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1 IN THE HOUSE

BY PARR AND COWPER

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 75
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing a borough or city tax on net
7 income."

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

9 * Section 1. AS 29.53 is amended by adding a new section to read:

10 ARTICLE 6. MUNICIPAL TAX ON NET INCOME.

11 Sec. 29.53.500. TAX ON NET INCOME. (a) The assembly or council
12 of a municipality may, by referendum, enact an ordinance adopting by
13 reference a local income tax imposed upon individual residents and
14 corporations doing business within the municipality. The tax shall be
15 a percentage of the liability of the resident or corporation of the tax
16 imposed under the Alaska Net Income Tax (AS 43.20).

17 (b) An ordinance enacted in accordance with the provisions of
18 this section shall impose a rate of tax for the next calendar year and
19 may provide that the tax rate shall continue in effect for each succeed-
20 ing calendar year until the tax rate is modified by a subsequent ordi-
21 nance. A municipality imposing an income tax may repeal the tax. A
22 municipality may impose, modify or repeal an income tax only after first
23 giving notice to the commissioner of revenue not later than July 1 of the
24 previous year. Enactment, modification or repeal of an income tax
25 authorized by this section shall become effective only on the first day
26 of a calendar year.

27 (c) An income tax imposed by a municipality under this section may
28 not exceed 50 per cent of the liability of the taxpayer under AS 43.20
29 after deduction of credits and inclusion of additional taxes due.

1 (d) An income tax imposed under this section shall be administered
2 by the commissioner of revenue, who shall collect and account for the
3 revenue in the manner provided in AS 43.20.360.

4 (e) A borough may preempt an income tax levied by a city under
5 this section by adopting an areawide income tax. The commissioner shall
6 refund the taxes collected within the borough to the borough and all
7 cities within the borough in proportion to the amount of income tax
8 revenue raised by each city within the borough unless the borough and
9 all cities within it mutually agree on a different method of sharing.

10 (f) A municipality may levy the tax authorized under this section
11 if it levies and collects not more than one of the following taxes
12 authorized by law:

13 (1) sales taxes, authorized by sec. 415 of this chapter;

14 (2) personal property taxes, authorized by sec. 10 of this
15 chapter;

16 (3) real property taxes, authorized by sec. 10 of this chapter.

17 (g) In this section, "resident" means an individual resident, non-
18 resident or part-year resident of Alaska, as defined in AS 43.20.011, who
19 is domiciled in or maintains his principal residence or place of abode
20 in the municipality.

21 * Sec. 2. AS 29.13.100 is amended by adding a new paragraph to read:

22 (37) AS 29.53.500 (borough or city tax on net income)

23 * Sec. 3. AS 29.53.035 is amended by adding a new subsection to read:

24 (f) A municipality which levies an income tax under sec. 500 of
25 this chapter may exempt from taxation real or personal property.

26 * Sec. 4. AS 43.20.160(c) and (d) are amended to read:

27 (c) The department shall prescribe and furnish all necessary forms,
28 and adopt and publish all necessary regulations in plain and concise
29 language conformable with this chapter for the assessment and collection

1 of the taxes imposed by secs. 10 - 350 of this chapter and for a municipi-
2 pal tax on net income levied and collected under authority of AS 29.53.-
3 500 and sec. 360 of this chapter. The department shall apply as far as
4 practicable the administrative and judicial interpretations of the
5 federal income tax law. The department shall also prepare a concise
6 statement of the contents of the code sections referred to in this
7 chapter for the information of the taxpayer and make them available to
8 the taxpayer making a return.

9 (d) All money collected by the department under secs. 10 - 350 of
10 this chapter shall be deposited in the general fund of the state.

11 * Sec. 5. AS 43.20.170(a) is amended to read:

12 (a) Every employer making payment of wages or salaries shall deduct
13 and withhold an amount of tax computed in a manner to approximate the
14 amount of tax due on those wages under this chapter and under an income
15 tax levied by a municipality in accordance with AS 29.53.500 and
16 collected by the department for that year. The department shall publish
17 the rate of withholding required by this section and the rate required
18 by the income tax levy of a municipality which shall be expressed as a
19 percentage of the amount required to be withheld under sec. 3402 of the
20 Internal Revenue Code of 1954. Every employer making a deduction and
21 a withholding shall furnish to the employee upon request a record of
22 the amount of tax withheld from the employee on a form prescribed by the
23 department.

24 * Sec. 6. AS 43.20.290 is amended to read:

25 Sec. 43.20.290. [EXCLUSIVE] STATE AUTHORITY. No tax may be levied
26 and collected upon the net income of resident or nonresident individuals
27 by a general law municipality [CITY] or by a home rule municipality
28 [CITY] or any other political subdivision of the state except as
29 provided by AS 29.53.500.

1 * Sec. 7. AS 43.20 is amended by adding a new section to read:

2 ARTICLE 6. MUNICIPAL TAX ON NET INCOME.

3 Sec. 43.20.360. ADMINISTRATION. (a) Municipal income taxes
4 levied and collected under AS 29.53.500 are subject to the provisions of
5 this chapter.

6 (b) A municipal income tax levied and collected under AS 29.53.500
7 shall be administered by the commissioner of revenue, who shall collect
8 and account for the revenue.

9 (c) The commissioner shall determine each municipality's share of
10 the cost of administering this section. In determining each munici-
11 pality's share, the commissioner shall apportion the cost of collection
12 and accounting for the funds in proportion to the tax collected from each
13 municipality of the state which levies an income tax. The commissioner
14 may withhold the prorated share of the cost of collecting and accounting
15 for funds, but the amount withheld may not exceed five per cent of the
16 amount payable to a municipality. After deducting the amount of any
17 refunds due and the prorated share of the cost of collecting and
18 accounting for funds, the commissioner shall pay to each municipality,
19 as soon as practicable, the amount to which it is entitled under AS 29.-
20 53.500.