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Trade and Tourism, Judiciary,
Resources and Finance

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1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

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SENATE BILL NO. 119

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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SIXTEENTH LEGISLATURE - FIRST SESSION

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A BILL

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For an Act entitled: "An Act relating to required reporting methods for
corporate income taxes owed by members of an affili-
ated group whose common parent is a corporation
incorporated outside the United States; and providing
for an effective date."

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

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* Section 1. It is the purpose of this Act to promote investment and
trade opportunities in the state.

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* Sec. 2. AS 43.20 is amended by adding a new section to read:

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Sec. 43.20.073. AFFILIATED GROUPS. (a) A corporation that is a

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member of an affiliated group whose common parent is a corporation
incorporated outside the United States shall file a return using the
water's edge combined reporting method. A return under this section
shall include the following corporations if they are a part of a
unitary business:

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(1) corporations included or includable in a consolidated
return for federal corporate income tax purposes;

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(2) corporations incorporated in or doing business in any
state or United States possession or territory;

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(3) domestic international sales corporations and foreign
sales corporations; and

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(4) tax haven corporations.

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(b) The department may require a corporation filing under this
section to file a worldwide combined report if

1 (1) the corporation or any affiliate fails to comply with
2 regulations adopted under this chapter, including domestic disclosure
3 spreadsheet filing requirements; or

4 (2) the corporation does not provide information requested
5 by the department on the operations of a foreign parent necessary for
6 the department to audit the taxpayers corporation return within a
7 reasonable period of time.

8 (c) This section does not apply to taxpayers subject to AS
9 43.20.072 engaged in the production of oil or gas from a lease or
10 property in the state or engaged in the transportation of oil or gas
11 by regulated pipeline in the state.

12 (d) As used in this section:

13 (1) an "affiliated group" is a group of two or more corpo-
14 rations, in which 50 percent or more of the voting stock of each
15 member is directly or indirectly owned by a common owner or by common
16 owners, either corporate or non-corporate, or by one or more of the
17 member corporations of the group;

18 (2) a "tax haven corporation" means a corporation that is
19 incorporated in or does business in a country that does not impose an
20 income tax, or that imposes an income tax at a rate lower than 90
21 percent of the federal tax rate on the federally defined income tax
22 base, and 50 percent or more of sales, purchases, or payments of
23 income or expenses, exclusive of payments for intangible property, of
24 the corporation are made directly or indirectly to one or more members
25 of a waters' edge group and which conducts no significant economic
26 activity.

27 * Sec. 3. This Act is retroactive to tax years beginning after Decem-
28 ber 31, 1988.

29 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).