall furnish to
7 the taxpayer a copy of his tax return upon payment of a fee of \$1
8 per page.

9 (d) The department may permit the proper officer of the United
10 States or of a state, territory or possession of the United States
11 or of the Dominion of Canada or of a province or territory of
12 Canada imposing an income tax, or his authorized representative, to
13 inspect income tax returns filed with the department, or may furnish
14 to the officer or representative a copy of an income tax return, if
15 the other jurisdiction grants substantially similar privileges to
16 the department or its representative or to counsel for the state.

17 (e) The commissioner of revenue at his discretion may furnish
18 to the Multistate Tax Commission information contained in the tax
19 returns and reports and related schedules and documents filed
20 pursuant to an audit or investigation made by the department. This
21 information may be furnished solely for tax purposes. The Multi-
22 state Tax Commission may make the information available to the tax
23 officials of other states, the District of Columbia, the United
24 States and its territories solely for tax purposes.

25 (f) Nothing in this section may be construed to prohibit the
26 publication of statistics so classified as to prevent the identifi-
27 cation of particular reports and the items of reports, or of the
28 publication of delinquent lists showing the names of taxpayers who
29 have failed to pay their taxes at the time and in the manner

1 provided by law, together with other relevant information which in
2 the option of the department may assist in the collection of
3 delinquent taxes.

4 (g) An offense against the provisions of this section is a
5 misdemeanor and is punishable by a fine of not more than \$1,000 or
6 by imprisonment for not more than six months, or by both.

7 * Sec. 10. AS 43.20.330 is amended by adding a new subsection to read:

8 (i) The penalties and liabilities provided in subsection (g)
9 shall be paid upon notice and demand by the commissioner of revenue
10 or his deputy or agent, and shall be assessed and collected in the
11 same manner as taxes. Any reference to "tax" imposed shall be
12 considered also to refer to the penalties and liabilities provided
13 by this section.

14 * Sec. 11. AS 43.20.340 is amended by adding new paragraphs to read:

15 (13) "domicile" means the place where an individual has
16 his true, fixed, permanent home and principal establishment and to
17 which place he has the intention of returning whenever he is absent
18 for a temporary or transitory purpose;

19 (14) "nonresident" means any individual who is not a
20 "resident" or "part-year resident";

21 (15) "part-year resident" means an individual who enters
22 or leaves the state during the taxable year and who has resided or
23 was domiciled within the state for a period of less than 12 months
24 during the taxable year;

25 (16) "residence" means actual physical presence within
26 the state and is determined without regard to a person's "domicile";

27 (17) "resident" means any individual or natural person who
28 during the taxable year has been domiciled in the state or has
29 resided within the state for the entire taxable year; an individual

1 does not lose his status as a resident simply by reason of attending
2 an educational institution or by serving in the Armed Forces;

3 (18) "tax home" means an individual's principal place
4 of business or employment.

5 * Sec. 12. The following laws are repealed: AS 43.20.010; 43.20.020;
6 43.20.030(b), (c) and (e); 43.20.050; 43.20.060.

7 * Sec. 13. The repeal of the laws listed in sec. 12 of this Act does
8 not affect tax liability accrued before January 1, 1973.

9 * Sec. 14. This Act is retroactive to January 1, 1973, and relates
10 only to income earned and received after December 31, 1972.

11 * Sec. 15. This Act takes effect on the day after its passage and
12 approval or on the day it becomes law without approval.
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