

Introduced: 1/23/80
Referred: Special Permanent Fund
Committee and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 607

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for Permanent Fund dividends; and
7 providing for an effective date."

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

9 * Section 1. AS 43 is amended by adding a new chapter to read:

10 CHAPTER 23. ENERGY TAX ALLOWANCES.

11 Sec. 43.23.010. POLICY, PURPOSES AND FINDINGS. (a) It is the
12 duty and policy of the state with respect to the natural resources
13 belonging to it and the income derived from them to provide for their
14 utilization, development, and conservation for the maximum benefit of
15 its people.

16 (b) The purposes of this Act are (1) to provide a mechanism for
17 equitable distribution to the people of Alaska of at least a portion
18 of the state's energy wealth derived from the production and develop-
19 ment of the natural resources belonging to them as Alaskans, (2) to
20 reduce the amounts that Alaskans must pay in individual state income
21 taxes, (3) to encourage persons to maintain their roots in Alaska and
22 to reduce population turnover in the state, and (4) to encourage
23 increased awareness and involvement by the voters of this state in the
24 management and expenditure of state revenues derived from natural
25 resources production and development.

26 (c) The legislature finds that the demands on and cost of state
27 government have increased over the past few years at an excessive rate
28 and that this increase has been permitted to occur, at least in part,
29 by a feeling on the part of many of the voters of the state that

1 because such a high proportion of the state's revenue comes from
2 royalties and bonuses under mineral leases of state land, those
3 demands and costs do not have a significant economic impact upon them
4 personally. It is in the public interest to distribute a portion of
5 Alaska's energy wealth to the people of the state. It is also in the
6 public interest to reduce substantially the amount of individual state
7 income tax paid by Alaskans, but only so long as the reduction in
8 taxes does not have the effect of further diminishing the involvement
9 and awareness of Alaskans in the management and expenditures of state
10 revenues derived from natural resources production. The legislature
11 finds that a mechanism by which the amount of the tax is decreased as
12 the income from the Alaska Permanent Fund increases, will best promote
13 the state's interests in providing tax relief to its residents and in
14 providing a more personal and direct stake in the impact of decisions
15 involving the expenditure of revenues derived from natural resources
16 production.

17 (d) The legislature also finds that it would be fiscally ir-
18 responsible both to distribute a substantial portion of the Alaska
19 Permanent Fund income and to provide separately and additionally a
20 substantial reduction in state income taxes. Distribution of a
21 portion of the state's energy wealth and a tax reduction can both be
22 achieved responsibly only if the distribution and the reduction are
23 accomplished simultaneously through the single mechanism of a tax
24 credit computed on the basis of Permanent Fund income.

25 (e) The legislature also finds that Alaska's people have been
26 paying increasingly high prices for fossil fuels, while few have
27 received direct monetary benefits from the production and development
28 of fossil fuels belonging to them as Alaskans. It is in the public
29 interest to return to the people of Alaska a portion of the state's

1 income from oil, gas, and other mineral production to help offset
2 rising fuel costs.

3 (f) The legislature also finds that those Alaskans who have
4 played a role in the history and development of this state constitute
5 an irreplaceable resource and have made valuable contributions to the
6 political, economic and social fabric of the state not only in the
7 form of taxes but also in the form of participation in the state's
8 development. The legislature finds that these latter contributions
9 cannot be measured accurately in monetary terms and that the contri-
10 butions have been made during years since statehood in which relatively
11 small amounts of revenue were generated from the development of the
12 state's natural resources. These same Alaskans have borne the burdens
13 of a high cost of living during their years of residence here. In
14 order to achieve a fair distribution of the present and future income
15 from the development of the state's natural resources, it is necessary
16 to establish a distribution mechanism that takes into account the
17 years during which these individuals were equitable owners of the
18 state's valuable natural resources but did not receive direct benefits
19 from that ownership. It is also in the public interest to provide
20 special incentives to ensure that long-time Alaskans will remain in
21 the state and to provide financial assistance to those who may not
22 otherwise be able to do so.

23 (g) The legislature also finds that there exists in Alaska a
24 serious problem of population turnover. A substantial portion of the
25 state's population is comprised of individuals who reside in Alaska
26 for only a relatively short time. This is especially true in the
27 state's larger cities. This constant turnover in population leads to
28 political, economic, and social instability and is harmful to the
29 state. It is in the public interest for the state to promote a

1 stable resident population by providing incentives to encourage
2 Alaskans to maintain their roots in the state.

3 Sec. 43.23.020. ELIGIBILITY FOR PERMANENT FUND DIVIDENDS. (a)
4 An individual, eighteen years or older, is entitled to one Permanent
5 Fund dividend for each full calendar year of residence in the state
6 beginning January 1, 1959.

7 (b) An individual, eighteen years or older, who files a net
8 individual income tax return under AS 43.20 as a part-year resident,
9 may claim a dividend in that return but the amount of the dividend to
10 which he is entitled must be prorated based on the number of full
11 months of residence in Alaska during the tax year for which he claims
12 total dividend. Part-year residency may not be counted toward the
13 accrual of dividends under (a) of this section.

14 (c) A dividend may be claimed by, and credited or paid to, an
15 individual who is a resident at the time he claims a dividend and was
16 a resident and physically present in Alaska for the period for which a
17 dividend is claimed, or who, if a resident but not physically present,
18 was temporarily absent for reasons of professional, vocational or
19 other special education for which a comparable program was not reason-
20 ably available in Alaska, post-secondary education, military service,
21 medical treatment, or service in Congress.

22 Sec. 43.23.030. TAX CREDITS AND PAYMENTS. (a) An eligible
23 individual is entitled to a tax credit against his net individual
24 income tax liability under AS 43.20 equal to the total amount of his
25 Permanent Fund dividends accrued as of December 31 of each tax year
26 beginning with tax year 1979.

27 (b) If the total amount of the dividends to which an individual
28 is entitled exceeds his net tax liability, if any, under AS 43.20, he
29 is entitled to receive a payment for the excess.

1 (c) If a person, at the time he claims a dividend, is incarcerated
2 as punishment for committing a crime, and he is entitled to a payment
3 under (b) of this section, the payment shall be made to the Department
4 of Health and Social Services for deposit in the general fund to
5 offset the expenses to the state of the incarceration accrued as of
6 December 31 of the tax year for which he claims a dividend. If the
7 amount of the payment exceeds the expenses, the excess must be paid to
8 the person.

9 (d) The commissioner shall make all payments for dividends re-
10 quired to be made under (b) of this section from an annual appropria-
11 tion for that purpose.

12 Sec. 43.23.040. AMOUNT OF DIVIDEND. (a) For tax year 1979, the
13 amount of each dividend is \$50. For each tax year thereafter, subject
14 to the limitations in (b) of this section, the amount of each dividend
15 will be equal to the quotient of one-half of the income from the
16 Alaska Permanent Fund earned during the fiscal year ending June 30 of
17 the preceding tax year, divided by the total number of dividends paid
18 or credited during the preceding tax year, or \$50 whichever is greater.

19 (b) The percentage increase in the amount of each dividend
20 calculated under (a) of this section for any tax year over the amount
21 of each dividend calculated for the previous tax year may not exceed
22 the percentage increase in the cost of living determined by the United
23 States Department of Labor, Bureau of Labor Statistics Consumer Price
24 Index for Anchorage, Alaska, during the previous tax year. This
25 limitation applies only to increases in the amount of each dividend if
26 the amount of each dividend for the previous tax year was \$100 or
27 more.

28 Sec. 43.23.050. DETERMINATION OF ELIGIBILITY. (a) An individual
29 who claims a dividend must make a statement of eligibility verified by

1 him under penalty of perjury. The commissioner may require an indivi-
2 dual to provide additional proof of eligibility including one or more
3 affidavits from other persons having personal knowledge concerning the
4 individual's eligibility.

5 (b) The department shall prescribe and furnish a form for the
6 statement of eligibility, which must include a certification of resi-
7 dency in substantially the following form:

8 Under penalty of perjury, I hereby certify that I
9 have been a resident of the State of Alaska within
10 the meaning of AS 43.23.020 for ____ calendar years
11 and that I understand that my claim for a Permanent
12 Fund Dividend is calculated on the basis of those
13 years of residency. I also understand that, in
14 accordance with AS 43.23.070, should I be convicted
15 of perjury or unsworn falsification with regard to
16 this claim I will forfeit all past, present and
17 future permanent fund dividends otherwise due and
18 owing to me and that I will be liable for repayment
19 of all dividends which have been previously paid or
20 credited to me. I understand that this penalty is
21 in addition to any criminal penalties imposed.

22 _____
23 Signature of Individual

24 Sec. 43.23.060. APPLICATION. (a) In order to receive a dividend
25 under this chapter, an eligible individual must file an Alaska net
26 income tax return, even if the individual has no net tax liability
27 under AS 43.20.

28 (b) A claim for a dividend covers the period ending on December
29 31 for which the individual was eligible for the dividend.

1 (c) For married individuals filing a joint return, the return
2 may claim dividends for each spouse.

3 (d) A year for which an individual was eligible but failed to
4 claim a dividend may be counted toward eligibility for a dividend
5 under AS 43.20.020. A dividend may not be paid or credited if it is
6 claimed for the first time in an amended return.

7 (e) The department may by regulation adopt reasonable procedures
8 and time limitations for claiming dividends, including procedures and
9 time limitations not provided for in AS 43.20 or in regulations adopted
10 under AS 43.20.

11 Sec. 43.23.070. PENALTIES. In addition to any criminal penalties
12 imposed, if a person is convicted of perjury or unsworn falsification
13 on the basis of a statement made under AS 43.20.050, and the convic-
14 tion is not reversed, that person is not, and may never become, eligible
15 for a dividend under this chapter, and he forfeits all dividends
16 previously paid or credited to him.

17 Sec. 43.23.080. TAX EXEMPTION. The tax credits and payments
18 provided under this chapter are exempt from taxation under AS 43.20.

19 Sec. 43.23.090. ENFORCEMENT. If the commissioner determines
20 that a dividend should not have been claimed by or credited to an
21 individual, he may use any collection procedures or remedies available
22 under AS 43 to recover any payments improperly made or to collect any
23 additional taxes due.

24 Sec. 43.23.100. DEFINITIONS. In this chapter, unless the con-
25 text requires otherwise,

26 (1) "dividend" means a right to receive a tax credit, or to
27 receive a payment from the annual appropriation made under this chapter,
28 and credited by the department to an eligible individual;

29 (2) "commissioner" means the commissioner of revenue or his

1 designee;

2 (3) "Department" means the Department of Revenue;

3 (4) "individual" means a natural person.

4 * Sec. 2. AS 43.20.015 is amended by adding a new subsection to read:

5 (e) The credit provided in this section may not be claimed if
6 the total amount of a taxpayer's Permanent Fund dividends under AS
7 43.23 are greater than the credit to which the taxpayer would be
8 entitled under this section.

9 * Sec. 3. AS 43.20.215 is repealed.

10 * Sec. 4. If any provision of this Act, other than AS 43.20.070, is
11 held to be invalid by the final judgment, decision or order of a court of
12 competent jurisdiction, then that provision is nonseverable, and the entire
13 chapter is invalid and of no force or effect.

14 * Sec. 5. This Act terminates on the effective date of an Act repealing
15 AS 43.20.011(a)-(d).

16 * Sec. 6. The procedures for claiming, crediting, and paying Permanent
17 Fund dividends provided for in AS 43.23.030(a) and (b) and in AS 43.23.060
18 do not apply to claims for dividends for tax year 1979. For that tax year
19 only, an eligible individual is entitled to receive a payment equal to the
20 total amount of his Permanent Fund dividends accrued as of December 31,
21 1979, to the extent that this amount exceeds the total credit claimed by
22 the individual under AS 43.20.015 for tax year 1979. For tax year 1979,
23 the department shall, no later than July 1, 1980, prescribe and make avail-
24 able a form for claiming dividends. In addition, the department shall mail
25 the form to each individual who, as of July 1, 1980, has filed a resident
26 or part-year resident individual income tax return under AS 43.20. In
27 order to receive a dividend for tax year 1979, an eligible individual must
28 file with the department the form for claiming dividends no later than
29 September 15, 1980, and must make a statement of eligibility as required in

1 AS 43.23.050. For tax year 1979 only, dividends may not be credited against
2 net tax liability, if any, under AS 43.20, but may be received only in the
3 form of a payment.

4 * Sec. 7. Sections 1, 2, 4, 5, and 6 of this Act take effect immediately
5 in accordance with AS 01.10.070(c). Section 3 of this Act takes effect
6 January 1, 1981.

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