

COMMITTEE REPORT

1/28/76

SENATE

Mr. President:

Date \_\_\_\_\_

The Committee on FINANCE has had SB 584 relating to income tax cost-of-living credit 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:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ Chairman

1743

*5/4*  
*for*

Introduced: 1/28/76  
Referred: Finance

1 IN THE SENATE

BY MILLER

2 SENATE BILL NO. 584

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to income tax cost-of-living credit."

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

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

9 Sec. 43.20.081. COST-OF-LIVING CREDIT. Every natural person is  
10 entitled to a cost-of-living credit against the tax levied in this  
11 chapter based on the location of his domicile. The credit is three and  
12 one-half per cent of the tax which would otherwise be due under this  
13 chapter multiplied by the number of pay steps above the basic salary  
14 schedule to which a state employee would be entitled under AS 39.27.020  
15 if he were employed at the taxpayer's domicile, or zero, whichever is  
16 greater. If a person changes his domicile, the credit shall be pro-  
17 rated.

ALASKA STATE LEGISLATURE

NINTH Legislature SECOND Session

SENATE BILL NO. 584

By TITLE

An Act relating to income tax cost-of-living credit.

income tax cost-of-living credit

Introduced in the Senate 1/28, 1976

HISTORY IN THE SENATE

19 76

1 28

Read first time and referred to Committee on

Finance

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date  
Yeas Yeas  
Nays Nays  
Absent Absent  
Excused Excused

Reconsideration  
PASS Effective Date  
Yeas Yeas  
Nays Nays  
Absent Absent  
Excused Excused

Reported correctly engrossed  
Signed by President  
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date  
Yeas Yeas  
Nays Nays  
Absent Absent  
Excused Excused

Reconsideration  
PASS Effective Date  
Yeas Yeas  
Nays Nays  
Absent Absent  
Excused Excused

Reported correctly engrossed  
Signed by Speaker  
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Received from House

Reported correctly enrolled

Sent to Governor

By Governor

Filed with Lt. Governor

Chapter No.

Introduced: 1/28/76  
Referred: Finance

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# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH S - JUNEAU 99811

February 5, 1976

The Honorable Bill Ray  
Chairman  
Senate Finance Committee  
Alaska State Legislature  
State Capitol Building  
Juneau, AK 99811

Re: Senate Bill No. 584

Dear Senator Ray:

Senate Bill No. 584, an Act relating to income cost-of-living credit was introduced in the Senate on January 28, 1976 and was referred to the Senate Finance Committee.

For the consideration of the Senate Finance Committee, I am enclosing a Fiscal Note and accompanying explanatory memorandum prepared by Gary L. Jenkins, Director, Audit Division, Department of Revenue covering costs and problems of administration.

If you or any members of the Senate Finance Committee have any questions on the material submitted, please telephone the writer at 465-2397 and I will contact Mr. Jenkins for further information or testimony at a hearing.

Very truly yours,



R. D. Stevenson  
Special Assistant

cc: The Honorable Terry Miller  
Sponsor - Senate Bill No. 584

Gary L. Jenkins  
Director, Audit Division  
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA  
FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST

Bill No. Senate Bill 584

Title: Act relating to income tax cost-of-living credit.

Requested by: James D. Fennel

Date: January 30, 1976

Return Date Requested: February 6, 1976

Agency: Revenue

Program: Audit

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Audit Division and Administrative Services Div.

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES	-0-	46.3	47.7	56.8	58.5	68.0
200 TRAVEL						
300 CONTRACTUAL	-0-	7.0	7.0	8.2	8.2	9.4
400 COMMODITIES	-0-	.6	.6	.7	.7	.9
500 EQUIPMENT	-0-	1.8	----	.4	----	.4
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	55.7	55.3	66.1	67.4	78.7

B. FUNDING: (Thousands of dollars)

GENERAL FUND	-0-	55.7	55.3	66.1	67.4	78.7
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	1 / 3	1 / 3	1 / 4	1 / 4	1 / 5
MAN MONTHS (P./T.)	/	12 / 18	12 / 18	12 / 24	12 / 24	12 / 30

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

See memo attached.

IV. ATTACHMENTS - See memo attached.

Vr. DATE: 2-4-76

PREPARED BY: *Ray Jenkins*

Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)

## MEMORANDUM

## State of Alaska

TO: R. D. Stevenson  
 Special Assistant to Commissioner  
 Administrative Services

DATE: February 4, 1976

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins  
 Director  
 Audit Division

SUBJECT: Senate Bill 584

This bill would provide a cost of living credit for individuals filing tax returns with the State of Alaska. As I understand the bill, a credit of 3 1/2% would be allowed for each pay step differential provided in the General Government negotiated agreement. For example; Anchorage or Juneau would be considered the base and would have no credit allowable, however, if a person lived in Valdez his pay is five steps above the base and thus he would qualify for a credit of 17 1/2% of the tax due. There would be a potential maximum credit of 31 1/2% for those people residing north of the Arctic Circle, as well as other specified areas in the bush.

While this bill does have merit, it would create several major problems. First of all, there would be a rather sizeable loss of revenue to the treasury, which at this point is impossible to estimate. It would seem reasonable, though, to expect the loss to be in the amount of several millions of dollars. Secondly, this would be extremely difficult to administer because of the fact that we have a highly mobile population. One of the major results of the pipeline is that people have their residence in one part of the State and have their job in an entirely different part of the State. Even with that as an aside, people are constantly moving their tax home from one place in the State to another. The problems inherent in trying to effect the proration provision of this bill would be horrendous, if not impossible.

One of the arguments made in support of this bill is that it is an attempt to make an allowance for the difference in purchasing power between a person who earns, for example, \$30,000 in the city of Fairbanks and a person who earns \$30,000 in the city of Juneau. It would seem to me that the salary schedules themselves speak to the disparity in the cost of living by paying greater amounts for the same services in Fairbanks than that which is paid in Juneau. For example; a revenue auditor working in Juneau would earn \$16,550 per year while one working in Fairbanks would earn \$19,200 per year. Since the person in Fairbanks is already being compensated additionally for performing the same services, it would seem somewhat inequitable to give them a 14% credit of the tax due to further compensate for the cost of living.

GLJ/bjm

Attachment

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