

Original sponsor: Sumner

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1 IN THE SENATE

BY THE FINANCE COMMITTEE

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CS FOR SENATE BILL NO. 122

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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ELEVENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act providing for a general tax refund under the
7 Alaska Net Income Tax Act and relating to the use of
8 income from the Alaska permanent fund for the general
9 tax refund; and providing for an effective date."

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

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

12 Sec. 43.20.017. GENERAL TAX REFUND. (a) For each tax year after
13 December 31, 1977, each person filing an Alaska net income tax return on
14 or before June 30 of the succeeding year is entitled to a share of the
15 general tax refund as provided in this section.

16 (b) The total amount of the general tax refund is the amount
17 collected during each calendar year under AS 43.20.011(a) - (d) for the
18 previous tax year. The total amount of the general tax refund shall be
19 calculated without regard to refunds paid under this section.

20 (c) To be eligible for a share of the general tax refund an indi-
21 vidual must file an Alaska net income tax return for the tax year on
22 which the refund is based, even if the person had no net tax liability
23 under AS 43.20 for that year.

24 (d) Eligible individuals are divided into five classes as follows:

25 (1) class A taxpayers: individuals who filed income tax
26 returns for each of the four preceding tax years;

27 (2) class B taxpayers: individuals who filed net income tax
28 returns for three of the four preceding tax years;

29 (3) class C taxpayers: individuals who filed net income tax

1 returns for two of the four preceding tax years;

2 (4) class D taxpayers: individuals who filed net income tax
3 returns for one of the four preceding tax years;

4 (5) class E taxpayers: individuals who filed an Alaska
5 income tax return for the tax year on which the refund is based and who
6 did not file a return for any of the four preceding tax years.

7 (e) One-half of the total amount of the general tax refund shall
8 be shared on the basis of the number of years during the relevant five-
9 year period that a taxpayer filed a return. The following classes of
10 taxpayers shall be granted the following number of shares:

11 class A - 5 shares

12 class B - 4 shares

13 class C - 3 shares

14 class D - 2 shares

15 class E - 1 share or a pro rata fraction of the share.

16 An individual in class E who files a part-year net individual income tax
17 return may receive a share prorated on the basis of the number of full
18 months of residency in the state during the tax year for which the share
19 is granted. Part-year residency status may not be counted towards the
20 accrual of shares under this section. The value of each share shall
21 equal one-half of the total amount of the general tax refund divided by
22 the total number of shares in all classes of taxpayers.

23 (f) Each individual taxpayer shall receive a refund equal to the
24 dollar value of each share as determined in (e) of this section times
25 the number of shares held by that taxpayer.

26 (g) One-half of the total amount of the general tax refund shall
27 be shared on the basis of the constructive tax paid by that taxpayer
28 during the relevant five-year period. The constructive amount of tax
29 paid by a taxpayer equals the tax paid by the taxpayer for the year on

1 which the refund is based times the number of years during the five-year
2 period that the taxpayer filed a return. The following classes of
3 taxpayers shall be granted the following multiplier of the tax paid
4 during the year on which the refund is based:

5 class A = 5 times the tax paid for the refund year

6 class B = 4 times the tax paid for the refund year

7 class C = 3 times the tax paid for the refund year

8 class D = 2 times the tax paid for the refund year

9 class E = 1 times the tax paid for the refund year

10 Each dollar of constructive tax paid constitutes a share. The value of
11 each share shall equal one-half of the total amount of the general tax
12 refund divided by the total number of shares in all classes of tax-
13 payers.

14 (h) Each individual taxpayer shall receive a refund equal to the
15 dollar value of each share as determined in (g) of this section times
16 the number of shares held by that taxpayer.

17 (i) For purposes of this section, married individuals who file a
18 joint return are subject to a separate refund determined on the basis of
19 the number of years that each individual taxpayer filed either a joint
20 or a separate return. Married individuals are considered to have paid
21 one-half of the tax paid jointly and the refund defined in (g) and (h)
22 of this section shall be calculated on that basis.

23 (j) The refund allowed by this section does not reduce the income
24 tax liability of the taxpayer for the year in which the refund is paid
25 but no refund may be made to a person with an outstanding tax liability
26 due and owing the state. Taxpayers may protest a determination under
27 this section in accordance with AS 43.05.240.

28 (k) If the commissioner of revenue determines that a share should
29 not have been paid to an individual, he may use collection procedures or

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remedies available under this title to recover a payment improperly made.

(l) Ten percent of the income from the Alaska permanent fund is allocated for the general tax refund provided under this section.

(m) Payment of refunds under this section is subject to annual appropriation. The appropriation for payment of refunds may include the amount of money from the general fund needed to provide for refunds under this section and the amount available from the permanent fund income allocated in (l) of this section.

(n) A refund issued under this section is exempt from taxation under this chapter.

(o) The department shall issue the refunds provided in this section to all eligible taxpayers within the first six months of the second tax year following the tax year on which the refund is based. For the first year of the general tax refund (the 1978 tax year) the refunds shall be issued by the department within six months of the effective date of this provision.

* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-070(c).