

COMMITTEE REPORT

HOUSE

(11)

FURTHER:

3/29/82

Date: 4/7/82

Mr. Speaker:

The Committee on FINANCE has had HB 366

"An Act establishing a special investment tax credit; and providing for an effective date."

under consideration and (a-majority-of-the-committee)-(the-committee)-- reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" ~~new~~ Fiscal Note
- reports it back without ^{individual} recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Robert B. Cramer

W. K. ...

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MEMBERS HAVING
OTHER RECOMMENDATIONS:

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...

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...

Robert B. Cramer
CHAIRMAN

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

HB 866

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. HB 866
 Title An Act establishing a special investment tax credit
 Requested by Hayes Date February 24, 1982

II. FISCAL DETAIL
 Agency Affected Department of Revenue
 Program Category Affected Revenue Collection and Management
 BRU, Program, Or Subprogram(s) Affected Audit Division
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars) None

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars) None

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS None

FULL TIME						
PART TIME						
TEMPORARY						

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

See memo to R. D. Stevenson dated February 24, 1982.

IV. DATE February 24, 1982 PREPARED BY Robert R. Kessel
 AGENCY Audit Division
 Original: Legislative Finance PHONE 465-2320
 cc: Budget and Management
Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

MEMORANDUM

State of Alaska

Department of Revenue

TO: R. D. Stevenson
Special Assistant

DATE: February 24, 1982

FILE NO:

TELEPHONE NO:

FROM: Robert R. Kessel *AK*
Director, Audit Division

SUBJECT: HB 866

The bill would substantially expand the Investment Tax Credit for certain corporations. However, the bill falls short of its intended purpose to promote the development of farming, fishing, timber and mining and, in addition, is potentially very expensive.

There are many more qualified farmers than there is farmland available. The additional investment tax credit would give the existing farmers additional tax benefits but would do little to expand ownership to a new influx of farmers.

Most timber related companies already have more tax credits and carry-over losses than they can utilize. It is markets, not tax credits, that are needed.

For fisheries, all except bottom fishing appears overly crowded. That fact is witnessed by the limited entry system controlling the harvest of fishery resources. Tax credits would not expand the market nor provide higher prices.

Mining, in general, is a highly capital intensive industry. The expanded investment tax credit would serve the purpose of providing almost permanent assurance that no tax would be due because of the fifteen year carry-over provision available for the investment tax credit.

Finally, the expanded credit could be very costly particularly in one instance. If U. S. Borax develops its Ketchikan Molybdenum mine to the extent publicly indicated, the investment tax credit to that corporation would be \$100,000,000 (based on investment cost of \$1 billion). With the fifteen year carry-over provision for the investment tax credit, the investment tax credit of \$100,000,000 could equate to the following revenue loss to Alaska:

R. D. Stevenson

2

February 24, 1982

Investment Credit applied against tax
liability - per current law

\$1,000,000,000	
x 10% Investment Credit amount	
x 18% currently allowed for Alaska corporations	\$ 18,000,000

Investment Credit applied against tax
liability per this bill

\$1,000,000,000	
x 10%	<u>100,000,000</u>

Net Loss in revenue

\$ 82,000,000

RRK/gb

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 866
 Title An Act establishing a special investment tax credit.
 Requested by House Labor & Commerce Date 03/09/82
and Finance Committees

II. FISCAL DETAIL

Agency Affected Department of Revenue
 Program Category Affected _____
 BRU, Program, Or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING ^{Millions} ~~(Thousands)~~ of Dollars

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND	(2.5)	(11.5)	(13.0)			
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME						
PART TIME						
TEMPORARY						

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

If it is assumed that the investment tax credit cannot exceed net income tax payable, then the maximum possible loss in revenue to the state would approximate 33 percent of the Department's revenue projections. The amounts would approximate \$2.5 million in FY 82, \$11.5 million in FY 83, and \$13 million in FY 84. The FY 82 figure incorporates the retroactive provision of the proposed tax legislation which applies to only part of that year.

IV. DATE 03/08/82 PREPARED BY Vince Wright *VW*
 AGENCY Department of Revenue
 Original: Legislative Finance PHONE 465-2173
 cc: Budget and Management
Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

Introduced: 2/16/82
Referred: Labor & Commerce
and Finance

1 IN THE HOUSE

BY HAYES

2 HOUSE BILL NO. 866

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a special investment tax credit;
7 and providing for an effective date."

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

9 * Section 1. LEGISLATIVE FINDINGS AND INTENT. The legislature finds and
10 declares that the establishment of a special investment tax credit will
11 promote the development of farming, fishing, timber, and mining of mines,
12 wells, and other natural deposits (other than oil and gas) in the state and
13 will assist the state by diversifying its economy to make it less dependent
14 on oil and gas, provide increased employment opportunities, and provide an
15 incentive for investment in the state.

16 * Sec. 2. AS 43.20.036 is amended by adding a new subsection to read:

17 (j) For purposes of calculating income tax payable under this
18 chapter the taxpayer may apply as a credit against his tax liability 100
19 percent of the investment credit allowed as to federal taxes under
20 Internal Revenue Code sec. 38 (26 U.S.C. 38) upon the full amount of
21 qualified investment put into use in the state for each taxable year for
22 any of the following purposes:

23 (1) exploration, development, or mining of the natural
24 deposits listed in sec. 613(b) of the Internal Revenue Code (26 U.S.C.
25 613(b)); for the purposes of this paragraph, "mining" has the meaning
26 given in sec. 613(c)(2) of the Internal Revenue Code (26 U.S.C. 613(c)-
27 (2));

28 (2) farming or the clearing of land for the purpose of making
29 the land suitable for use in farming, or soil or water conservation for

1 land used in farming, or for the prevention of erosion of land used in
2 farming; for the purposes of this paragraph

3 (A) "farming" has the meaning given in sec. 464(e) of
4 the Internal Revenue Code (26 U.S.C. 464(e));

5 (B) "clearing of land" and "land suitable for use in
6 farming" has the meaning given in sec. 182(c) of the Internal
7 Revenue Code (26 U.S.C. 182(c)); and

8 (C) "soil or water conservation for land used in farm-
9 ing" and "prevention of erosion of land used in farming" have the
10 eanings given in sec. 175(c) of the Internal Revenue Code (26
11 U.S.C. 175)(c));

12 (3) fishing; or

13 (4) planting, including preparation of the timber site for
14 planting or for natural seeding, cultivation, maintenance, management,
15 development, cutting or harvesting of timber; for the purposes of this
16 paragraph "timber" has the same meaning as "timber" in sec. 611 of the
17 Internal Revenue Code (26 U.S.C. 611).

18 * Sec. 3. This Act is retroactive to January 1, 1982, and applies to tax
19 years beginning after December 31, 1981.

20 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
21 070(c).

A M E N D M E N T

OFFERED IN THE HOUSE:

By: Cuddy

To: _____ HOUSE BILL No. 866

SENATE BILL No. _____

PAGE: 2

LINE: 18

Add a new Section 3:

Sec. 3. The investment tax credit allowed under section 2 of this Act may be claimed only the taxpaying entity actually conducting the qualifying activity, and is not transferable.

Renumber following sections accordingly.

Not accepted

Introduced: 2/16/82
Referred: Labor & Commerce
and Finance

1 IN THE HOUSE

BY HAYES

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