

An Act disallowing certain credits under the Alaska net income tax; and providing for an effective date.

COMMITTEE REPORT

HOUSE

Mr. Speaker:

Date May 19 1975

The Committee on FINANCE has had HB 307

under consideration. A Majority of the members of the Committee

() recommends it DO PASS

() recommends it DO NOT PASS

() recommends it DO PASS WITH ATTACHED AMENDMENT(S)

() recommends it BE REPLACED WITH CS FOR _____ AND THAT

CS FOR _____ DO PASS

() "and" recommends it BE REFERRED TO THE _____

COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

[Signature] Chairman

Introduced: 3/18/75
Referred: Commerce and
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 307

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act disallowing certain credits under the Alaska
7 net income tax; and providing for an effective date."

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

9 * Section 1. AS 43.20 is amended by adding a new section to read:

10 Sec. 43.20.036. FEDERAL TAX CREDITS DISALLOWED. (a) For purposes
11 of calculating the income tax payable under this chapter, the taxpayer
12 may not apply as a credit against his tax liability the

13 (1) credit on United States government obligations allowed
14 as to federal taxes under Internal Revenue Code sec. 35;

15 (2) credit for the federal excise tax on gasoline allowed
16 as to federal taxes under Internal Revenue Code sec. 39; and

17 [(3) credit for political contributions allowed as to
18 federal taxes by Internal Revenue Code sec. 41.

19 (b) The disallowance of the credit in (a)(3) of this section
20 does not preclude use of the credit allowed under sec. 10(c)(10) of
21 this chapter.]

22 * Sec. 2. This Act is retroactive to January 1, 1975, and relates only
23 to income earned and received after December 31, 1974.

24 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
25 10.070(c).

26 3/16
27 A MEMORANDUM
28 HAS NO EFFECT
29 IS ON GOV'S DESK

TO: R. D. Stevenson
Special Assistant

DATE : April 2, 1975

FROM: Frederick P. Boetsch, C.P.A. *FB*
Deputy Commissioner, Taxation

SUBJECT: House Bill 307

House Bill 307 is a housekeeping measure designed to eliminate from the Alaska Net Income Tax Act those references to credits provided at the Federal level through the Internal Revenue Code which do not have any applicability at State level or which duplicate other provisions at the State level.

The first credit eliminated is a credit on interest earned on certain U. S. Government obligations. This credit is provided by the Federal government since the Federal Government does tax interest earned on its own securities. The State, however, is prohibited by Federal law from taxing that interest, hence it does not make sense to allow a credit in our statute.

The second credit eliminated is a credit allowed by the Federal government for Federal taxes paid on gasoline which is then used for off-highway purposes. For the sake of administrative convenience the Federal system allows a claim for such refund to be made on the income tax return and the credit applied against income tax liability. Obviously, the State is not interested in refunding Federal gasoline taxes. We have a different procedure by which we refund State gasoline taxes paid for gasoline which is used for off-highway purposes. This provision would eliminate an unnecessary, irrelevant and possibly costly provision in the Federal code which is presently adopted by Alaska through our piggy-back mechanism.

The credit for political contributions allowed by the Federal system in Internal Revenue Code Section 41 is a duplication of the full \$50 credit against Alaska taxes provided by AS 43.20.010 (c) (10). The elimination of this credit is also included in House Bill 212. Since these bills were drafted independently, however, it was included in this miscellaneous clean-up bill as it obviously is a duplication and does not make sense when applied at the State level.

We do not have any estimates on the effect of these bills on the State Treasury since the information is not included in our data base. We are developing statistics on the political campaign contributions credit as allowed under AS 43.20.(10) (c) (10), but will not have that information available until later this year since this is the first year in which the credit applies. The Treasury effect of this provision would be a \$4.00 for every \$50.00 contribution.

There are no administrative problems connected with this bill.

FPB:ch