

HOUSE BILL NO. 525

IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE KOPONEN

Introduced: 2/18/92
Referred: State Affairs, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the taxation of income and to individual tax credits; and providing
2 for an effective date."

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

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

5 (g) There is imposed for each taxable year upon the taxable income of every resident,
6 nonresident, and part-year resident individual and fiduciary of the state, except those subject to
7 the rates in (h), (i), and (j) of this section, a tax computed according to the following table:

8 If the taxable income is:	Then the tax is:
9 Over \$31 but less than \$30,000	3.2 percent of taxable income
10 \$30,000 or more	\$960 plus 5.7 percent of the
11	excess over \$30,000.

12 (h) There is imposed for each taxable year upon the taxable income of every resident,
13 nonresident, and part-year resident married individual who makes a single return jointly with a
14 spouse, as provided in 26 U.S.C. 6013 (Internal Revenue Code), and upon every resident,

1 nonresident, and part-year resident surviving spouse, as defined in 26 U.S.C. 2(a) (Internal
2 Revenue Code), a tax computed according to the following table:

3 If the taxable income is:	Then the tax is:
4 Over \$31 but less than \$50,000	3.2 percent of taxable income
5 \$50,000 or more	\$1,600 plus 5.7 percent of the 6 excess over \$50,000.

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

10 If the taxable income is:	Then the tax is:
11 Over \$31 but less than \$40,000	3.2 percent of taxable income
12 \$40,000 or more	\$1,280 plus 5.7 percent of the 13 excess over \$40,000.

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

17 If the taxable income is:	Then the tax is:
18 Over \$31 but less than \$25,000	3.2 percent of taxable income
19 \$25,000 or more	\$800 plus 5.7 percent of the 20 excess over \$25,000.

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

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

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

28 Sec. 43.20.035. SURCHARGE ON INDIVIDUAL TAXABLE INCOME. (a) In addition
29 to the tax imposed by AS 43.20.011(g) - (j), there is levied a surcharge on the amount of the
30 income taxable under AS 43.20.011(g) - (j). The surcharge is computed according to the
31 following table:

1	If the taxable income is:	Then the surcharge is:
2	\$50,000, but less than \$100,000	one percent of taxable income
3	\$100,000 or more	\$1,000, plus an additional one percent of taxable
4		income for each \$50,000 or fraction of \$50,000 of
5		taxable income that exceeds \$100,000, not to exceed
6		a total of eight percent of taxable income.

7 (b) The surcharge imposed by (a) of this section is in addition to the tax imposed by
8 AS 43.20.011. A person required to pay the surcharge imposed by (a) of this section shall make
9 a report and pay the tax in the same manner as required for the tax imposed by AS 43.20.011.
10 Provisions in this chapter applicable to determination of and adjustments to the tax imposed by
11 AS 43.20.011(g) - (j) also apply to the surcharge imposed by (a) of this section.

12 * Sec. 3. AS 43.20.030(a) is amended to read:

13 (a) An individual, fiduciary, [IF A] corporation, or [A] partnership that has a
14 corporation as a partner, that is required to make a return under the provisions of the Internal
15 Revenue Code, [IT] shall file with the department [, WITHIN 30 DAYS AFTER THE FEDERAL
16 RETURN IS REQUIRED TO BE FILED,] a return setting out

17 (1) the amount of tax due under this chapter, less allowable credits and payments
18 claimed against the tax; and

19 (2) other information for the purpose of carrying out the
20 provisions of this chapter that the department requires.

21 * Sec. 4. AS 43.20.030(c) is amended to read:

22 (c) The [NOTWITHSTANDING (a) OF THIS SECTION, THE] total amount of tax
23 imposed by this chapter is due and payable to the department at the same time and in the same
24 manner as the tax payable to the United States Internal Revenue Service.

25 * Sec. 5. AS 43.20.030(d) is amended to read:

26 (d) A taxpayer [, UPON REQUEST BY THE DEPARTMENT,] shall file with the
27 return [FURNISH TO THE DEPARTMENT] a [TRUE AND] correct copy of the taxpayer's
28 tax return [WHICH THE TAXPAYER HAS] filed with the United States Internal Revenue
29 Service for the taxable year. Every taxpayer shall file an amended return with the
30 department, and remit any additional tax and interest due [NOTIFY THE DEPARTMENT
31 IN WRITING OF ANY ALTERATION IN, OR MODIFICATION OF, THE TAXPAYER'S

1 FEDERAL INCOME TAX RETURN AND OF A RECOMPUTATION OF TAX OR
2 DETERMINATION OF DEFICIENCY (WHETHER WITH OR WITHOUT ASSESSMENT).
3 A FULL STATEMENT OF THE FACTS SHALL ACCOMPANY THIS NOTICE. THE
4 NOTICE SHALL BE FILED] within 60 days after the final determination of the taxpayer's
5 federal tax liability [MODIFICATION, RECOMPUTATION OR DEFICIENCY, AND THE
6 TAXPAYER SHALL PAY THE ADDITIONAL TAX OR PENALTY UNDER THIS
7 CHAPTER]. For purposes of this section, a final determination means [SHALL MEAN] the
8 time that an amended federal return is filed or the date a federal [A NOTICE OF DEFICIENCY
9 OR AN] assessment is made [MAILED TO THE TAXPAYER BY THE INTERNAL REVENUE
10 SERVICE, EXCEPT THAT IN NO EVENT WILL THERE BE A FINAL DETERMINATION
11 FOR PURPOSES OF THIS SECTION UNTIL THE TAXPAYER HAS EXHAUSTED RIGHTS
12 OF APPEAL UNDER FEDERAL LAW].

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

14 (j) The gross income of an individual or a fiduciary is gross income as defined in 26
15 U.S.C. 61 (Internal Revenue Code), and includes those items specifically included in gross
16 income under 26 U.S.C. 71 - 26 U.S.C. 90 (Subtitle A, Ch. 1B, Part II of the Internal Revenue
17 Code) and excludes those items specifically excluded from gross income under 26 U.S.C. 101 -
18 26 U.S.C. 135 (Subtitle A, Ch. 1B, Part III of the Internal Revenue Code), with the following
19 modifications:

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

23 (2) a taxpayer who receives interest upon obligations of a state, or interest upon
24 obligations of a political or municipal subdivision of a state, that is exempt from federal income
25 tax shall determine and include that amount as part of the taxpayer's income as if the interest
26 were not exempt.

27 (k) The following adjustments to the gross income of an individual or fiduciary are
28 allowed as deductions in arriving at adjusted gross income under this section:

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

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

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

1 (C) attributable to property held for the production of rents or royalties;
2 (D) for the premature withdrawal of money from time savings accounts
3 or deposits;

4 (E) for alimony;

5 (2) interest received on obligations of the United States;

6 (3) refunds of state income taxes included in gross income.

7 (l) The taxable income of a fiduciary is its adjusted gross income.

8 (m) The taxable income of an individual taxpayer is the taxpayer's adjusted gross
9 income, less personal exemptions. An individual taxpayer may deduct from adjusted gross
10 income an amount that is the greater of

11 (1) the number of personal exemptions to which the taxpayer is entitled under 26
12 U.S.C. 151 (Internal Revenue Code) multiplied by the amount per exemption authorized by that
13 section, limited to \$3,000 per exemption, and not adjusted for inflation; or

14 (2) an amount of the taxpayer's income equal to 100 percent of the federal
15 poverty level guidelines for the tax year applicable to the number of exemptions claimed by the
16 taxpayer; the federal poverty level guidelines are those computed for Alaska and reported as
17 required by 42 U.S.C. 9847 and 42 U.S.C. 9902(2) (Omnibus Budget Reconciliation Act of
18 1981).

19 (n) In this section, "individual" means a resident, nonresident, or part-year resident
20 individual, and "fiduciary" means a resident, nonresident, or part-year resident fiduciary.

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

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

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

30 (c) In computing the personal exemptions authorized by AS 43.20.031(m), a nonresident
31 or part-year resident is allowed a prorated deduction in the ratio provided by this subsection. The

1 ratio for prorating is the taxpayer's adjusted gross income from state sources divided by the
2 taxpayer's adjusted gross income from all sources. The ratio may not exceed 100 percent. For
3 purposes of this subsection, the adjusted gross income means the taxpayer's gross income as
4 defined by 26 U.S.C. 62, modified by AS 43.20.031(j) and (k).

5 * **Sec. 8.** AS 43.20.040(b) is amended to read:

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

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

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

10 (3) [REPEALED

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

12 (4) [(5)] a corporation that [WHICH] transacts business in the state and that
13 [WHICH] has elected to file federal returns under 26 U.S.C. 1361 - 1379 (Subtitle A, Ch. 1S,
14 Internal Revenue Code) [SUBCHAPTER S OF THE INTERNAL REVENUE CODE];

15 (5) [(6) REPEALED

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

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

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

20 * **Sec. 9.** AS 43.20.040 is amended by adding a new subsection to read:

21 (d) With regard to the tax under AS 43.20.011(g) - (j), if a business, trade, or profession,
22 other than the rendering of purely personal services, is carried on partly inside and partly outside
23 the state, the income from sources in the state is determined under AS 43.19 (Multistate Tax
24 Compact).

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

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

30 (b) The credit allowed in (a) of this section is limited to that proportion of the tax
31 computed under this chapter that the taxable income from the other state or territory bears to total

1 taxable income. The credit may not exceed the actual tax paid to the other state or territory.

2 (c) The amounts deducted and withheld as taxes under this chapter during a calendar year
3 are allowed as credits to the taxpayer against the tax imposed by this chapter.

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

7 (e) If paid by the taxpayer during the same taxable year, and if not used by the taxpayer
8 as a deduction for the tax, a taxpayer is allowed as a credit against the tax due under
9 AS 43.20.011(g) - (j) for a taxable year the

10 (1) motor vehicle registration tax levied by a municipality under AS 28.10.431;

11 (2) sales and use tax levied by a municipality in the state under AS 29.45.650 -
12 29.45.710; and

13 (3) property tax levied by a municipality in the state under AS 29.45.010 -
14 29.45.250 or 29.45.550 - 29.45.600.

15 (f) If paid by the taxpayer during the same taxable year, and if not used by the taxpayer
16 as a deduction for the tax, a taxpayer who rents a domicile in a municipality that levies a
17 property tax, and occupies it as a permanent place of abode is entitled to a renter's credit against
18 the tax due under AS 43.20.011(g) - (j) for a taxable year for a portion of the rent paid on that
19 residence. The amount of the renter's credit is determined by calculating a property tax
20 equivalent percentage at the rate of one percent per mill of property tax levied on the residence
21 and by applying the property tax equivalent percentage to the amount of rent paid by the taxpayer
22 on the residence. The renter's credit claimed may not exceed 20 percent of the taxpayer's rent.

23 * Sec. 11. AS 43.20.065 is amended to read:

24 Sec. 43.20.065. ALLOCATION AND APPORTIONMENT. A corporate taxpayer who
25 has income from business activity that [WHICH] is taxable both inside and outside the state or
26 income from other sources both inside and outside the state shall allocate and apportion net
27 income under AS 43.19 (Multistate Tax Compact), or as provided by this chapter.

28 * Sec. 12. AS 43.20.160 is amended by adding a new subsection to read:

29 (f) The commissioner shall adopt and publish sales and use tax deduction guides for the
30 purpose of aiding the taxpayer in calculating allowable sales and use tax deductions. The guides
31 shall be based on the amount of income, size of family, and rate of tax. The guides adopted by

1 the commissioner do not preclude a taxpayer from claiming as a deduction the amount of sales
2 and use taxes that the taxpayer actually paid.

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

4 Sec. 43.20.171. COLLECTION OF INCOME AT SOURCE. (a) Every employer
5 making payment of wages or salaries shall deduct and withhold an amount of tax computed in
6 a manner to approximate the amount of tax due on those wages under this chapter for that year.
7 The employer shall remit withheld taxes to the department, together with a return or report
8 prescribed by the department, at the time or times required by the department by regulation. The
9 department shall publish the rate of withholding required by this section. Every employer making
10 a deduction and a withholding shall furnish to the employee no later than January 31 of the
11 succeeding year, or within 30 days after termination of employment, whichever is earlier, a
12 written statement on a form prescribed by the department showing

- 13 (1) the name and taxpayer identification number of the employer;
14 (2) the name and social security number of the employee;
15 (3) the total amount of wages and other compensation; and
16 (4) the total amount deducted and withheld as tax.

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

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

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

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

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

30 (e) In this section, "employee," "employer," and "wages" have the meanings given to
31 them under 26 U.S.C. (Internal Revenue Code).

1 * Sec. 14. AS 43.20.340 is amended to read:

2 Sec. 43.20.340. DEFINITIONS. In this chapter,

3 (1) "bank" means a financial institution, including a national banking association;

4 (2) "corporation" includes an association, joint-stock company, and an insurance
5 company;

6 (3) [REPEALED,

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

10 (4) "fiduciary" means an estate, a trust, a guardian, trustee, executor,
11 administrator, receiver, conservator, or a person acting in a fiduciary capacity for another
12 or for the estate of a deceased person;

13 (5) "fiscal year" means an accounting period of 12 months ending on the last day
14 of a month other than December;

15 (6) [(5)] "includes" and "including" when used in a definition do not exclude other
16 things otherwise within the meaning of the word defined;

17 (7) "individual" means a natural person, married or unmarried, adult or
18 minor, subject to payment of an income tax under 26 U.S.C. (Internal Revenue Code);

19 (8) [(6)] "Internal Revenue Code" means the Internal Revenue Code of the United
20 States (26 U.S.C.) as the code exists now or as hereafter amended, as the code and amendments
21 apply to the normal taxes and surtax on net incomes, which amendments are operative for the
22 purposes of this chapter as of the time they became operative or will become operative under
23 federal law;

24 (9) "nonresident" means an individual who is not a resident or part-year
25 resident;

26 (10) [(7)] "part-year resident" means an individual who enters or leaves the state
27 during the taxable year and who has resided or was domiciled in the state for a period of less
28 than 12 months during the taxable year;

29 (11) [(8)] "person" means an individual, a trust or estate, or partnership, or a
30 corporation;

31 (12) "resident" means an individual who, during the taxable year, was

1 domiciled in the state or resided in the state for the entire taxable year; an individual does
2 not lose resident status simply by reason of attending an educational institution or by
3 serving in the armed forces;

4 (13) [(9)] "taxable year" means the calendar year or the fiscal year ending during
5 the calendar year upon the basis of which the net income is computed under this chapter; "taxable
6 year" includes, in the case of a return made for a fractional part of a year under this chapter, the
7 period for which the return is made;

8 (14) [(10)] "taxpayer" means a person subject to a tax imposed by this chapter;

9 (15) [(11)] "trade or business" includes the engaging in or carrying on of a trade,
10 business, profession, vocation, employment, and rendition of services or commercial activity and
11 includes the performance of the function of a public office.

12 * Sec. 15. AS 47.45.120(a) is amended to read:

13 (a) Bonuses received under this chapter are exempt from all municipal [STATE AND
14 POLITICAL SUBDIVISION] taxes except sales and use taxes. [NO BONUS RECEIVED
15 UNDER THIS CHAPTER MAY BE EXEMPT FROM A FEDERAL TAX REQUIREMENT.]

16 * Sec. 16. AS 43.05.085, AS 43.20.012, and 43.20.013 are repealed.

17 * Sec. 17. Sections 1 - 15 of this Act apply to income received after December 31, 1992.

18 * Sec. 18. This Act takes effect January 1, 1993.