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Offered: 3/4/80  
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO.696

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act suspending the individual net income tax;  
7 providing for payments to state residents; and pro-  
8 viding for an effective date."

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

10 \* Section 1. POLICY, PURPOSES AND FINDINGS. (a) It is the duty and  
11 policy of the state with respect to the natural resources belonging to it and  
12 the income derived from those natural resources to provide for their use  
13 development, and conservation for the maximum benefit of the people of the  
14 state.

15 (b) The purposes of this Act are

16 (1) to provide a mechanism for equitable distribution to the  
17 people of Alaska of at least a portion of the state's energy wealth derived  
18 from the development and production of the natural resources belonging to  
19 them as Alaskans;

20 (2) to encourage persons to maintain their residence in Alaska and  
21 to reduce population turnover in the state; and

22 (3) to encourage increased awareness and involvement by the resi-  
23 dents of the state in the management and expenditure of state revenues derived  
24 from natural resources development and production.

25 (c) The legislature finds that the demands on and cost of state govern-  
26 ment have increased over the past few years at an excessive rate and that  
27 this increase has been permitted to occur, at least in part, by a feeling on  
28 the part of many residents of the state that because such a high proportion  
29 of the state's revenue comes from royalties and bonuses under mineral leases

1 of state land, those demands and costs do not have a significant economic  
2 impact upon them personally. It is in the public interest to distribute a  
3 portion of Alaska's energy wealth to the people of the state.

4 (d) The legislature also finds that state residents have been paying  
5 increasingly high prices for fossil fuels, while few have received direct  
6 monetary benefits from the production and development of fossil fuels belong-  
7 ing to them as Alaskans. It is in the public interest to return to state  
8 residents a portion of the state's income from oil, gas, and other mineral  
9 production to help offset rising fuel costs.

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

28 (f) The legislature also finds that there exists in the state a serious  
29 problem of population turnover. A substantial portion of the state's popu-

1 lation is comprised of individuals who reside in Alaska for only a relatively  
2 short time. This is especially true in the state's larger cities. This  
3 constant turnover in population leads to political, economic, and social  
4 instability and is harmful to the state. It is in the public interest for  
5 the state to promote a stable resident population by providing incentives to  
6 encourage Alaskans to maintain their residency in the state.

7 \* Sec. 2. AS 43 is amended by adding a new chapter to read:

8 CHAPTER 23. DISTRIBUTION OF REVENUE TO STATE RESIDENTS.

9 Sec. 43.23.010. RESIDENCY PAYMENT. (a) An individual who is  
10 eligible under (b) of this section is entitled to an annual residency  
11 payment determined as follows:

12 (1) \$115 for each full year that the individual is a state  
13 resident from January 1, 1975, through December 31 of the year for which  
14 the residency payment is claimed;

15 (2) the amount of political campaign contributions made by  
16 the individual during the year not to exceed \$50;

17 (3) 10 percent of the residential fuel expenses paid by the  
18 individual during the year or \$10, whichever is greater;

19 (4) 10 percent of the expenses for residential fuel con-  
20 servation capital improvements paid by the individual during the year  
21 not to exceed \$200; and

22 (5) 16 percent of the tax credit claimed by the individual on  
23 his federal income tax return for household and dependent care services  
24 necessary for his gainful employment.

25 (b) An individual is eligible to receive a residency payment under  
26 (a) of this section if he

27 (1) applies to the department for the payment; and

28 (2) he is a state resident on the date of the application.

29 (c) If an individual is a state resident for less than 12 months

1 during a year, the portion of the residency payment determined under  
2 (a)(3) - (5) of this section shall be prorated according to the number  
3 of months during the year that the individual was a state resident.

4 (d) If an individual is married and files a joint federal income  
5 tax return, the portion of the residency payment determined under (a)(5)  
6 of this section may not exceed 50 percent of tax credit claimed for  
7 household and dependent care services on the joint federal income tax  
8 return.

9 (e) A parent or guardian may claim a residency payment on behalf  
10 of a minor or incompetent who is eligible to receive a residency payment  
11 under AS 43.23.010.

12 Sec. 43.23.020. PROOF OF ELIGIBILITY. (a) An individual who  
13 applies for a residency payment shall make and submit a statement of  
14 eligibility which must be verified by him under penalty of perjury. The  
15 commissioner may require an individual to provide additional proof of  
16 eligibility including one or more affidavits from persons having personal  
17 knowledge concerning the individual's eligibility.

18 (b) The department shall prescribe and furnish an application form  
19 for claiming the residency payment which shall contain a statement of  
20 eligibility and a certification of residency in the following form:

21 Under penalty of perjury, I certify that I am a state resident on  
22 the date of this application and I have been a state resident for  
23 \_\_\_\_\_ full years and that I understand that my claim for a  
24 residency payment is partly determined by the number of years that  
25 I have been a state resident after January 1, 1975. I also under-  
26 stand that if I am convicted of falsely claiming a residency payment  
27 I will forfeit all residency payments and that I must repay all  
28 residency payments which have been paid to me. I understand that  
29 this penalty is in addition to any criminal penalties imposed.

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(signature of individual)

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3       Sec. 43.23.030. PENALTIES AND ENFORCEMENT. (a) In addition to  
4 any criminal penalties imposed by state law, if an individual is con-  
5 victed of perjury or unsworn falsification for a statement made in a  
6 certification of residency, and the conviction is not reversed, that  
7 individual is not, and may never become, eligible for a residency pay-  
8 ment, and he forfeits all residency payments paid to him.

9       (b) If the commissioner determines that a residency payment should  
10 not have been claimed by or paid to an individual, he may use any col-  
11 lection procedures or remedies available under this title to recover a  
12 residency payment which was improperly made.

13       Sec. 43.23.040. DUTIES OF THE DEPARTMENT. The department shall

14           (1) by the 10th day of each regular legislative session,  
15 present a request to the legislature for an appropriation for the resi-  
16 dency payments required by AS 43.23.010;

17           (2) make the residency payments required by AS 43.23.010 from  
18 an annual appropriation from the general fund for that purpose;

19           (3) adopt regulations under the Administrative Procedure Act  
20 (AS 44.62) which establish procedures and time limitations for claiming  
21 a residency payment. The department shall set the time limitation for  
22 applications for a residency payment so that all residency payments for  
23 a year are paid before October 15 of the following year; and

24           (4) assist residents of rural areas who because of language,  
25 illness, old age or inaccessibility to public transportation need as-  
26 sistance to establish eligibility and to apply for the residency payment  
27 provided by this chapter.

28       Sec. 43.23.050. DEFINITIONS. In this chapter,

29           (1) "commissioner" means the commissioner of revenue;

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

(3) "expenses for fuel conservation improvements" means

(A) the cost of additional insulation or insulating material installed in the principal residence of the individual if the residence was in existence on June 5, 1977;

(B) the cost of insulating windows of the principal residence of the individual;

(C) the cost of labor for the installation of the materials set out in (A) and (B) of this subsection; and

(D) the cost of installation of alternate sources of power generation not dependent on fossil fuels for energy supply, including but not limited to wind, tidal, solar or geothermal sources;

(4) "individual" means a natural person;

(5) "political campaign contribution" includes a contribution or gift to a person or organization for use exclusively

(A) for political campaigns for candidates for President or Vice President of the United States, whether or not they will be voted on in a primary election in the state; United States senator from Alaska; United States representative from Alaska; governor or lieutenant governor of Alaska; the Alaska legislature; delegate to an Alaska constitutional convention; electoral confirmation as a judge or justice of a court in the state; and municipal office in the state; and

(B) for groups seeking to influence the outcome of a ballot proposition or question; or dues to a nonprofit organization organized primarily to influence an election;

(6) "residential fuel expenses" means the payments made by an individual for wood, coal, heating oil, gas, electricity or other fuel

1 consumed in the state for the principal residence of the individual;

2 (7) "state resident" means an individual who is physically  
3 present in the state with the intent to remain permanently in the state  
4 or, if he is not physically present in the state, intends to return to  
5 the state and he is absent for the following reasons:

6 (A) vocational, professional or other special education  
7 for which a comparable program was not reasonably available in the  
8 state,

9 (B) postsecondary education,

10 (C) military service,

11 (D) medical treatment, or

12 (E) service in Congress;

13 (8) "year" means a calendar year.

14 \* Sec. 3. AS 43.20.021(c) is amended to read:

15 (c) For purposes of calculating the alternative tax on capital  
16 gains provided for in the provisions of Internal Revenue Code sec. 1201,  
17 the rate is 4.5 percent for corporations [AND 4 PERCENT FOR INDIVIDUALS  
18 AND FIDUCIARIES].

19 \* Sec. 4. AS 43.20.021(d) is amended to read:

20 (d) Where a credit allowed under the Internal Revenue Code is also  
21 allowed in computing Alaska income tax, it is limited to [16 PERCENT OF  
22 THE AMOUNT OF THE CREDIT DETERMINED FOR FEDERAL INCOME TAX PURPOSES FOR  
23 INDIVIDUALS AND] 18 percent of the amount of the credit determined for  
24 federal income tax purposes for corporations.

25 \* Sec. 5. AS 43.20.021(f) is amended to read:

26 (f) For the purpose of calculating the minimum tax on tax prefer-  
27 ences provided for in secs. 56 - 58 of the Internal Revenue Code (26  
28 U.S.C. secs. 56 - 58), the rate is [16 PERCENT FOR INDIVIDUALS AND] 18  
29 percent for corporations of the applicable minimum federal tax rate.

1 \* Sec. 6. AS 43.20.030(a) is amended to read:

2 (a) Every [INDIVIDUAL, FIDUCIARY, PARTNERSHIP AND] corporation  
3 required to make a return under the provisions of the Internal Revenue  
4 Code shall at the same time file with the department a return setting  
5 out

6 (1) the amount of tax due under this chapter, less credits  
7 claimed against the tax; and

8 (2) other information for the purpose of carrying out the  
9 provisions of this chapter which the department requires.

10 \* Sec. 7. The following laws are suspended as of the tax year beginning  
11 January 1, 1980: AS 43.20.011(a) - (d), 43.20.015, 43.20.021(e), 43.20.031-  
12 (a) - (c) and (f) - (h), 43.20.035, 43.20.036(d) - (h), 43.20.038, 43.20.039,  
13 43.20.051, 43.20.061, 43.20.160(e), 43.20.170, and 43.20.180.

14 \* Sec. 8. AS 43.20.021(c) is amended to read:

15 (c) For purposes of calculating the alternative tax on capital  
16 gains provided for in the provisions of Internal Revenue Code sec. 1201,  
17 the rate is 4.5 percent for corporations and 4 percent for individuals  
18 and fiduciaries.

19 \* Sec. 9. AS 43.20.021(d) is amended to read:

20 (d) Where a credit allowed under the Internal Revenue Code is also  
21 allowed in computing Alaska income tax, it is limited to 16 percent of  
22 the amount of the credit determined for federal income tax purposes for  
23 individuals and 18 percent of the amount of the credit determined for  
24 federal income tax purposes for corporations.

25 \* Sec. 10. AS 43.20.021(f) is amended to read:

26 (f) For the purpose of calculating the minimum tax on tax prefer-  
27 ences provided for in secs. 56 - 58 of the Internal Revenue Code (26  
28 U.S.C. secs. 56 - 58), the rate is 16 percent for individuals and 18  
29 percent for corporations of the applicable minimum federal tax rate.

1 \* Sec. 11. AS 43.20.030(a) is amended to read:

2 (a) Every individual, fiduciary, partnership and corporation  
3 required to make a return under the provisions of the Internal Revenue  
4 Code shall at the same time file with the department a return setting  
5 out

6 (1) the amount of tax due under this chapter, less credits  
7 claimed against the tax; and

8 (2) other information for the purpose of carrying out the  
9 provisions of this chapter which the department requires.

10 \* Sec. 12. As of January 1, 1984

11 (1) AS 43.23 enacted in sec. 2 of this Act and secs. 1 and 7 of  
12 this Act are repealed;

13 (2) the tax levied in AS 43.20.011(a) - (d) is reinstated and  
14 imposed; and

15 (3) AS 43.20.015, 43.20.021(e), 43.20.031(a) - (c) and (f) - (h),  
16 43.20.035, 43.20.036(d) - (h), 43.20.038, 43.20.039, 43.20.051, 43.20.061,  
17 43.20.160(e), 43.20.170, and 43.20.180 are reinstated.

18 \* Sec. 13. Before April 15, 1981, the Department of Revenue shall refund  
19 to the employee or other taxpayer all money received by the department which  
20 was withheld during tax year 1980 from the wages or salaries of the employee  
21 by an employer or which was received by the department as estimated income  
22 tax payments under AS 43.20 for tax year 1980.

23 \* Sec. 14. AS 43.23.010(a)(2) - (5) enacted in sec. 2 of this Act do not  
24 apply to claims for a residency payment for the year ending December 31,  
25 1979. For that year only, an eligible state resident may receive a residency  
26 payment equal to \$115 for each full year that the individual was a state  
27 resident from January 1, 1975, through December 31, 1979. The Department of  
28 Revenue shall prescribe and distribute forms to the public so that the resi-  
29 dency payment for 1979 will be paid before October 15, 1980.

1 \* Sec. 15. If any provision enacted in sec. 2 of this Act is held to be  
2 invalid by the final judgment, decision or order of a court of competent  
3 jurisdiction, then that provision is nonseverable, and all provisions enacted  
4 in sec. 2 of this Act are invalid and of no force or effect.

5 \* Sec. 16. This Act terminates on the effective date of an Act which  
6 repeals AS 43.20.011(a) - (d).

7 \* Sec. 17. Sections 1 and 2 of this Act are retroactive to January 1,  
8 1979.

9 \* Sec. 18. Sections 3 - 7 and 13 of this Act are retroactive to January 1,  
10 1980.

11 \* Sec. 19. Sections 3 - 7 of this Act apply to tax years beginning after  
12 December 31, 1979.

13 \* Sec. 20. Sections 1 - 7 and 13 - 18 of this Act take effect immediately  
14 in accordance with AS 01.10.070(c).

15 \* Sec. 21. Sections 8 - 12 of this Act take effect January 1, 1984.

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