

HB

644

File

The Legislature of the State of Alaska
FISCAL NOTE
Second Session - Seventh State Legislature

I. REQUEST

Bill Identification: House Bill No. 644
Title: An Act increasing the so-called "School Tax"
Requested by: Legislative Finance Date: 2-16-72
Return Date Requested: 2-29-72
Agency: Revenue Program: Fiscal Services

II. FISCAL DETAIL

Budget Request Unit(s) Affected: _____
A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 72	FY 73	FY 74	FY 75	FY 76	FY 77
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-					

B. FUNDING: (Thousands of dollars)

GENERAL FUND	-0-					
FEDERAL FUNDS	-0-					
OTHER	-0-					

C. POSITIONS:

PERMANENT/TEMPORARY	-0- /	/	/	/	/	/
MAN MONTHS (P./T.)	-0- /	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

See attached detailed memorandum from Fred Boetsch, Director, Audit Division, Department of Revenue describing adverse effect on Treasury, after considering gross gain by doubling School Tax rate.

IV. ATTACHMENTS

MEMORANDUM

TO: R. D. Stevenson
Deputy Commissioner

DATE: February 28, 1972

FILE NO:

FROM: Fred Boetsch, Director
Audit Division

SUBJECT: HB No. 644

There are two administrative problems connected with this bill. The first is that the bill would require additional auditing of part-year resident returns in order to verify the school tax credit. The more important problem, however, is the lack of an effective date. All tax bills should become effective on January 1 in order to avoid the problems of allocation by the taxpayer and the State. We would therefore recommend that the effective date should be either January 1 of 1972 or 1973.

The effect on State treasury is outlined below. In summary, the net effect would be to decrease tax revenues by between \$1 million and \$1.3 million during the period 1973 through 1977. The details are shown in the tables below.

The first table indicates the effects on the school tax itself, which is Revenue Code 118. The effect would be to double the current projection:

	1973	1974	1975	1976	1977
HB 644	\$2,910.6	\$3,085.2	\$3,270.2	\$3,401.0	\$3,435.0
Current	1,455.3	1,542.6	1,635.1	1,700.5	1,717.5
Gain	<u>\$1,455.3</u>	<u>\$1,542.6</u>	<u>\$1,635.1</u>	<u>\$1,700.5</u>	<u>\$1,717.5</u>

According to Section 2 of the bill, the amount of school tax would be applied as a refund to the extent an individual was present in the State during the year. All residents would, therefore, be eligible for the full credit. In effect, then, they would not pay a school tax. Part-year residents would qualify for a portion of the tax as credit. We estimate that about 18 per cent of our taxpayers are part-year residents and that they spend an average of five months in the State. Therefore, there would be no credit to the extent of seven-twelfths times 18 per cent, or in 10.5 per cent of the cases. The table below shows the decrease in individual income taxes (Code 106) that would result from allowing 39.5 per cent of the above school tax as a credit against the individual income tax (since 10.5 per cent of the tax would be retained then 89.5 per cent would be allowed as a credit).

	1973	1974	1975	1976	1977
HB 644	\$40,357.7	\$50,719.7	\$52,285.5	\$48,719.2	\$47,258.5
Current	42,962.7	53,481.0	55,212.3	51,763.1	50,332.8
Loss	<u>\$(2,605.0)</u>	<u>\$(2,761.3)</u>	<u>\$(2,926.8)</u>	<u>\$(3,043.9)</u>	<u>\$(3,074.3)</u>

The following table, then, shows the net effect of the tax spent indicating the gain from the increased school tax less the loss sustained in individual income tax collections by allowing the credit.

R. D. Stevenson
Deputy Commissioner
Re: HB 644

-2-

February 28, 1972

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Gain (from above)	\$ 1,455.3	\$ 1,542.6	\$ 1,635.1	\$ 1,700.5	\$ 1,717.5
Loss (from above)	(2,605.0)	(2,761.3)	(2,926.8)	(3,043.9)	(3,074.3)
Net Loss	<u><u>\$ (1,149.7)</u></u>	<u><u>\$ (1,218.7)</u></u>	<u><u>\$ (1,291.7)</u></u>	<u><u>\$ (1,343.4)</u></u>	<u><u>\$ (1,356.8)</u></u>

FPB:mbc