

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE
2 CS FOR HOUSE BILL NO. 154 (State Affairs)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL
6 For an Act entitled: "An Act relating to the taxation of income; relating
7 to individual tax credits; and providing for an
8 effective date."

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

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

11 (g) There is imposed for each taxable year upon the taxable
12 income of every resident, nonresident, and part-year resident indi-
13 vidual and fiduciary of the state, except those subject to the rates
14 in (h), (i), and (j) of this section, a tax computed according to the
15 following table:

16 If the taxable income is:	Then the tax is:
17 Over \$31 but less than \$30,000	3.2 percent of taxable income
18 \$30,000 or more	\$960 plus 5.7 percent of the
	19 excess over \$30,000.

20 (h) There is imposed for each taxable year upon the taxable
21 income of every resident, nonresident, and part-year resident married
22 individual who makes a single return jointly with a spouse, as provid-
23 ed in 26 U.S.C. 6013 (Internal Revenue Code), and upon every resident,
24 nonresident, and part-year resident surviving spouse, as defined in 26
25 U.S.C. 2(a) (Internal Revenue Code), a tax computed according to the
26 following table:

27 If the taxable income is:	Then the tax is:
28 Over \$31 but less than \$50,000	3.2 percent of taxable income
29 \$50,000 or more	\$1,600 plus 5.7 percent of the

excess over \$50,000.

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

If the taxable income is:	Then the tax is:
Over \$31 but less than \$40,000	3.2 percent of taxable income
\$40,000 or more	\$1,280 plus 5.7 percent of the excess over \$40,000.

(j) There is imposed for each taxable year upon the taxable income of every resident, nonresident, and part-year resident married individual who does not make a single return jointly with a spouse a tax computed according to the following table:

If the taxable income is:	Then the tax is:
Over \$31 but less than \$25,000	3.2 percent of taxable income
\$25,000 or more	\$800 plus 5.7 percent of the excess over \$25,000.

(k) In (g), (h), (i), and (j) of this section, the tax on a nonresident or part-year resident individual or fiduciary is the tax computed on taxable income from all sources, multiplied by a fraction the numerator of which is adjusted gross income from sources in the state and the denominator of which is adjusted gross income from all sources.

(l) An individual shall determine the tax under this section using the same filing status as used on the individual's federal return.

* Sec. 2. AS 43.20.030(a) is amended to read:

(a) Every individual, fiduciary, and [IF A PARTNERSHIP WHICH HAS A CORPORATION AS A PARTNER OR A] corporation [IS] required to make a

1 return under the provisions of the Internal Revenue Code [, IT] shall
2 at the same time file with the department a return setting out

3 (1) the amount of tax due under this chapter, less allow-
4 able credits and payments claimed against the tax; and

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

7 * Sec. 3. AS 43.20.030(d) is amended to read:

8 (d) A taxpayer [, UPON REQUEST BY THE DEPARTMENT,] shall file
9 with the return [FURNISH TO THE DEPARTMENT] a [TRUE AND] correct copy
10 of the tax return [WHICH THE TAXPAYER HAS] filed with the United
11 States Internal Revenue Service. Every taxpayer shall file an amended
12 return with the department, and remit any additional tax and interest
13 due [NOTIFY THE DEPARTMENT IN WRITING OF ANY ALTERATION IN, OR MODI-
14 FICATION OF, THE TAXPAYER'S FEDERAL INCOME TAX RETURN AND OF A RECOM-
15 PUTATION OF TAX OR DETERMINATION OF DEFICIENCY (WHETHER WITH OR WITH-
16 OUT ASSESSMENT). A FULL STATEMENT OF THE FACTS SHALL ACCOMPANY THIS
17 NOTICE. THE NOTICE SHALL BE FILED] within 60 days after the final
18 determination of the taxpayer's federal tax liability [MODIFICATION,
19 RECOMPUTATION OR DEFICIENCY, AND THE TAXPAYER SHALL PAY THE ADDITIONAL
20 TAX OR PENALTY UNDER THIS CHAPTER]. For purposes of this section, a
21 final determination means [SHALL MEAN] the time that an amended feder-
22 al return is filed or the date a federal [A NOTICE OF DEFICIENCY OR
23 AN] assessment is made [MAILED TO THE TAXPAYER BY THE INTERNAL REVENUE
24 SERVICE, EXCEPT THAT IN NO EVENT WILL THERE BE A FINAL DETERMINATION
25 FOR PURPOSES OF THIS SECTION UNTIL THE TAXPAYER HAS EXHAUSTED RIGHTS
26 OF APPEAL UNDER FEDERAL LAW].

27 * Sec. 4. AS 43.20.031 is amended by adding new subsections to read:

28 (j) The gross income of an individual or a fiduciary is gross
29 income as defined in 26 U.S.C. 61 (Internal Revenue Code), and

1 includes those items specifically included in gross income under 26
2 U.S.C. 71 - 26 U.S.C. 89 (Subtitle A, Ch. 1B, Part II of the Internal
3 Revenue Code) and excludes those items specifically excluded from
4 gross income under 26 U.S.C. 101 - 26 U.S.C. 135 (Subtitle A, Ch. 1B,
5 Part III of the Internal Revenue Code), with the following modifica-
6 tions:

7 (1) a taxpayer who receives a cost-of-living allowance that
8 is exempt from federal income tax shall determine and include that
9 amount as part of the taxpayer's income as if the cost-of-living
10 allowance were not exempt;

11 (2) a taxpayer who receives interest upon obligations of a
12 state, or interest upon obligations of a political or municipal subdi-
13 vision of a state, that is exempt from federal income tax shall deter-
14 mine and include that amount as part of the taxpayer's income as if
15 the interest were not exempt;

16 (3) gross income does not include longevity bonuses re-
17 ceived under AS 47.45.

18 (k) The following adjustments to the gross income of an indi-
19 vidual or fiduciary are allowed as deductions in arriving at adjusted
20 gross income under this section:

21 (1) the deductions allowable under 26 U.S.C. 62 (Internal
22 Revenue Code)

23 (A) attributable to a trade or business carried on by
24 a taxpayer;

25 (B) from the sale or exchange of property;

26 (C) attributable to property held for the production
27 of rents or royalties;

28 (D) for the premature withdrawal of money from time
29 savings accounts or deposits;

- 1 (E) for alimony;
2 (2) interest received on obligations of the United States;
3 (3) refunds of state income taxes included in gross income;
4 (4) permanent fund dividends paid under AS 43.23.055.

5 (1) The taxable income of a fiduciary is its adjusted gross
6 income. The taxable income of an individual taxpayer is the taxpay-
7 er's adjusted gross income less personal exemptions. An individual
8 taxpayer may deduct from adjusted gross income the number of personal
9 exemptions to which the taxpayer is entitled under 26 U.S.C. 151
10 (Internal Revenue Code). The exemption amount is \$3,000 and is not
11 adjusted for inflation.

12 (m) In this section, "individual" means a resident, nonresident,
13 or part-year resident individual, and "fiduciary" means a resident,
14 nonresident, or part-year resident fiduciary.

15 * Sec. 5. AS 43.20 is amended by adding a new section to read:

16 Sec. 43.20.032. TAX CALCULATION FOR NONRESIDENTS AND PART-YEAR
17 RESIDENTS AND FIDUCIARIES. (a) In computing the tax of a nonresident
18 or part-year resident individual or fiduciary under AS 43.20.011(k),
19 the part of the adjusted gross income attributable to sources in the
20 state is determined under AS 43.20.040.

21 (b) In computing adjusted gross income attributable to sources
22 in the state for a nonresident or part-year resident individual or
23 fiduciary, deductions and adjustments are allowed only to the extent
24 that they are connected with income that arises from sources in the
25 state or property having a situs for taxation in the state.

26 * Sec. 6. AS 43.20.040(b) is amended to read:

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

29 (1) owning or operating business facilities or property in

1 the state;
2 (2) conducting business, farming, or fishing operations in
3 the state;
4 (3) [REPEALED
5 (4)] a partnership that [WHICH] transacts business in the
6 state;
7 (4) [(5)] a corporation that [WHICH] transacts business in
8 the state and that [WHICH] has elected to file federal returns under
9 26 U.S.C. 1361 - 1379 (Subtitle A, Ch. 1, Subchapter S, Internal
10 Revenue Code) [SUBCHAPTER S OF THE INTERNAL REVENUE CODE];
11 (5) [(6) REPEALED
12 (7)] engaging in any other activity from which income is
13 received, realized, or derived in the state;
14 (6) working for salary or wages in the state;
15 (7) an estate or trust deriving income from sources in the
16 state.

17 * Sec. 7. AS 43.20.040 is amended by adding a new subsection to read:

18 (d) With regard to the tax under AS 43.20.011(g) - (j), if a
19 business, trade, or profession, other than the rendering of purely
20 personal services, is carried on partly inside and partly outside the
21 state, the income from sources in the state must be determined as
22 provided in AS 43.19.

23 * Sec. 8. AS 43.20 is amended by adding a new section to read:

24 Sec. 43.20.062. CREDITS AGAINST TAX. (a) A resident is al-
25 lowed, as a credit against the tax otherwise due under this chapter,
26 the amount of income tax imposed on the taxpayer for the taxable year
27 by another state or territory of the United States on income derived
28 from sources in the other state or territory that is also subject to
29 tax under this chapter.

1 (b) The credit allowed in (a) of this section is limited to that
2 proportion of the tax computed under this chapter that the taxable
3 income from the other state or territory bears to total taxable in-
4 come. The credit may not exceed the actual tax paid to the other
5 state or territory.

6 (c) The amounts deducted and withheld as taxes under this chap-
7 ter during a calendar year are allowed as credits to the taxpayer
8 against the tax imposed by this chapter.

9 (d) A taxpayer who qualifies for receipt of the Alaska permanent
10 fund dividend under AS 43.23 may, under regulations adopted by the
11 department, request the department to apply the dividend as a credit
12 against the tax imposed by this chapter.

13 * Sec. 9. AS 43.20.065 is amended to read:

14 Sec. 43.20.065. ALLOCATION AND APPORTIONMENT. A corporate
15 taxpayer who has income from business activity that [WHICH] is taxable
16 both inside and outside the state or income from other sources both
17 inside and outside the state shall allocate and apportion net income
18 as provided in the Multistate Tax Compact (AS 43.19), or as provided
19 by this chapter.

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

21 Sec. 43.20.171. COLLECTION OF INCOME AT SOURCE. (a) Every
22 employer making payment of wages or salaries shall deduct and withhold
23 an amount of tax computed in a manner to approximate the amount of tax
24 due on those wages under this chapter for that year. The employer
25 shall remit withheld taxes to the department, together with a return
26 or report prescribed by the department, at the time or times required
27 by the department by regulation. The department shall publish the
28 rate of withholding required by this section. Every employer making a
29 deduction and a withholding shall furnish to the employee no later

1 than January 31 of the succeeding year, or within 30 days after ter-
2 mination of employment, whichever is earlier, a written statement on a
3 form prescribed by the department showing

4 (1) the name and taxpayer identification number of the
5 employer;

6 (2) the name and social security number of the employee;

7 (3) the total amount of wages and other compensation; and

8 (4) the total amount deducted and withheld as tax.

9 (b) Every employer making payments of wages or salaries earned
10 in the state, regardless of the place where the payment is made,

11 (1) is liable for the payment of the tax required to be
12 deducted and withheld under this section and is not liable to an
13 individual for the amount of the payment; and

14 (2) shall make return of and pay to the department the
15 amount of tax levied that the employer is required to deduct and
16 withhold under this chapter.

17 (c) An employer who fails to comply with this section is subject
18 to the penalties set out in AS 43.05.220(d).

19 (d) If the employer is the United States or the state or a
20 political subdivision of the state, or an agency or instrumentality of
21 one or more of those entities, the return of the amount deducted and
22 withheld on wages or salaries may be made by an officer of the employ-
23 er having control of the payment of the wages or salaries or who is
24 appropriately designated for that purpose.

25 (e) In this section, "wages," "employee," and "employer" have
26 the meanings attributed to them under 26 U.S.C. 1 - 9602 (Internal
27 Revenue Code).

28 * Sec. 11. AS 43.20.340 is amended by adding new paragraphs to read:

29 (12) "fiduciary" means an estate, a trust, a guardian,

1 trustee, executor, administrator, receiver, conservator, or a person
2 acting in a fiduciary capacity for another or for the estate of a
3 deceased person;

4 (13) "individual" means a natural person, married or un-
5 married, adult or minor, subject to payment of an income tax under 26
6 U.S.C. 1 - 9602 (Internal Revenue Code);

7 (14) "domicile" means the location of an individual's true,
8 fixed, permanent home and principal establishment, to which the indi-
9 vidual intends to return from a temporary or transitory absence;

10 (15) "nonresident" means an individual who is not a resident
11 or part-year resident;

12 (16) "residence" means actual physical presence in the state
13 and is determined without regard to a person's domicile;

14 (17) "resident" means an individual who, during the taxable
15 year, was domiciled in the state or resided in the state for the
16 entire taxable year; an individual does not lose resident status
17 simply by reason of attending an educational institution or by serving
18 in the armed forces.

19 * Sec. 12. AS 43.05.085, AS 43.20.012 and 43.20.013 are repealed.

20 * Sec. 13. Sections 1 - 12 of this Act apply to income received after
21 December 31, 1987.

22 * Sec. 14. This Act takes effect January 1, 1988.