

Introduced: 5/3/75  
Referred: Community & Regional  
Affairs and Finance

1 IN THE HOUSE

BY H. BEIRNE, FISCHER, SULLIVAN  
AND SWANSON

2 HOUSE BILL NO. 478

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to municipal tax; repealing the Alaska  
7 Business License Tax; and providing for an effective  
8 date."

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

10 \* Section 1. AS 29.53 is amended by adding new sections to read:

11 ARTICLE 6. MUNICIPAL INCOME TAX.

12 Sec. 29.53.470. AUTHORIZATION. A municipality may by ordinance  
13 adopt an income tax which incorporates by reference the provisions of  
14 the state income tax in effect at the time of adoption and as subse-  
15 quently amended. The rate of tax shall be a percentage, as prescribed  
16 by ordinance, of the tax liability determined for state income tax  
17 purposes.

18 Sec. 29.53.480. ADMINISTRATION. The income tax imposed under  
19 sec. 470 of this chapter shall be administered by the Department of  
20 Revenue. Taxes collected under a municipal income tax shall be distri-  
21 buted to the municipality imposing the tax after deduction by the  
22 department of an amount sufficient to cover the necessary and legitimate  
23 additional expenditures incurred by the department in administering the  
24 tax. The regulations promulgated relating to state income tax shall  
25 apply to municipal income tax except when in the judgment of the com-  
26 missioner particular regulations would be inconsistent or not feasible  
27 to administer if applied to municipal income tax.

28 Sec. 29.53.490. CERTIFICATION. A municipality adopting an income  
29 tax shall certify to the Department of Revenue the rate of the tax and

1 the date when it becomes effective.

ARTICLE 7. MUNICIPAL WAGE TAX.

3 Sec. 29.53.500. MUNICIPAL WAGE TAX. (a) A municipality may by  
4 ordinance levy and collect a wage tax on all wages earned by employees  
5 within the municipality.

6 (b) Wages are earned within a municipality if the wages are earned  
7 for work done or for services performed within the municipality.

8 (c) Exemptions from the tax may be granted by the municipality.

9 Sec. 29.53.510. RETURNS AND THE PAYMENT OF TAX. (a) On or before  
10 April 15 of each year, each employee subject to a tax shall make and  
11 file a return prescribed by the municipality on wages earned during the  
12 previous calendar year setting out the wages earned within the munici-  
13 pality, the amount of tax due or overpayment of the tax, and other  
14 information required by the municipality.

15 (b) The total amount of tax is due and payable on or before  
16 April 15 of each year for wages earned within the municipality for the  
17 previous calendar year.

18 Sec. 29.53.520. CREDITS. (a) A municipality may provide for  
19 credits against the tax authorized in sec. 500 of this chapter of other  
20 taxes paid to that municipality.

21 (b) The amounts deducted and withheld under sec. 530 of this  
22 chapter during a calendar year shall be allowed as a credit to the  
23 employee against the tax levied by the municipality.

24 (c) All payments made to the municipality or to another munici-  
25 pality in the state for municipal income tax is a credit to the employee  
26 against the wage tax.

27 Sec. 29.53.530. WITHHOLDING. (a) Every employer maintaining an  
28 office or transacting business within the state and making payment of  
29 wages taxable by a municipality shall withhold and deduct a tax from

1 each of his employee's wages in an amount equivalent to the amount of  
2 tax due on the wages for that year. The manner and amount of tax to be  
3 withheld shall be prescribed by the municipality imposing the tax.

4 (b) Every employer required to deduct and withhold a tax under  
5 this section shall file a return and pay over the tax in the manner and  
6 at the times prescribed by the municipality.

7 (c) Every employer required to deduct and withhold a tax under  
8 this section from the wages of an employee shall furnish to each em-  
9 ployee on or before February 1 of each year a statement prescribed by  
10 the municipality setting out the total amount of wages paid by the  
11 employer to the employee, the amount of wages earned within the munici-  
12 pality, the amount of tax deducted and withheld, and other information  
13 the municipality may require.

14 Sec. 29.53.540. REFUNDS. A municipality may refund overpayment of  
15 tax, taxes erroneously or illegally assessed or collected, penalties  
16 collected without authority, and taxes that are found unjustly assessed  
17 or excessive in amount, or otherwise wrongfully collected.

18 Sec. 29.53.550. APPEALS. (a) A person aggrieved by the action of  
19 a municipality in fixing the amount of tax or imposing a penalty may  
20 appeal to the municipality. The municipality shall provide the proce-  
21 dure for appeals including the time in which appeals may be taken,  
22 notice, hearing and decision.

23 (b) Within 30 days after a decision by the municipality after  
24 a hearing, a person aggrieved by the decision may appeal to the superior  
25 court.

26 Sec. 29.53.560. PENALTY AND INTEREST. (a) If an employer or  
27 employee fails to file a return or pay a tax on the date required by the  
28 municipality, a penalty shall be added to the tax not to exceed five per  
29 cent of the tax for each month or fraction of the month during which the

1 failure continues. The penalty may not exceed 25 per cent in the  
2 aggregate.

3 (b) When the tax levied becomes delinquent, it bears interest at  
4 the rate of eight per cent a year.

5 Sec. 29.53.570. LIEN. (a) If a person who is liable to pay a tax  
6 neglects or refuses to pay the tax after demand, the amount (including  
7 penalty and interest) is a lien in favor of the municipality upon all  
8 property, and rights to property, real or personal, belonging to the  
9 person.

10 (b) The lien arises at the time of delinquency and continues until  
11 the liability for the amount is satisfied or the lien is foreclosed.

12 Sec. 29.53.580. PRIORITY AND ENFORCEMENT OF TAX LIENS. The  
13 priority of and the procedures for enforcement of tax liens set out in  
14 AS 43.20.240 - 43.20.270 apply to taxes levied under sec. 500 of this  
15 chapter except enforcement is by the municipality.

16 Sec. 29.53.590. DEFINITIONS. In this chapter:

17 (1) "employee" means those employees defined in sec. 3401 of  
18 the United States Internal Revenue Code as that definition exists on the  
19 effective date of this Act;

20 (2) "employer" means those employers defined in sec. 3401 of  
21 the United States Internal Revenue Code as that definition exists on the  
22 effective date of this Act;

23 (3) "wages" means those wages defined in sec. 3401 of the  
24 United States Internal Revenue Code as that definition exists on the  
25 effective date of this Act.

26 \* Sec. 2. AS 43.20.290 is amended to read:

27 Sec. 43.20.290. EXCLUSIVE STATE AUTHORITY. Except as provided in  
28 AS 29.53.470 - 29.53.590, no [NO] tax may be levied and collected upon  
29 the net income of resident or nonresident individuals by a general law

1 city or by a home rule city or any other political subdivision of the  
2 state.

3 \* Sec. 3. AS 29.53.050 is amended to read:

4 Sec. 29.53.050. TAX LIMITATION. No municipality may levy and  
5 tax for any purpose in excess of three per cent of the assessed valua-  
6 tion of property within the municipality in any one year. A munici-  
7 pality which levies an income tax or a wage tax may not use proceeds of  
8 the general property tax

9 (1) for education during the first fiscal year following  
10 adoption of a municipal income tax or wage tax;

11 (2) for education, transportation systems, health services  
12 and hospital facilities, libraries or recreation facilities during the  
13 second fiscal year following adoption of a municipal income tax or wage  
14 tax;

15 (3) for any of the purposes listed in (2) of this section or  
16 for any other purposes not specified by the governing body of the  
17 municipality by ordinance as being directly related to protection or  
18 regulation of property or property values after the expiration of the  
19 second fiscal year following adoption of a municipal income tax or wage  
20 tax; if the governing body determines a purpose is only so related in  
21 part, it may determine in the ordinance a percentage of the cost which  
22 may be borne by general property tax.

23 \* Sec. 4. AS 43.70 is repealed.

24 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.10.-  
25 070(c).