

Introduced: 1/14/85
Referred: Judiciary
and Finance

1 IN THE SENATE

BY ZIEGLER BY REQUEST

2

SENATE BILL NO. 7

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to income taxes on individuals; and
7 providing for an effective date."

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

9 * Section 1. AS 43.20.011 is amended by adding new subsections to read:

10 (g) There is imposed for each taxable year upon the taxable
11 income of every resident, nonresident, and part-year resident indi-
12 vidual and fiduciary of the state, except those qualifying for the
13 rates in (h) or (i) of this section, taxes computed according to the
14 following table.

15	If the taxable income is:	Then the tax is:
16	Not over \$2,000	3 percent of the taxable income
17	Over \$2,000 but not over \$4,000	\$60 plus 3.5 percent of excess
18		over \$2,000
19	Over \$4,000 but not over \$6,000	\$130 plus 4.0 percent of excess
20		over \$4,000
21	Over \$6,000 but not over \$8,000	\$210 plus 5.0 percent of excess
22		over \$6,000
23	Over \$8,000 but not over \$10,000	\$310 plus 5.5 percent of excess
24		over \$8,000
25	Over \$10,000 but not over	
26	\$12,000	\$420 plus 6.0 percent of excess
27		over \$10,000
28	Over \$12,000 but not over	
29	\$14,000	\$540 plus 7.0 percent of excess

1		over \$12,000
2	Over \$14,000 but not over	
3	\$16,000	\$680 plus 7.5 percent of excess
4		over \$14,000
5	Over \$16,000 but not over	
6	\$18,000	\$830 plus 8.0 percent of excess
7		over \$16,000
8	Over \$18,000 but not over	
9	\$20,000	\$990 plus 8.5 percent of excess
10		over \$18,000
11	Over \$20,000 but not over	
12	\$22,000	\$1,160 plus 9.0 percent of excess
13		over \$20,000
14	Over \$22,000 but not over	
15	\$26,000	\$1,340 plus 9.5 percent of excess
16		over \$22,000
17	Over \$26,000 but not over	
18	\$32,000	\$1,720 plus 10.0 percent of
19		excess over \$26,000
20	Over \$32,000 but not over	
21	\$38,000	\$2,320 plus 10.5 percent of
22		excess over \$32,000
23	Over \$38,000 but not over	
24	\$44,000	\$2,950 plus 11.0 percent of
25		excess over \$38,000
26	Over \$44,000 but not over	
27	\$50,000	\$3,610 plus 11.5 percent of
28		excess over \$44,000
29	Over \$50,000 but not over	

1	\$60,000	\$4,300 plus 12.0 percent of
2		excess over \$50,000
3	Over \$60,000 but not over	
4	\$70,000	\$5,500 plus 12.5 percent of
5		excess over \$60,000
6	Over \$70,000 but not over	
7	\$80,000	\$6,750 plus 13.0 percent of
8		excess over \$70,000
9	Over \$80,000 but not over	
10	\$90,000	\$8,050 plus 13.5 percent of
11		excess over \$80,000
12	Over \$90,000 but not over	
13	\$100,000	\$9,400 plus 14.0 percent of
14		excess over \$90,000
15	Over \$100,000 but not over	
16	\$150,000	\$10,800 plus 14.0 percent of
17		excess over \$100,000
18	Over \$150,000 but not over	
19	\$200,000	\$17,800 plus 14.5 percent of
20		excess over \$150,000
21	Over \$200,000	\$25,050 plus 14.5 percent of
22		excess over \$200,000

23 (h) There is imposed for each taxable year upon the taxable
24 income of every resident, nonresident, and part-year resident married
25 individual who makes a single return jointly with the taxpayer's
26 spouse as provided in 26 U.S.C. 6013 (Internal Revenue Code) and upon
27 every resident, nonresident, and part-year resident surviving spouse,
28 as defined in 26 U.S.C. 2(a) (Internal Revenue Code), taxes computed
29 according to the following table.

1	If the taxable income is:	Then the tax is:
2	Not over \$4,000	3 percent of the taxable income
3	Over \$4,000 but not over \$8,000	\$120 plus 3.5 percent of excess
4		over \$4,000
5	Over \$8,000 but not over \$12,000	\$260 plus 4.0 percent of excess
6		over \$8,000
7	Over \$12,000 but not over	
8	\$16,000	\$420 plus 5.0 percent of excess
9		over \$12,000
10	Over \$16,000 but not over	
11	\$20,000	\$620 plus 5.5 percent of excess
12		over \$16,000
13	Over \$20,000 but not over	
14	\$24,000	\$840 plus 6.0 percent of excess
15		over \$20,000
16	Over \$24,000 but not over	
17	\$28,000	\$1,080 plus 7.0 percent of excess
18		over \$24,000
19	Over \$28,000 but not over	
20	\$32,000	\$1,360 plus 7.5 percent of excess
21		over \$28,000
22	Over \$32,000 but not over	
23	\$36,000	\$1,660 plus 8.0 percent of excess
24		over \$32,000
25	Over \$36,000 but not over	
26	\$40,000	\$1,980 plus 8.5 percent of excess
27		over \$36,000
28	Over \$40,000 but not over	
29	\$44,000	\$2,320 plus 9.0 percent of excess

1		over \$40,000
2	Over \$44,000 but not over	
3	\$52,000	\$2,680 plus 9.5 percent of excess
4		over \$44,000
5	Over \$52,000 but not over	
6	\$64,000	\$3,440 plus 10.0 percent of
7		excess over \$52,000
8	Over \$64,000 but not over	
9	\$76,000	\$4,640 plus 10.5 percent of
10		excess over \$64,000
11	Over \$76,000 but not over	
12	\$88,000	\$5,900 plus 11.0 percent of
13		excess over \$76,000
14	Over \$88,000 but not over	
15	\$100,000	\$7,220 plus 11.5 percent of
16		excess over \$88,000
17	Over \$100,000 but not over	
18	\$120,000	\$8,600 plus 12.0 percent of
19		excess over \$100,000
20	Over \$120,000 but not over	
21	\$140,000	\$11,000 plus 12.5 percent of
22		excess over \$120,000
23	Over \$140,000 but not over	
24	\$160,000	\$13,500 plus 13.0 percent of
25		excess over \$140,000
26	Over \$160,000 but not over	
27	\$180,000	\$16,100 plus 13.5 percent of
28		excess over \$160,000
29	Over \$180,000 but not over	

1	\$200,000	\$18,800 plus 14.0 percent of
2		excess over \$180,000
3	Over \$200,000 but not over	
4	\$300,000	\$21,600 plus 14.0 percent of
5		excess over \$200,000
6	Over \$300,000 but not over	
7	\$400,000	\$35,600 plus 14.5 percent of
8		excess over \$300,000
9	Over \$400,000	\$50,100 plus 14.5 percent of
10		excess over \$400,000

11 (i) There is imposed for each taxable year upon the taxable
12 income of every resident, nonresident, and part-year resident head of
13 a household, as defined in 26 U.S.C. 2(b) (Internal Revenue Code),
14 taxes computed according to the following table.

15	If the taxable income is:	Then the tax is:
16	Not over \$2,000	3 percent of the taxable income
17	Over \$2,000 but not over \$4,000	\$60 plus 3.5 percent of excess
18		over \$2,000
19	Over \$4,000 but not over \$6,000	\$130 plus 4.0 percent of excess
20		over \$4,000
21	Over \$6,000 but not over \$8,000	\$210 plus 4.0 percent of excess
22		over \$6,000
23	Over \$8,000 but not over \$10,000	\$290 plus 5.0 percent of excess
24		over \$8,000
25	Over \$10,000 but not over	
26	\$12,000	\$390 plus 5.0 percent of excess
27		over \$10,000
28	Over \$12,000 but not over	
29	\$14,000	\$490 plus 6.0 percent of excess

1		over \$12,000
2	Over \$14,000 but not over	
3	\$16,000	\$610 plus 6.0 percent of excess
4		over \$14,000
5	Over \$16,000 but not over	
6	\$18,000	\$730 plus 6.5 percent of excess
7		over \$16,000
8	Over \$18,000 but not over	
9	\$20,000	\$860 plus 7.0 percent of excess
10		over \$18,000
11	Over \$20,000 but not over	
12	\$22,000	\$1,000 plus 7.5 percent of excess
13		over \$20,000
14	Over \$22,000 but not over	
15	\$24,000	\$1,150 plus 8.0 percent of excess
16		over \$22,000
17	Over \$24,000 but not over	
18	\$28,000	\$1,310 plus 8.5 percent of excess
19		over \$24,000
20	Over \$28,000 but not over	
21	\$32,000	\$1,650 plus 8.5 percent of excess
22		over \$28,000
23	Over \$32,000 but not over	
24	\$38,000	\$1,990 plus 9.0 percent of excess
25		over \$32,000
26	Over \$38,000 but not over	
27	\$44,000	\$2,530 plus 10.0 percent of
28		excess over \$38,000
29	Over \$44,000 but not over	

1	\$50,000	\$3,130 plus 10.5 percent of
2		excess over \$44,000
3	Over \$50,000 but not over	
4	\$60,000	\$3,760 plus 11.0 percent of
5		excess over \$50,000
6	Over \$60,000 but not over	
7	\$70,000	\$4,860 plus 11.5 percent of
8		excess over \$60,000
9	Over \$70,000 but not over	
10	\$80,000	\$6,010 plus 11.5 percent of
11		excess over \$70,000
12	Over \$80,000 but not over	
13	\$90,000	\$7,160 plus 12.0 percent of
14		excess over \$80,000
15	Over \$90,000 but not over	
16	\$100,000	\$8,360 plus 13.0 percent of
17		excess over \$90,000
18	Over \$100,000 but not over	
19	\$150,000	\$9,660 plus 13.0 percent of
20		excess over \$100,000
21	Over \$150,000 but not over	
22	\$200,000	\$16,160 plus 14.0 percent of
23		excess over \$150,000
24	Over \$200,000 but not over	
25	\$300,000	\$23,160 plus 14.5 percent of
26		excess over \$200,000
27	Over \$300,000	\$37,660 plus 14.5 percent of
28		excess over \$300,000
29	(j) The department shall compute and publish Alaska income tax	

1 liability tables for taxpayers.

2 (k) Notwithstanding (h) of this section, husband and wife may
3 compute and pay taxes on taxable income as individual taxpayers in
4 accordance with the tax table set out in (g) of this section if

5 (1) both of the taxpayers claim standard deductions or both
6 of the taxpayers itemize deductions;

7 (2) the amount that is claimed by married taxpayers claim-
8 ing a standard deduction as single persons does not exceed the amount
9 of the standard deduction that each may claim; and

10 (3) deductions, exemptions or credits, other than the
11 standard deduction, claimed by the taxpayers on their separate returns
12 do not exceed the deductions, exemptions or tax credits that could be
13 claimed by the taxpayers on a single return filed jointly in accor-
14 dance with (h) of this section.

15 * Sec. 2. AS 43.20.013 is amended by adding a new subsection to read:

16 (d) The credit allowed by (a) of this section is in place of the
17 credit allowed by 26 U.S.C. 41 (Internal Revenue Code) for contribu-
18 tions to candidates for public office.

19 * Sec. 3. AS 43.20.021(d) is amended to read:

20 (d) Where a credit allowed under 26 U.S.C. ([THE] Internal
21 Revenue Code) is also allowed in computing Alaska income tax, it is
22 limited to 16 percent for individuals and fiduciaries and 18 percent
23 for corporations of the amount of credit determined for federal income
24 tax purposes that [WHICH] is attributable to Alaska.

25 * Sec. 4. AS 43.20.030(a) is amended to read:

26 (a) An individual, fiduciary, [IF A] partnership, [WHICH HAS A
27 CORPORATION AS A PARTNER] or [A] corporation [IS] required to make a
28 return under the provisions of 26 U.S.C. ([THE] Internal Revenue
29 Code) [, IT] shall at the same time file with the department a return

1 setting out

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

4 (2) other information for the purpose of carrying out the
5 provisions of this chapter that [WHICH] the department requires.

6 * Sec. 5. AS 43.20.030 is amended by adding new subsections to read:

7 (h) If the amount of the tax credit for political campaign
8 contributions provided in AS 43.20.013(a) exceeds the tax liability of
9 the individual taxpayer under this chapter, the commissioner shall pay
10 the individual taxpayer the amount of money by which the credit ex-
11 ceeds the taxpayer's tax liability.

12 (i) If the amount of the credit for household and dependent care
13 services provided in AS 43.20.013(b) exceeds the tax liability of an
14 individual taxpayer under this chapter, the commissioner shall pay the
15 individual taxpayer the amount of money by which the credit exceeds
16 the taxpayer's tax liability.

17 * Sec. 6. AS 43.20.031 is amended by adding new subsections to read:

18 (j) The taxable income of a resident of the state is the taxpay-
19 er's entire taxable income as defined in 26 U.S.C. 63 (Internal Reve-
20 nue Code) with the following modifications:

21 (1) a taxpayer whose income includes a cost-of-living
22 allowance that is exempt from federal income tax shall determine and
23 include that amount as part of income as if the cost-of-living allow-
24 ance were not exempt;

25 (2) the benefits of nonrecognition of gain on the sale,
26 exchange, or other disposition of property under 26 U.S.C. 1031, 1033,
27 and 1034 (Internal Revenue Code) are allowed only to taxpayers who
28 purchase or exchange the property within the state, except that the
29 benefits of 26 U.S.C. 1034 (Internal Revenue Code) shall be allowed

1 regardless of the location of the property for taxpayers who have
2 attained the age of 65 by the time of the purchase or exchange; for
3 purposes of this paragraph,

4 (A) the gain that results is subject to the benefits
5 of 26 U.S.C. 1201, 1202, 1221, and 1231 (Internal Revenue Code)
6 as if the gain had been recognized for federal tax purposes; and

7 (B) the basis of the acquired property shall be ad-
8 justed as provided in 26 U.S.C. 1016 (Internal Revenue Code) as
9 if the gain had been recognized for federal tax purposes;

10 (3) each taxpayer is allowed a minimum deduction equivalent
11 in amount to the "zero bracket amount" defined in 26 U.S.C. 63(d)
12 (Internal Revenue Code).

13 (k) The following exemptions are allowed in computing taxable
14 income under this section:

15 (1) service pay received by members of the armed forces of
16 the United States or auxiliary branches of the armed forces;

17 (2) pensions and annuities received from qualified plans
18 approved under 26 U.S.C. 401 - 418E (Internal Revenue Code);

19 (3) income of a person derived from the sale of halibut
20 taken from waters outside the territorial limits of the state and
21 regulated by an international body or treaty organization if the
22 person selling halibut in the state that is taken from outside the
23 territorial limits of the state executes and submits to the department
24 within 30 days after each sale a separate exemption certificate on a
25 form approved by the department and the attorney general.

26 (1) A person who wilfully makes and subscribes to a certificate
27 referred to in (k)(3) of this section that is not true and correct as
28 to every material fact is punishable by a fine of not more than
29 \$10,000, or by imprisonment for not more than five years, or by both.

1 (m) A taxpayer who purchases an entry permit under AS 16.43 in
2 carrying on a trade or business is entitled to a deduction of the
3 amount of the price paid during the tax year as if it were allowable
4 under 26 U.S.C. 162 (Internal Revenue Code). The basis of the entry
5 permit shall be reduced by the amount of the deduction that the tax-
6 payer is entitled to claim under this subsection.

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

8 Sec. 43.20.034. TAXABLE INCOME OF FIDUCIARY. The taxable income
9 of a fiduciary is its taxable income as determined under AS 43.20.031
10 when attributable to sources in the state as provided in AS 43.20.040.

11 * Sec. 8. AS 43.20.036 is amended by adding a new subsection to read:

12 (j) For purposes of calculating the income tax payable under
13 this chapter, the taxpayer may not apply as a credit against tax
14 liability the credit for

15 (1) earned income under 26 U.S.C. 43 (Internal Revenue
16 Code); or

17 (2) federal excise tax on gasoline allowed as to federal
18 taxes under 26 U.S.C. 39 (Internal Revenue Code).

19 * Sec. 9. AS 43.20.040(b) is amended to read:

20 (b) In this section, income is from a source having a taxable or
21 business situs in the state if it is derived from

22 (1) owning or operating business facilities or property in
23 the state;

24 (2) conducting business, farming, or fishing operations in
25 the state;

26 (3) [Repealed

27 (4)] a partnership that [WHICH] transacts business in the
28 state;

29 (4) [(5)] a corporation that [WHICH] transacts business in

1 the state and that [WHICH] has elected to file federal returns under
2 26 U.S.C. 1371 - 1379 (subchapter S of the Internal Revenue Code);

3 (5) [(6) Repealed

4 (7)] engaging in any other activity from which income is
5 received, realized or derived in the state;

6 (6) working for salary or wages in the state; or

7 (7) an estate or trust deriving income from sources in the
8 state.

9 * Sec. 10. AS 43.20 is amended by adding a new section to read:

10 Sec. 43.20.042. TAXABLE INCOME OF NONRESIDENTS AND PART-YEAR
11 RESIDENTS. (a) The taxable income of nonresidents or part-year
12 residents of the state is taxable income as determined under AS 43.-
13 20.031 when attributable to sources in the state as provided in
14 AS 43.20.040 with the following modifications:

15 (1) a nonresident or part-year resident of the state shall
16 be allowed a deduction, in place of the deductions provided in AS 43.-
17 20.031(j)(3) and excess itemized deductions provided under 26 U.S.C.
18 (Internal Revenue Code), in the amount of the minimum deduction and
19 excess itemized deductions in the proportion provided in (b) of this
20 section;

21 (2) a nonresident or part-year resident is allowed a de-
22 duction equal to the personal exemption deduction as defined in 26
23 U.S.C. 151 (Internal Revenue Code) in the proportion provided in (b)
24 of this section.

25 (b) The ratio for prorating allowed by this section is the
26 taxpayer's adjusted gross income from Alaska sources divided by the
27 taxpayer's adjusted gross income from all sources. The ratio may not
28 exceed 100 percent. The adjusted gross income for purposes of this
29 subsection means adjusted gross income as defined in 26 U.S.C. 62

1 (Internal Revenue Code) as modified by AS 43.20.031.

2 (c) Deductions claimed that are allowed as deductions from gross
3 income in arriving at adjusted gross income under 26 U.S.C. (Internal
4 Revenue Code) are allowed only to the extent that they are connected
5 with income that arises from sources in the state or property having a
6 situs for taxation in the state.

7 * Sec. 11. AS 43.20 is amended by adding a new section to read:

8 Sec. 43.20.046. PRORATION OF PART-YEAR AND NONRESIDENT INDIVI-
9 DUAL CREDITS. Unless otherwise provided by this chapter, a credit
10 allowable to a part-year resident and nonresident individual is limit-
11 ed to the amount of the credit computed according to AS 43.20.021(d),
12 if that section applies, and shall be prorated as provided by AS 43.-
13 20.042(b).

14 * Sec. 12. AS 43.20 is amended by adding a new section to read:

15 Sec. 43.20.062. CREDIT FOR TAXES PAID ANOTHER STATE. (a) A
16 resident is allowed as a credit against the tax otherwise due under
17 this chapter the amount of income tax imposed on the resident for the
18 taxable year by another state or territory of the United States on
19 income derived from sources in the other state or territory that is
20 also subject to tax under this chapter.

21 (b) The credit allowed in (a) of this section is limited to that
22 proportion of the tax computed under this chapter, before the allow-
23 ance of this credit, that the taxable income from the other state or
24 territory bears to the total taxable income; however, this credit may
25 not exceed the actual tax payable to the other state or territory.

26 * Sec. 13. AS 43.20 is amended by adding a new section to read:

27 Sec. 43.20.171. COLLECTION OF INCOME TAX AT SOURCE. (a) An
28 employer making payment of wages or salaries shall deduct and withhold
29 an amount of tax computed in a manner to approximate the amount of tax

1 due on those wages under this chapter for that year. The department
2 shall publish the rate of withholding required by this section that
3 shall be expressed as a percentage of the amount required to be with-
4 held under 26 U.S.C. 3402 (Internal Revenue Code). An employer making
5 a deduction and a withholding shall furnish to the employee upon
6 request a record of the amount of tax withheld from the employee on a
7 form prescribed by the department.

8 (b) The rules with respect to withholding of tax set out in 26
9 U.S.C. 3402(a) - (i), 3502(b), and 6414 (Internal Revenue Code) apply
10 with respect to this section as though fully set out in this section.
11 Remittance of taxes withheld shall be accompanied by returns on forms
12 prescribed by the department.

13 (c) An employer making payments of wages or salaries earned in
14 the state, regardless of the place where the payment is made,

15 (1) is liable for the payment of the tax required to be
16 deducted and withheld under this section and is not liable to any
17 individual for the amount of the payment; and

18 (2) shall make return of and pay to the department quarter-
19 ly, or at other times the department requires, the amount of tax
20 levied that under this chapter the employer is required to deduct and
21 withhold; upon failure of the employer to comply with this subsection,
22 the provisions of AS 43.05.220 apply.

23 (d) If the employer is the United States or the state or a
24 political subdivision of the state, or an agency or instrumentality of
25 one or more of the foregoing, the return of the amount deducted and
26 withheld upon wages or salaries may be made by an officer of the
27 employer having control of the payment of the wages or salaries or who
28 is appropriately designated for that purpose.

29 (e) In this section, the terms "wages," "payroll period,"

1 "employee," and "employer" have the meaning given to those terms by 26
2 U.S.C. 3401(a), (b), (c) and (d), respectively, (Internal Revenue
3 Code).

4 * Sec. 14. AS 43.20 is amended by adding a new section to read:

5 Sec. 43.20.181. CREDITS AGAINST TAX. The amounts deducted and
6 withheld as taxes under AS 43.20.171 during a calendar year are al-
7 lowed as credits to the taxpayer against the tax imposed by this
8 chapter.

9 * Sec. 15. AS 43.20 is amended by adding a new section to read:

10 Sec. 43.20.216. PENALTY FOR LATE PAYMENT OF REFUND. Five per-
11 cent shall be added to a tax refund due an individual taxpayer for
12 each 30-day period or fraction of a period during which the department
13 fails to issue a refund to which the taxpayer is entitled under this
14 chapter, unless it is shown that the failure is due to a reasonable
15 cause and not wilful neglect. The first refund period begins 45 days
16 after the later of the due date or the date of filing of the return by
17 the taxpayer. The additional amount payable to a taxpayer under this
18 section may not exceed 15 percent of the refund due.

19 * Sec. 16. AS 43.20.012 and 43.20.013(c) are repealed.

20 * Sec. 17. This Act takes effect January 1, 1990.