

S

B

2

0

Part 2. Taxes.

Chapter

- 21. Oil and Gas Corporate Income Tax (§§ 43.21.010 — 43.21.120)
- 23. Permanent Fund Dividends (§§ 43.23.010 — 43.23.100)
- 45. School tax (Repealed)
- 75. Fisheries Taxes (§§ 43.75.010 — 43.75.140)
- 76. Salmon Enhancement Tax (§§ 43.76.010 — 43.76.030)

Chapter 20. Alaska Net Income Tax Act.

Article

- 1. Persons Subject to Tax (§§ 43.20.010 — 43.20.045)

Article 1. Persons Subject to Tax.

Section	Section
11. Tax on individuals, fiduciaries, and corporations	31. Taxable income of residents; deductions; exemptions
12. Limitation on application of chapter; credits	33. [Repealed]
13. Individual tax credits	35. [Repealed]
15. [Repealed]	36. Federal tax deductions and credits
16. Sharing of corporate income tax revenue with municipalities	37. Trade or business energy conservation credit
17. [Repealed]	38. [Repealed.]
21. Internal Revenue Code adopted by reference	39. [Repealed.]
30. Returns and payment of taxes	40. Income from sources in the state
	45. [Repealed]

Sec. 43.20.011. Tax on individuals, fiduciaries, and corporations. (a) Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980.

(b) Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980.

(c) Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980.

(d) Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980.

(e) There is imposed for each taxable year upon the entire taxable income of every corporation derived from sources within the state a tax consisting of a normal tax equal to 5.4 percent of taxable income, and a surtax which is equal to 4.0 percent of taxable income, except that the tax on a corporation engaged in the production or transportation of crude oil or natural gas shall be determined and paid in accordance with AS 43.21. For tax years beginning after December 31, 1979, the surtax exemption is \$50,000. For controlled corporations described in secs. 1561 — 1563 of the Internal Revenue Code only one surtax exemption may be allowed for the controlled group.

(f) Repealed by ch 70 SLA 1975; 1980; am § 10 ch

Effect of amendm
amendment added a fo
of subsection (e).

Section 8, ch. 113, 1980 amendment, effective and retroactive to Jan former subsection (c) changes in the tax co Sections 9 and 10 of ch. subsection (d) and sub 11 of ch. 113, effective retroactive to Januar former subsection (f).

The second 1980 am September 25, 1980 and uary 1, 1980, repealed and (f), concerning individuals and fiducia

The third 1980 am September 25, 1980, January 1, 1979, made

Sec. 43.20.012.

The tax imposed b fiduciaries. However ter in order to recei 1980; § 2 ch 2 SSS

Effective date. — § SSSLA 1980, and § 11, c provide that this sec September 25, in acc 01.10.070(c). Section 12 that this section is retro 1, 1980, and § 10 of ch

Sec. 43.20.013. 1 uary 1, 1981] A re exceed \$50 for

(1) A contributio organizatio for use

(A) for a political

(i) President or V the candidate will b

(ii) United States

(iii) United State

(iv) governor or li

(v) the Alaska leg

(vi) delegate to ar

(vii) electoral conf

or

fact. Where the state, to its detriment, relying on that lack of notice, as it reasonably could, failed to institute the statutory mechanism for collection of additional taxes, the taxpayers are

estopped from asserting the protection of the statute of limitations embodied in AS 43.20.200(b). *Stevenson v. Burgess*, Sup. Ct. Op. No. 1514 (File No. 2791), 570 P.2d 728 (1977).

Sec. 43.20.033

Repealed by effective Sept

Editor's note derived from § 11 For legislative repealing acts, see and § 1, ch. 2, S Temporary and S

Sec. 43.20.031 residents.

Repealed by effective Sept

Editor's note. derived from § 6, 8, SLA 1978; § 1, ch. 113, SLA 1980

Sec. 43.20.031

(d) Repealed

(e) Repealed

(f) Repealed

(g) Repealed

(h) Repealed

(i) Repealed (am § 3 ch 22 S 1980)

Effect of am. 1980 amendment (i).

The second 1980 September 25, 1980, January 1, 1980, (i).

The third 1980 September 25, 1979, made the second 1980 amendm

Sec. 43.20.031 [Effective Jan business is allowed percent of the

Repealed

Sec. 43.20.031. Taxable income of residents; deductions; exemptions. (a) Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980.

(b) Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980.

(c) An affiliated group of corporations may make or the commissioner may require them to make a consolidated return for the taxable year in place of separate returns. For purposes of calculating the amount of tax payable by the group under a consolidated filing, Internal Revenue Code secs. 1501 — 1552, as amended, apply.

(d) Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980.

(e) Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980.

(f) Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980.

(g) A corporation which is a member of a group of unitary corporations which collectively has income from business activity taxable both inside and outside the state, or income from other sources both inside and outside the state, shall determine its income from sources in this state by use of the combined method of accounting.

(am § 1 ch 8 SLA 1978; am § 235 ch 100 SLA 1980; am §§ 14 — 17 ch 113 SLA 1980; am § 10 ch 1 SSSLA 1980; am § 9 ch 2 SSSLA 1980)

Revisor's note. — For the specific provisions detailing the handling of the minimum deduction and refund procedures for 1977, see secs. 3 — 5, ch. 8, SLA 1977 in the 1978 Temporary and Special Acts and Resolves.

Cross reference. — As to tax exemption for permanent fund dividends, see AS 43.23.090.

Effect of amendments.

The 1978 amendment added paragraph (d) of former subsection (a).

Section 235, ch. 100, SLA 1980, the first 1980 amendment, effective January 1, 1981, in former subsection (f), inserted "who is a resident of the state" and substituted "\$100" for "\$50" near the beginning of the subsection.

Sections 14, 15, and 17, ch. 113, SLA 1980, the second 1980 amendment, effective June 21, 1980, and retroactive to January 1, 1980, rewrote paragraph (3) of former subsection (a), in subsection (e), deleted "or combined" following "make a consolidated" in the first sentence, and

added subsection (i). Section 16 of ch. 113, effective June 21, 1980, and retroactive to January 1, 1977, added the second sentence in former subsection (h).

The third 1980 amendment, effective September 25, 1980, and retroactive to January 1, 1980, repealed subsections (a), (b), (f), (g), and (h).

The fourth 1980 amendment, effective September 25, 1980, and retroactive to January 1, 1979, made the same changes as the second 1980 amendment.

As the rest of the section was not affected by the amendments, it is not set out.

Editor's note. — Section 52, of this Act, effective June 21, 1980, makes sections 14, 15, and 17 of the Act applicable to tax years beginning after December 31, 1979.

For legislative findings and purpose of the third and fourth 1980 amendments, see § 1, ch. 1, SSSLA 1980, and § 1, ch. 2, SSSLA 1980, in the 1980 Temporary and Special Acts and Resolves.

from asserting the protection of
of limitations embodied in AS
Stevenson v. Burgess, Sup.
1514 File No. 2791, 570 P.2d

residents; deductions;
SSLA 1980 and § 9 ch 2

and § 9 ch 2 SSSLA 1980.

may make or the commis-
sioned return for the taxable
purposes of calculating the
under a consolidated filing,
as amended, apply.

and § 9 ch 2 SSSLA 1980.

and § 9 ch 2 SSSLA 1980.

and § 9 ch 2 SSSLA 1980.

of a group of unitary
income from business activity
income from other sources
to determine its income from
method of accounting.

1980; am §§ 14 — 17 ch
am § 9 ch 2 SSSLA 1980)

section (i). Section 16 of ch. 113,
June 21, 1980, and retroactive to
1977, added the second sen-
former subsection (h).
and 1980 amendment, effective
September 25, 1980, and retroactive to
1980, repealed subsections (a),
and (h).

with 1980 amendment, effective
September 25, 1980, and retroactive to
1979, made the same changes
and 1980 amendment.

rest of the section was not
by the amendments, it is not set

Note. — Section 52, of this Act,
June 21, 1980, makes sections 14,
of the Act applicable to tax years
after December 31, 1979.

Legislative findings and purpose of
second and fourth 1980 amendments, see
SSSLA 1980, and § 1, ch. 2,
1980, in the 1980 Temporary and
Acts and Resolves.

Add new
section

Sec. 43.20.033. Taxable income of fiduciary.

Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980,
effective September 25, 1980.

Editor's note. The repealed section
derived from § 18, ch. 113, SLA 1980.
For legislative findings and purpose of
repealing acts, see § 1, ch. 1, SSSLA 1980,
and § 1, ch. 2, SSSLA 1980, in the 1980
Temporary and Special Acts and Resolves.

Legislative history report. — For
report on ch. 8, SLA 1978 (HB 662), see
1978 House Journal pp. 110, 173; Senate
Journal, p. 243.

Sec. 43.20.035. Taxable income of nonresidents and part-year
residents.

Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980,
effective September 25, 1980.

Editor's note. — The repealed section
derived from § 6, ch. 70, SLA 1975; § 2, ch.
8, SLA 1978; § 1, ch. 64, SLA 1980; § 19,
ch. 113, SLA 1980.

For legislative findings and purpose of
repealing acts, see § 1, ch. 1, SSSLA 1980,
and § 1, ch. 2, SSSLA 1980, in the 1980

Sec. 43.20.036. Federal tax deductions and credits.

- (d) Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980.
- (e) Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980.
- (f) Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980.
- (g) Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980.
- (h) Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980.
- (i) Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980.
(am § 3 ch 22 SLA 1980; am § 10 ch 1 SSSLA 1980; am § 9 ch 2 SSSLA
1980)

Effect of amendments. — The first
1980 amendment added former subsection
(i).

The second 1980 amendment, effective
September 25, 1980, and retroactive to
January 1, 1980, repealed subsections (d)
— (i).

The third 1980 amendment, effective
September 25, and retroactive to January
1, 1979, made the same changes as the sec-
ond 1980 amendment.

As the rest of the section was not
affected by the amendment, it is not set
out.

Editor's note. — For legislative
findings and purpose of the second and
third 1980 amendments, see § 1, ch. 1,
SSSLA 1980, and § 1, ch. 2, SSSLA 1980,
in the 1980 Temporary and Special Acts
and Resolves.

Sec. 43.20.037. Trade or business energy conservation credit
[Effective January 1, 1981]. (a) A person engaged in a trade or busi-
ness is allowed as a credit against the tax due under this chapter 35
percent of the cost of



VECO, INC.

5151 FAIRBANKS STREET • ANCHORAGE, ALASKA 99503 • PHONE (907) 276-2010

March 4, 1981

Senator Bob Mulcahy
Pouch V
Juneau, Alaska 99811

Dear Senator Mulcahy:

VECO, Inc. is an oil field services company and employs some 1400 people in the State of Alaska. We support the "Alaska Support Industry Alliance" in the repeal of corporate income taxes, A.S.43, Chapter 20, including the special oil and gas income tax A.S.43, Chapter 21.

Sincerely,


R. V. Christ
President

RVC:VJM:lh



Alaska State Legislature

Senate

Committee on Labor & Commerce

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

Summary - SB 20 by Senator Rodey

"An Act relating to corporate income taxes: exempting a portion of the income of a corporation from taxation under the Alaska Net Income Tax Act and repealing the surtax exemption under that Act; and providing for an effective date."

- SB 35 by Senator Ziegler & Bradley

"An Act relating to corporation income taxes under the Alaska Net Income Tax Act and exempting a portion of the income of a corporation from taxation under that Act; and providing for an effective date."

Figures based on returns filed in 1979 with assumption that 1980 figures will be relatively the same. Total estimated amount collected from corporate income taxes for 1981 = 35 million and 1982 = 36 million dollars.

SB 20

SB 35

Exemption for corporations
from income tax \$150,000.00

Exemption for corporations
from income tax \$250,000.00

Repeals Surtax Exemption

Retains Surtax Exemption

Repeals sec. 43.20.031 -
Duplicate language covered under
43.20.033 (b) & (c)

Repeals sec. 43.20.031 -
same as SB 20

Retroactive clause to Jan. 1, 1981
on corporate exemption

Retroactive clause to Jan. 1, 1981
on corporate exemption

43.20.031 (repealed above) is
retroactive to Jan. 1, 1981

43.20.031 (repealed above) is
retroactive to Jan. 1, 1981

Effective Date Clause - immediately

Effective Date Clause - immediately

Returns exempt from income tax 90.23%
equal to 4,935 returns

Returns exempt from income tax 93.17%
equal to 5,096 returns

Repeal surtax exemption=34% eliminated

Retain surtax exemption=45% eliminated

FY 82 revenue losses 12.2 M
FY 83 " 14.6 M
FY 84 " 17.3 M

FY 82 Revenue losses 16.1 M
FY 83 " 19.4 M
FY 84 " 22.9 M

Approx. 94% corporate returns exempt

Approx. 96% corporate returns exempt

FIGURES BASED ON ANNUAL AMOUNT OF 5,470 RETURNS.....

SB 20

Sec 1, AS 43.20.011(e) amends percentage of taxes from 5.4 to 9.4. and repeals surtax of 4.0%. Tax on a corporation engaged in transportation of crude oil or natural gas shall be determined and paid in accordance with A.S. 43.21.

SB 20

Section 43.20.033^(a) provides for \$150,000 exemption.

SB 35

Section 43.20.033^(a) provides for \$250,000 exemption.

SB 20

Section 43.20.033 (b) is the same as SB 35

SB 20

43.20.033 (c) is the same as SB 35.

SB 20

43.20.033 (d) is the same as SB 35.

43.20.031 is repealed in both SB 35 and SB 20.

SB 20

Sections 1-3 retroactive 1/1/81 and apply to tax years beginning 12/31/80

SB 35

Sections 1-2 retroactive 1/1/81 and apply to tax years beginning 12/31/80.

Immediate effective date same in both bills.

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH 5
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

January 31, 1981

The Honorable Bob Mulcahy
Chairman
Senate Labor & Commerce Committee
Room 119 - Capitol Building
Juneau, Alaska

Re: Senate Bill No. 20

Dear Senator Mulcahy:

Senate Bill No. 20, an Act relating to corporate income taxes; exempting a portion of the income of a corporation from taxation under the Alaska Net Income Tax Act and repealing the surtax exemption under that Act, was introduced in the Senate on January 13, 1981 and was referred to the Senate Labor & Commerce and Finance Committees.

For the consideration of the Senate Labor & Commerce Committee, I am enclosing copies of Fiscal Notes prepared by Mr. Gary Jenkins, Director, Audit Division and Mr. Lance Rovig, Economist, Research Section of the Department of Revenue concerning the proposed legislation.

Sincerely,



R. D. Stevenson
Special Assistant

cc: The Honorable Don Bennett
The Honorable M. E. Dankworth
Co-Chairmen
Senate Finance Committee

Joseph K. Donohue
Deputy Commissioner
Department of Revenue

Gary Jenkins, Director
Audit Division
Department of Revenue

Lance Rovig, Economist
Research Section
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill No. 20
 Title An Act relating to corporate income taxes
 Requested by R. D. Stevenson Date 1/30/81

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

FUNDING (Thousands of Dollars) - None

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS - None

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME						
PART TIME						
TEMPORARY						

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

See attached memorandum dated 1/30/81 to Mr. R.D. Stevenson

IV. DATE January 1, 1981 PREPARED BY Gary L. Jenkins, Director
 AGENCY Revenue
 PHONE 465-2320
 Original: Legislative Finance
 cc. Budget and Management
 Prime Sponsor (First Legislator Named)

MEMORANDUM

State of Alaska

TO: R. D. Stevenson
Special Assistant

DATE: January 30, 1981

FILE NO:

TELEPHONE NO:

FROM: Gary L Jenkins
Director
Audit Division

SUBJECT: SB 20

This bill would provide for an exemption for corporations subject to the income tax imposed by AS 43.20 of \$150,000. This proposed total exemption from tax would replace the current surtax exemption which is currently in the law. The surtax exemption served to reduce the rate on the first \$50,000 of taxable income to 5.4% while all taxable income over \$50,000 is subject to the full rate of 9.4%.

In attempting to ascertain the effect of this exemption I have reviewed the filing information for the returns filed in 1979. The information for 1980 is not yet available, however, the data related to the number of returns which are filed in the various taxable income levels should remain relatively constant. If this exemption were enacted into law, 90.23% of the returns which reported taxable income would be exempt from any tax. The actual effect of this exemption would be tantamount to a repeal of the tax except for the very large domestic corporations and the multistate corporations which do business in Alaska.

Any legislation of this nature could cause serious problems for the State in it's defense of AS 43.21 because of the fact that nearly 100% of domestic corporations will be exempt from tax, thus the only taxpayers would be the multistate corporations who are doing business in Alaska.

It is recommended that very careful review be given to any legislation providing exemptions from the imposition of the corporate income tax.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill No. 20
 Title _____
 Requested by Senate Labor and Commerce Date January 22, 1981

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)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Millions of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND		(12.2)	(14.6)	(17.3)		
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME						
PART TIME						
TEMPORARY						

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

This analysis is based on limited data which is not necessarily a representative sample of the data which we do not have. Although incomplete, the data is the best that we have to date. For lack of more complete data, it was assumed that the data is a representative sample. Preliminary analysis indicates that, when repealing the surtax exemption and exempting the first \$150,000 of taxable income, approximately 34 percent of net corporate income taxes would be eliminated. The revenue losses would be about \$12.2 million in FY82, \$14.6 million in FY83 and \$17.3 million in FY84. Approximately 94 percent of corporate returns would be totally exempt from the Alaska income tax. However, other taxes such as personal holding company taxes, taxes from recomputing prior year investment tax credits and minimum taxes on tax preference items would be payable.

IV. DATE January 22, 1981 PREPARED BY Lance Rovig, Economist
 AGENCY Revenue
 Original: Legislative Finance PHONE 465-2390
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)