

Introduced: 1/19/87  
Referred: Labor & Commerce,  
Community & Regional Affairs  
and Finance

1 IN THE HOUSE

BY MARTIN

2 HOUSE BILL NO. 15

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act providing certain tax benefits in business  
7 enterprise zones; and providing for an effective  
8 date."

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

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

11 CHAPTER 28. ENTERPRISE ZONE TAX CREDITS.

12 Sec. 43.28.010. SELECTION OF ZONES. (a) The Department of  
13 Labor shall select not more than eight enterprise zones from areas  
14 proposed under AS 43.28.030 and eligible under AS 43.28.020.

15 (b) When selecting zones, the department shall consult with the  
16 Department of Commerce and Economic Development and the Department of  
17 Community and Regional Affairs.

18 Sec. 43.28.020. ELIGIBILITY FOR ZONE SELECTION. An area is  
19 eligible for selection as an enterprise zone if the area

20 (1) is proposed by a municipality or by two or more contig-  
21 uous municipalities; and

22 (2) has

23 (A) a present and historical unemployment rate of not  
24 less than 25 percent;

25 (B) a population growth rate less than 25 percent of  
26 the average rate for the state for the most recent five-year  
27 period for which data are available from the Bureau of the Census  
28 of the United States Department of Commerce or from the depart-  
29 ment; or

1 (C) a per person income rate that is less than 75  
2 percent of the state average for the most recent five-year period  
3 for which data are available from the Bureau of the Census of the  
4 United States Department of Commerce or the department.

5 Sec. 43.28.030. APPLICATION BY MUNICIPALITY. (a) A municipal-  
6 ity may propose an area for selection as an enterprise zone. The  
7 municipality shall apply to the department on forms provided by the  
8 department. The application must describe the

9 (1) facts showing how the area satisfies AS 43.28.020(2);

10 (2) boundaries of the area;

11 (3) potential of the area for business development and job  
12 creation;

13 (4) methods by which the area will maintain an economically  
14 viable business district; and

15 (5) measures that the municipality will take to support the  
16 business development and job creation objectives of the area.

17 (b) Two or more contiguous municipalities may make a joint  
18 proposal under this section.

19 Sec. 43.28.040. ANNUAL REPORTS. A municipality whose proposed  
20 area has been selected as a zone shall submit to the department an  
21 annual report of the municipality's efforts to improve employment and  
22 business development conditions in the zone and the results of the  
23 efforts.

24 Sec. 43.28.050. REGULATIONS. The department may adopt regula-  
25 tions under the Administrative Procedure Act (AS 44.62) that are  
26 necessary and proper to carry out the provisions of this chapter.

27 Sec. 43.28.100. ZONE INVESTMENT TAX CREDITS. (a) In addition  
28 to any other tax credit allowed for the investment under AS 43.20, and  
29 to the extent that the property qualifying as an investment under this

1 section is used solely and exclusively in the zone during the tax  
2 year, a taxpayer may apply as a credit against the taxpayer's tax  
3 liability under AS 43.20, for a tax year beginning on or after  
4 January 1 of the year when the investment is made, 15 percent of the  
5 investment made by the taxpayer in a new business facility during the  
6 tax year.

7 (b) If the taxpayer has not operated the new business facility  
8 for the entire tax year, the credit under this section shall be calcu-  
9 lated by dividing the investment made during the tax year by 12 and  
10 multiplying the result by the number of full months that the taxpayer  
11 operated the facility during the tax year.

12 (c) If the new business facility replaces another facility, the  
13 credit determined under (a) and (b) of this section shall be reduced  
14 by the average investment of the taxpayer, or a related taxpayer, in  
15 the former facility for the three tax years that preceded the tax year  
16 for which the credit is claimed.

17 Sec. 43.28.110. CREDIT FOR NEW BUSINESS FACILITY EMPLOYEES. (a)  
18 Subject to the limitation in (b) of this section, a taxpayer who  
19 establishes a new business facility for at least one year in a zone  
20 may apply, as a credit against the taxpayer's tax liability under  
21 AS 43.20 for the first full income tax year of the new business facil-  
22 ity, \$500 for each new business facility employee who works in the  
23 zone.

24 (b) The number of new business facility employees that the  
25 taxpayer may claim for credit under this section is determined by

26 (1) adding up the number of new business facility employees  
27 employed on the last business day of each operating month of the  
28 facility during the tax year; and

29 (2) dividing the result in (1) of this subsection by the

1 number of months the facility was in operation during the tax year.

2 (c) In this section, "new business facility employee" means a  
3 person who

4 (1) is employed by the taxpayer in the operation of a new  
5 business facility during the tax year for which the credit allowed by  
6 this section is claimed; and

7 (2) works on

8 (A) a regular, full-time basis;

9 (B) a part-time basis if the person customarily worked  
10 at least 20 hours a week throughout the taxable year; or

11 (C) a seasonal basis if the person works for substan-  
12 tially all of the season customary for the person's position.

13 Sec. 43.28.300. DEFINITIONS. In this chapter,

14 (1) "control" or "controlled" means the direct or indirect  
15 ownership of at least,

16 (A) with regard to a corporation, 80 percent of the  
17 total combined voting power of all classes of stock entitled to  
18 vote and 80 percent of all other classes of stock of the corpo-  
19 ration;

20 (B) with regard to a partnership, or association an 80  
21 percent interest in the capital or profits of the partnership or  
22 association;

23 (C) with regard to a trust, 80 percent of the benefi-  
24 cial interest in the principal or income of the trust;

25 (2) "department" means the Department of Labor;

26 (3) "facility" means a factory, mill, plant, refinery,  
27 feedlot, warehouse, processing plant, or other building located within  
28 a zone, including the land on which the facility is located and all  
29 machinery, equipment, and other real and tangible personal property

1 located at or within the facility, and used for the operation of the  
2 facility;

3 (4) "investment" means the value of the real and tangible  
4 personal property, except inventory or property held for sale to  
5 customers in the ordinary course of the taxpayer's business, consti-  
6 tuting a facility or used in the operation of a facility;

7 (5) "net rental rate" means the rental rate less the rental  
8 payments received by the taxpayer from subrentals;

9 (6) "new business facility" means a facility, except the  
10 portion of the facility that the taxpayer leases to another person or  
11 does not use in the operation of a revenue-producing enterprise, that

12 (A) is used by the taxpayer to operate a revenue-  
13 producing enterprise;

14 (B) was not used immediately before being acquired, if  
15 acquired by the taxpayer from another person, by another person  
16 to operate a revenue-producing enterprise that is the same or a  
17 substantially identical revenue-producing enterprise as that  
18 operated by the taxpayer at the facility; and

19 (C) is not a replacement business facility;

20 (7) "related taxpayer" means a person under the control of  
21 the taxpayer, or a person, except an individual, controlled by a  
22 person who is controlled by the taxpayer;

23 (8) "replacement business facility" means a facility

24 (A) that replaces, by discontinuing on or before the  
25 close of the first tax year in which the credit under this chap-  
26 ter is claimed, the operation of another facility in the zone  
27 that the taxpayer or a related taxpayer previously operated as a  
28 revenue-producing enterprise for more than three full tax years  
29 out of the five tax years that preceded the tax year in which the

1 commercial operations of the replacing facility began;

2 (B) where the taxpayer operates the same or a substan-  
3 tially similar revenue-producing enterprise as that operated at  
4 the replaced facility; and

5 (C) where the taxpayer's investment in the facility  
6 does not exceed \$3,000,000 or 300 percent of the investment in  
7 the replaced facility by the taxpayer or a related taxpayer  
8 during the year preceding the tax year in which the credit under  
9 this chapter is claimed;

10 (9) "revenue-producing enterprise" means the

11 (A) processing, production, assembly, fabrication,  
12 manufacture, storage, warehousing, distribution, or sale of an  
13 agricultural, aquacultural, fishing, mineral, petrochemical, or  
14 manufactured product;

15 (B) feeding of livestock at a feedlot;

16 (C) operation of laboratories or other facilities for  
17 scientific, agricultural, aquacultural, animal husbandry, mining,  
18 petrochemical, or industrial research, development, or testing;

19 (D) performance of services;

20 (E) administrative management of an activity listed in  
21 (A) - (D) of this paragraph; or

22 (F) a combination of the activities described in this  
23 paragraph;

24 (10) "same or substantially identical" revenue-producing  
25 enterprise means a revenue-producing enterprise in which the products  
26 produced or sold, the services performed, or the activities conducted  
27 are the same in character and use and are produced, sold, performed,  
28 or conducted in the same manner and to or for the same types of cus-  
29 tomers as the products, services, or activities produced, sold,

1 performed, or conducted in another revenue-producing enterprise;  
2 (11) "value" means the total purchase price if purchased, or  
3 the net rental rate if rented, paid for the property;  
4 (12) "zone" means an enterprise zone selected under AS 43.-  
5 28.010.  
6 \* Sec. 2. AS 43.20.021(d) is amended to read:  
7 (d) Where a credit allowed under the Internal Revenue Code is  
8 also allowed in computing Alaska income tax, it is limited to 18  
9 percent for corporations of the amount of credit determined for fed-  
10 eral income tax purposes which is attributable to Alaska. This limita-  
11 tion does not apply to a special industrial incentive tax credit under  
12 AS 43.20.042 or to tax credits under AS 43.28.100 and 43.28.110.  
13 \* Sec. 3. AS 44.31.020 is amended to read:  
14 Sec. 44.31.020. DUTIES OF DEPARTMENT. The Department of Labor  
15 shall:  
16 (1) enforce the laws, and adopt regulations under them  
17 concerning employer-employee relationships, including the safety,  
18 hours of work, wages, and conditions of workers, including children;  
19 (2) accumulate, analyze and report labor statistics;  
20 (3) operate systems of workers' compensation and unemploy-  
21 ment insurance; [AND]  
22 (4) gather data reflecting the cost of living in the vari-  
23 ous election districts of the state upon request of the director of  
24 personnel under AS 39.27.030 - 39.27.040; and  
25 (5) implement AS 43.28.  
26 \* Sec. 4. This Act applies to tax years beginning on or after Janu-  
27 ary 1, 1987.  
28 \* Sec. 5. AS 43.28 is repealed January 1, 1991.  
29 \* Sec. 6. This Act takes effect immediately under AS 01.10.070(c).