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866

COMMITTEE REPORT

HOUSE

4/7
Rules

(11)

FURTHER:

3/29/82

Date:

4/7/82

Mr. Speaker:

The Committee on FINANCE has had HB 866

"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} ~~any~~ recommendation
- referred to the _____ Committee

MEMBERS SIGNING

DO PASS

Robert P. Adams, ch

W. B. Bristow

Shurba

James Campbell

Jack Fuller

MEMBERS HAVING

OTHER RECOMMENDATIONS:

Patricia K. ...

Self ...

... do not pass.

Montgomery 'No Rec'

Robert P. Adams
CHAIRMAN

HOUSE

FURTHER

FINANCE

(5)

2/16/82

Date:

3-29-82

Mr. Speaker:

The Committee on LABOR & COMMERCE has had HB 866

"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
- and recommends _____ new title
- AND attaches a "Letter of Intent" New Fiscal Note - (2)
- reports it back with ^{individual} recommendations 2 fiscal notes in suppl 32
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Terry Masten - No Rec.

AC Byloma - No Rec.

Terry Masten
CHAIRMAN

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 866 No. 1
 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 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
 AGENCY Department of Revenue
 Original: Legislative Finance PHONE 465-2173
 cc: Budget and Management
Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

*For Timber, Farming,
mining and Fisheries*

I. REQUEST
Bill/Resolution No. HB 866 No. 2 (Page 1 of 3)
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)

Robert R. Kessel

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 *RR*
Director, Audit Division

SUBJECT: HB 866 No. 2
Page 2 of 3

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:

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	<u>\$ 82,000,000</u>
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RRK/gb

RECOMMENDED TITLE:

AN ACT ESTABLISHING A SPECIAL INVESTMENT TAX CREDIT; AND PROVIDING FOR AN EFFECTIVE DATE

PRIME SPONSOR: HAYES.

CO-SPONSORS:

CURRENT STATUS: 4/07/82 IN (H) RULES

HB 866 HOUSE ACTION 11:12 4/08/82 PAGE 2 OF 2
DATE SEQ PAGE LEGISLATIVE ACTION

DATE	SEQ	PAGE	ACTION
2/16/82	01	0533	FIRST READING -- COMMITTEE REPORTS
3/29/82	02	0960	L&C -- DP01, NR02
3/29/82	03	0960	F/NOTES HSE SUPPL #32
4/07/82	04	1174	FIN -- DP05, DNF01, NR03
			RULES
			RULES

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special investment tax credit HB 866
Hayes

L&C held hearing on Monday - not 5 days
notification ok

passed out of L&C + finance of ind. recs.

fiscal notes ok

unless the mining industries must
helps Texas a lot - means not
loss of revenue to the state
of \$ 82 million over 15 years