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1 IN THE SENATE

2

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 360

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IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to tax credits for employing and
7 training residents; and providing for an effective
8 date."

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

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* Section 1. PURPOSE. The legislature recognizes that the state has a
11 significant unemployment problem. This Act is intended to better fulfill
12 the state's duty of loyalty to its citizens, reduce unemployment among
13 residents of the state, remedy social harms resulting from chronic unem-
14 ployment, and encourage the training of state residents so that they are
15 better qualified to compete for job opportunities.

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* Sec. 2. LEGISLATIVE FINDINGS. The legislature finds:

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(1) the findings made in AS 36.10.005 continue to accurately
18 describe the social, economic, and employment situation in the state;

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(2) nonresident workers displace a substantial number of qual-
20 ified, available, and unemployed residents, and the displacement is a
21 substantial contributing cause of the high rate of unemployment among state
22 residents;

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(3) high and persistent unemployment breeds severe social prob-
24 lems including alcoholism and domestic violence;

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(4) the findings of the Department of Labor of the State of
26 Alaska in its report entitled "Nonresidents Working in Alaska; A Special
27 Study to Measure the Economic Impact of Nonresidents on Alaska's Economy
28 During Calendar Year 1984" support the need for a resident hiring prefer-
29 ence;

1 (5) private sector investment in job training and vocational
2 education programs will help qualify unemployed Alaskans for higher-skilled
3 job opportunities.

4 * Sec. 3. AS 43.20.036 is amended by adding a new subsection to read:

5 (j) For purposes of calculating the income tax payable under
6 this chapter, the taxpayer may apply as a credit against tax liability
7 an Alaska hire credit under AS 43.20.041, for employment of state
8 residents who satisfy the eligibility requirements, equal to the sum
9 of

10 (1) 50 percent of the qualified first-year wages, as de-
11 fined in 26 U.S.C. 51(b)(2), to a maximum credit of \$3,000 for each
12 eligible employee, paid or incurred by the employer during the taxable
13 year;

14 (2) 25 percent of the qualified second-year wages, as
15 defined in 26 U.S.C. 51(b)(3), to a maximum credit of \$3,000 for each
16 eligible employee, paid or incurred by the employer during the taxable
17 year; and

18 (3) 50 percent of the verifiable job training costs, as
19 determined by regulations adopted by the commissioner of labor, to a
20 maximum credit of \$3,000 for each eligible first-year employee, and 25
21 percent of the verifiable job training costs to a maximum credit of
22 \$3,000 for each eligible second year employee.

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

24 Sec. 43.20.041. ALASKA HIRE TAX CREDIT. (a) An employer is
25 entitled to claim an Alaska hire credit under AS 43.20.036(j) if the
26 employer hires an eligible state resident.

27 (b) An employee is eligible under this section if the employee
28 satisfies the residency requirements for eligibility for a permanent
29 fund dividend under AS 43.23.005 on the date immediately preceding the

1 date of hire and on that date the employee was a resident of an under-
2 employment area and

3 (1) was receiving unemployment benefits under AS 23.20 or
4 would have been eligible to receive benefits but had exhausted them;

5 (2) was not employed and had resistered to find work with a
6 public or private employment agency or a local hiring hall;

7 (3) was underemployed or marginally employed as determined
8 under regulations adopted by the Department of Labor; or

9 (4) had completed a job training program approved by the
10 Department of Labor and is either not employed or is engaged in em-
11 ployment that does not use the skills acquired in the job training
12 program.

13 (c) The Department of Labor shall prepare an annual report that
14 designates areas as underemployment areas. The department shall
15 examine each economic region of the state and shall find that an area
16 is an underemployment area if

17 (1) the area suffers from a resident unemployment rate that
18 is higher than the national average;

19 (2) nonresident employment is a significant contributing
20 cause of the high resident unemployment; and

21 (3) resident unemployment has caused significant social
22 ills.

23 * Sec. 5. This Act applies to employees first hired by an employer on
24 or after January 1, 1986.

25 * Sec. 6. This Act is retroactive to January 1, 1986.

26 * Sec. 7. This Act takes effect immediately in accordance with AS 01.-
27 10.070(c).