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STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811

March 31, 1981

The Honorable Bob Mulcahy
Chairman
Senate Labor and Commerce Committee
Room 207 - Capitol Building
Juneau, Alaska

Dear Senator Mulcahy:

Re: Senate Bill No. 293

Senate Bill No. 293, an Act affecting taxes on banking institutions, was introduced in the Senate on March 16, 1981 and was referred to the Senate Labor and Commerce and Finance Committees.

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

Sincerely,



R. D. Stevenson
Special Assistant

RDS/rdh

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

Joseph K. Donohue
Deputy Commissioner
Department of Revenue

Gary L. Jenkins, Director
Audit Division
Department of Revenue

Lance Rovig, Economist
Research Section
Department of Revenue

MEMORANDUM

State of Alaska

TO: R. D. Stevenson
Legislative Assistant

DATE: March 26, 1981

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: SB 293

This bill would tax banks under AS 43.20 based on their federal taxable income at a rate of 28.6%. For clarity, if this bill is to be enacted into law, a definition of bank should be added to the law to specify who is to be taxed under this provision.

Section 2 of the bill appears to have a word error in that it refers to interest rates in line 13, while it would appear to mean tax rate. If that is the intention then the language of the bill should be amended.

Section 3 of the bill repeals the provision in AS 43.20 which exempts banks and other financial institutions from the corporate income tax. It appears, however, that the author of the bill is not aware of the fact that banks are taxed under AS 43.70. This bill would leave them taxable under that chapter as well as chapter 20. Further, under chapter 70 the banks are taxable at the rate of 7% of their federal taxable income plus all of their non-taxable income.

FISCAL NOTE

I. REQUEST

Bill/Resolution No. S R 203
 Title An Act affecting taxes on banking institutions
 Requested by Labor and Commerce Committee Date March 24, 1981

II. FISCAL DETAIL

Agency Affected Department of Revenue
 Program Category Affected Revenue Collection and Management
 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 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
 (Thousands of Dollars)

		\$5.5	\$6.1	\$6.7	\$7.3
GENERAL FUND					
FEDERAL FUNDS					
OTHER (Specify Fund Source)					

POSITIONS

FULL TIME					
PART TIME					
TEMPORARY					

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

S.B. 293, if enacted, would require banks to pay corporate income taxes of 28.6% on net income as defined under AS 43.20; or, approximately \$5.5 million in FY 82, \$6.1 million in FY 83, \$6.7 million in FY 84 and \$7.3 million in FY 85. Banks would also be required to pay a tax of 7% on net income as defined under AS 43.70.

IV. DATE March 24, 1981 PREPARED BY Lance Rovig, Economist
 AGENCY Revenue
 Original: Legislative Finance PHONE 465-2390
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. SB 293
 Title An Act affecting taxes on banking institutions
 Requested by Senate Labor & Commerce Committee Date March 17, 1981

II. FISCAL DETAIL
 Agency Affected Department of Revenue
 Program Category Affected Revenue Collections & 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 80	FY 81	FY 82	FY 83	FY 84	FY 85
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 Fund Source)						

POSITIONS -NONE-

FULL TIME						
PART TIME						
TEMPORARY						

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

See attached memo to R. D. Stevenson dated March 26, 1981.

IV. DATE March 27, 1981 PREPARED BY Gary L. Jenkins
 AGENCY Audit Division
 Original: Legislative Finance PHONE (907) 465-2320
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)



Official Business

Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

SUMMARY SB 293:

A tax of 28.6% shall be imposed on all banks (doing business in the State) upon the entire taxable income of those banks. The provisions of this tax are to supersede the provisions of other statutes covering taxation of banks or savings and loan associations chartered by the Federal Government or the State. Repeals AS 43.20.031(d).

Sec. 43.20.011. Tax on individuals, fiduciaries, and corporations.
 (a) There is imposed for each taxable year upon the taxable income of every resident, nonresident and part-year resident individual and fiduciary of the state, except those qualifying for the rates in (b) or (c) of this section, taxes computed according to the following table.

If the taxable income is:	Then the tax is:
Not over \$2,000	3 per cent of the taxable income
Over \$2,000 but not over \$4,000	\$60 plus 3.5 per cent of excess over \$2,000
Over \$4,000 but not over \$6,000	\$130 plus 4.0 per cent of excess over \$4,000
Over \$6,000 but not over \$8,000	\$210 plus 5.0 per cent of excess over \$6,000
Over \$8,000 but not over \$10,000	\$310 plus 5.5 per cent of excess over \$8,000
Over \$10,000 but not over \$12,000	\$420 plus 6.0 per cent of excess over \$10,000
Over \$12,000 but not over \$14,000	\$540 plus 7.0 per cent of excess over \$12,000
Over \$14,000 but not over \$16,000	\$680 plus 7.5 per cent of excess over \$14,000
Over \$16,000 but not over \$18,000	\$830 plus 3.0 per cent of excess over \$16,000
Over \$18,000 but not over \$20,000	\$990 plus 8.5 per cent of excess over \$18,000
Over \$20,000 but not over \$22,000	\$1,160 plus 9.0 per cent of excess over \$20,000
Over \$22,000 but not over	

If the taxable income is:	Then the tax is:
Over \$26,000 but not over \$32,000	\$1,700 plus 10.0 per cent of excess over \$26,000
Over \$32,000 but not over \$38,000	\$2,320 plus 10.5 per cent of excess over \$32,000
Over \$38,000 but not over \$44,000	\$2,950 plus 11.0 per cent of excess over \$38,000
Over \$44,000 but not over \$50,000	\$3,610 plus 11.5 per cent of excess over \$44,000
Over \$50,000 but not over \$60,000	\$4,300 plus 12.0 per cent of excess over \$50,000
Over \$60,000 but not over \$70,000	\$5,500 plus 12.5 per cent of excess over \$60,000
Over \$70,000 but not over \$80,000	\$6,750 plus 13.0 per cent of excess over \$70,000
Over \$80,000 but not over \$90,000	\$8,050 plus 13.5 per cent of excess over \$80,000
Over \$90,000 but not over \$100,000	\$9,400 plus 14.0 per cent of excess over \$90,000
Over \$100,000 but not over \$150,000	\$10,800 plus 14.0 per cent of excess over \$100,000
Over \$150,000 but not over \$200,000	\$17,800 plus 14.5 per cent of excess over \$150,000

(b) There is imposed for each taxable year upon the taxable income of every resident, nonresident and part-year resident married individual who makes a single return jointly with his spouse (as provided in section 6013 of the Internal Revenue Code) and upon every resident, nonresident and part-year resident surviving spouse (as defined in section 2(a) of the Internal Revenue Code) taxes computed according to the following table.

If the taxable income is:	Then the tax is:
Not over \$4,000	3 per cent of the taxable income
Over \$4,000 but not over \$8,000	\$120 plus 3.5 per cent of excess over \$4,000
Over \$8,000 but not over \$12,000	\$260 plus 4.0 per cent of excess over \$8,000
Over \$12,000 but not over \$16,000	\$420 plus 5.0 per cent of excess over \$12,000
Over \$16,000 but not over \$20,000	\$620 plus 5.5 per cent of excess over \$16,000
Over \$20,000 but not over \$24,000	\$840 plus 6.0 per cent of excess over \$20,000
Over \$24,000 but not over \$28,000	\$1,080 plus 7.0 per cent of excess over \$24,000
Over \$28,000 but not over \$32,000	\$1,360 plus 7.5 per cent of excess over \$28,000
Over \$32,000 but not over \$36,000	\$1,660 plus 8.0 per cent of excess over \$32,000
Over \$36,000 but not over \$40,000	\$1,980 plus 8.5 per cent of excess over \$36,000

If the taxable income is:

Then the tax is:

Over \$40,000 but not over \$44,000	\$2,320 plus 9.0 per cent of excess over \$40,000
Over \$44,000 but not over \$52,000	\$2,680 plus 9.5 per cent of excess over \$44,000
Over \$52,000 but not over \$64,000	\$3,440 plus 10.0 per cent of excess over \$52,000
Over \$64,000 but not over \$76,000	\$4,640 plus 10.5 per cent of excess over \$64,000
Over \$76,000 but not over \$88,000	\$5,900 plus 11.0 per cent of excess over \$76,000
Over \$88,000 but not over \$100,000	\$7,220 plus 11.5 per cent of excess over \$88,000
Over \$100,000 but not over \$120,000	\$8,600 plus 12.0 per cent of excess over \$100,000
Over \$120,000 but not over \$140,000	\$11,000 plus 12.5 per cent of excess over \$120,000
Over \$140,000 but not over \$160,000	\$13,500 plus 13.0 per cent of excess over \$140,000
Over \$160,000 but not over \$180,000	\$16,100 plus 13.5 per cent of excess over \$160,000
Over \$180,000 but not over \$200,000	\$18,800 plus 14.0 per cent of excess over \$180,000

If the taxable income is:	Then the tax is:
Over \$300,000 but not over \$400,000	\$35,600 plus 14.5 per cent of excess over \$300,000
Over \$400,000	\$50,100 plus 14.5 per cent of excess over \$400,000

(c) There is imposed for each taxable year upon the taxable income of every resident, nonresident and part-year resident head of a household (as defined in section 2(b) of the Internal Revenue Code), taxes computed according to the following table.

If the taxable income is:	Then the tax is:
Not over \$2,000	3 per cent of the taxable income
Over \$2,000 but not over \$4,000	\$60 plus 3.5 per cent of excess over \$2,000
Over \$4,000 but not over \$6,000	\$130 plus 4.0 per cent of excess over \$4,000
Over \$6,000 but not over \$8,000	\$210 plus 4.5 per cent of excess over \$6,000
Over \$8,000 but not over \$10,000	\$300 plus 5.0 per cent of excess over \$8,000
Over \$10,000 but not over \$12,000	\$400 plus 5.5 per cent of excess over \$10,000
Over \$12,000 but not over \$14,000	\$510 plus 6.0 per cent of excess over \$12,000
Over \$14,000 but not over \$16,000	\$630 plus 6.5 per cent of excess over \$14,000
Over \$16,000 but not over \$18,000	\$760 plus 7.0 per cent of excess over \$16,000
Over \$18,000 but not over \$20,000	\$900 plus 7.0 per cent of excess over \$18,000
Over \$20,000 but not over \$22,000	\$1,040 plus 7.5 per cent of excess over \$20,000
Over \$22,000 but not over \$24,000	\$1,190 plus 8.0 per cent of excess over \$22,000
Over \$24,000 but not over	

If the taxable income is:	Then the tax is:
Over \$28,000 but not over \$32,000	\$1,690 plus 9.0 per cent of excess over \$28,000
Over \$32,000 but not over \$38,000	\$2,050 plus 9.5 per cent of excess over \$32,000
Over \$38,000 but not over \$44,000	\$2,430 plus 10.0 per cent of excess over \$38,000
Over \$44,000 but not over \$50,000	\$3,030 plus 10.5 per cent of excess over \$44,000
Over \$50,000 but not over \$60,000	\$3,660 plus 11.0 per cent of excess over \$50,000
Over \$60,000 but not over \$70,000	\$4,760 plus 11.5 per cent of excess over \$60,000
Over \$70,000 but not over \$80,000	\$5,910 plus 12.0 per cent of excess over \$70,000
Over \$80,000 but not over \$90,000	\$7,110 plus 12.5 per cent of excess over \$80,000
Over \$90,000 but not over \$100,000	\$8,360 plus 13.0 per cent of excess over \$90,000
Over \$100,000 but not over \$150,000	\$9,660 plus 13.5 per cent of excess over \$100,000
Over \$150,000 but not over \$200,000	\$16,410 plus 14.0 per cent of excess over \$150,000
Over \$200,000 but not over \$300,000	\$23,410 plus 14.5 per cent of excess over \$200,000
Over \$300,000	\$37,910 plus 14.5 per cent of excess over \$300,000

(d) The department shall compute and publish the Alaska income tax liability for resident taxpayers at the midpoint of each bracket of adjusted gross income (as defined in sec. 62 of the Internal Revenue Code) modified as required by sec. 31 of this chapter in \$25 steps below \$3,000 and \$50 steps to \$20,000 rounding the calculations to the nearest dollar. Resident taxpayers electing to take the standard deductions may

file returns based upon, and pay taxes according to, tables established under this section.

(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 per cent of taxable income, and a surtax which is equal to 4.0 per cent of taxable income. For purposes of this chapter the surtax exemption for a taxable year follows secs. 1561 and 1563 of the Internal Revenue Code. (§ 1 ch 70 SLA 1975)

Constitutionality. — This chapter is not unconstitutional as wanting in uniformity. Alaska S.S. Co. v. Mullaney, 12 Alaska 433, 84 F. Supp. 561 (D. Alas. 1949), aff'd, 12 Alaska 594, 180 F.2d 805 (9th Cir. 1950).

Interstate commerce not singled out by chapter. — There is nothing in this chapter which singles out for special treatment interstate commerce or those who are engaged in interstate commerce because and on account of such commerce. Alaska S.S. Co. v. Mullaney, 12 Alaska 594, 180 F.2d 805 (9th Cir. 1950).

Graduated income taxes are based on policy grounds. — Graduated income taxes, involving as they do the concept of ability to pay, are based upon intelligible grounds of policy. Alaska S.S. Co. v. Mullaney, 12 Alaska 594, 180 F.2d 805 (9th Cir. 1950).

And they do not necessarily involve arbitrary classification. Alaska S.S. Co. v. Mullaney, 12 Alaska 594, 180 F.2d 805 (9th Cir. 1950).

Income of a nonresident from intangible personal property (e.g. dividends from stocks and bonds) is not subject to income tax under this section unless the intangible property that is the

source of the income has a business situs in Alaska. 1960 Op. Atty Gen., No. 33.

There is no conflict between this chapter and federal law, 46 USC 601, prohibiting attachment or arrestment of wages accruing to seaman. Alaska S.S. Co. v. Mullaney, 12 Alaska 433, 84 F. Supp. 561 (D. Alas. 1949), aff'd, 12 Alaska 594, 180 F.2d 805 (9th Cir. 1950).

Alaska can constitutionally levy tax on net income of seamen engaged in interstate and foreign commerce, where the tax is levied only on that portion of the seamen's net income which is attributed to their activity within the boundaries of the State of Alaska. Alaska v. Petronia, 69 Wash. 2d 460, 418 P.2d 755 (1966).

Taxability of oil lease bonus. — See 1961 Op. Atty Gen., No. 27.

Liability of nonresident for company under this act. — See 1959 Op. Atty Gen., No. 22.

Medical deductions for part-year residents under Alaska Net Income Tax Act. — See 1961 Op. Atty Gen., No. 28.

Am. Jur. 2d reference. — 71 Am. Jur. 2d, State and Local Taxation, § 1 et seq.

175, SLA 1959; § 1, ch. 202, SLA 1968; § 1, ch. 214, SLA 1968.

Sec. 43.20.020. Exemptions.

Repealed by § 13 ch 70 SLA 1975.

Editor's note. — The repealed section derived from § 5E, ch. 115, SLA 1949; added by § 1, ch. 132, SLA 1951; § 3, ch.

Sec. 43.20.021. Internal Revenue Code adopted by reference. (a) Subtitle F and chapter 1 of subtitle A of the 1954 Internal Revenue Code, Public Law 83-591, as amended, are adopted by reference as a part of this chapter, except that those provisions of the Internal Revenue Code adopted after December 31, 1975 which change or modify exemptions from tax or credits against tax are not adopted by reference as a part of this chapter until the second January 1 following the effective date of the federal law. These portions of the Internal Revenue Code have

full force and effect under this chapter unless excepted to or modified by other provisions of this chapter.

(b) For purposes of calculating the federal tax payable on personal holding companies provided for in the provisions of Internal Revenue Code § 541, the rate is 12.6 per cent.

(c) For purposes of calculating the alternative tax on capital gains provided for in the provisions of Internal Revenue Code § 201, the rate is 4.5 per cent for corporations and 4 per cent for individuals and fiduciaries.

(d) Where a credit allowed under the Internal Revenue Code is also allowed in computing Alaska income tax, it is limited to 16 per cent of the amount of the credit determined for federal income tax purposes for individuals and 18 per cent for corporations.

(e) For the purpose of calculating the maximum tax rate on earned income as provided for in § 1348 of the Internal Revenue Code (26 U.S.C. § 1348), the rate is 9.5 per cent for individuals.

(f) For the purpose of calculating the minimum tax on tax preferences provided for in §§ 56 — 58 of the Internal Revenue Code (26 U.S.C. §§ 56 — 58), the rate is 16 per cent for individuals and 18 per cent for corporations of the applicable minimum federal tax rate. (§ 2 ch 70 SLA 1975; am §§ 1, 2 ch 125 SLA 1976)

Cross reference. — As to the immediate adoption by reference of § 44A (26 U.S.C. § 44A) and the 1976 amendments to § 37 (26 U.S.C. § 37) of the Internal Revenue Code as part of AS 43.20, see §§ 1, 2 and 4 of ch. 28, SLA 1977, in the Temporary and Special Acts of 1977.

Effect of amendment. — The 1976 amendment added the language beginning "except that those provisions" to the end of the first sentence of subsection (a) and added subsections (e) and (f).

Sec. 43.20.030. Returns and payment of taxes. (a) Every individual, fiduciary, partnership and corporation required to make a return under the provisions of the Internal Revenue Code shall at the same time file with the department a return setting out

(1) the amount of tax due under this chapter, less credits claimed against the tax; and

(2) other information for the purpose of carrying out the provisions of this chapter which the department requires.

(b) The return shall either be on oath or contain a written declaration that it is made under penalty of perjury, and the department shall prescribe forms accordingly.

(c) The total amount of tax imposed by this chapter is due and payable to the department at the same time and in the same manner as the tax payable to the United States Internal Revenue Service.

(d) A taxpayer, upon request by the department, shall furnish to the department a true and correct copy of the tax return which he has filed with the United States Internal Revenue Service. Every taxpayer shall

his federal income tax return and of a recomputation of tax or determination of deficiency (whether with or without assessment). A full statement of the facts shall accompany this notice. The notice shall be filed within 60 days after the final determination of the modification, recomputation or deficiency, and the taxpayer shall pay the additional tax or penalty under this chapter. For purposes of this section, a final determination shall mean the time that an amended federal return is filed or a notice of deficiency or an assessment is mailed to the taxpayer by the Internal Revenue Service, except that in no event will there be a final determination for purposes of this section until the taxpayer has exhausted his rights of appeal under federal law.

(e) The department may credit or refund overpayments of taxes, taxes erroneously or illegally assessed or collected, penalties collected without authority, and taxes that are found unjustly assessed or excessive in amount, or otherwise wrongfully collected. The department shall set limitations, specify the manner in which claims for credits or refunds are made, and give notice of allowance or disallowance. When a refund is allowed to a taxpayer, it shall be paid out of the general fund on a warrant issued under a voucher approved by the department. (§ 7 ch 115 SLA 1949; am § 2 ch 132 SLA 1951; am § 4 ch 5 SLA 1953; am § 2 ch 169 SLA 1972; am § 3 ch 70 SLA 1975)

Effect of amendment. — The 1975 amendment so changed this section as to make a detailed comparison impracticable.

Delegation of legislative authority valid. — The legislative authority conferred by this section appears to be within the test laid down in *Bowles v. Willingham*, 321 U.S. 503, 61 S. Ct. 611, 88 L. Ed. 892 (1944), in which the administrator of the Office of Price Administration was empowered to fix maximum rents which, in his judgment, would be generally fair and equitable in any defense rental area whenever in his judgment that action was necessary or proper in order to effectuate the purposes

of the act, and further empowered to make adjustments for such relevant factors as he may determine and deem to be of general applicability, and to provide for such adjustments and reasonable exceptions as in his judgment are necessary and proper in order to effectuate the purposes of the act. *Alaska S.S. Co. v. Mullaney*, 12 Alaska 433, 84 F. Supp. 561 (D. Alas. 1949), *aff'd*, 12 Alaska 594, 180 F.2d 805 (9th Cir. 1950).

Quoted in Hickel v. Stevenson, Sup. Ct. Op. No. 351 (File No. 624), 416 P.2d 236 (1966).

Am. Jur. 2d reference. — 71 Am. Jur. 2d, State and Local Taxation, § 589.

Sec. 43.20.031. Taxable income of residents; deductions; exemptions. (a) The taxable income of a resident of the state is his entire taxable income as defined in § 63 of the Internal Revenue Code with the following modifications:

(1) a taxpayer whose income includes a cost-of-living allowance which is exempt from federal income tax shall determine and include that amount as part of his income as if the cost-of-living allowance were not exempt;

(2) the benefits allowed to taxpayers under Internal Revenue Code §§ 1301 — 1307, as amended, are allowed only to taxpayers who have

computation year as defined in these sections; the commissioner shall adopt regulations governing benefits under these sections of federal law allowable to spouses eligible to file a joint Alaska return for the computation year when one spouse has not been a resident of Alaska for the full base period;

(3) the benefits of nonrecognition of gain on the sale or exchange of certain property under §§ 1031, 1033 and 1034 of the Internal Revenue Code (26 U.S.C. §§ 1031, 1033 and 1034) are allowed only to taxpayers who purchase or exchange the property within the state, except that the benefits of § 1034 shall be allowed regardless of the location of the property for taxpayers who have attained the age of 65 on or before the time of the purchase or exchange.

(b) The following exemptions are allowed in computing taxable income under this section:

(1) service pay received by members of the armed forces of the United States or auxiliary branches of the armed forces;

(2) pensions and annuities received from qualified plans approved under §§ 401 — 415 of the Internal Revenue Code (26 U.S.C. §§ 401 — 415) as amended;

(3) income of a person derived from the sale of halibut taken from waters outside the territorial limits of the state and regulated by an international body or treaty organization if the person selling halibut in the state which is taken from outside the territorial limits of the state executes and submits to the department within 30 days after each sale a separate exemption certificate on a form approved by the department and the attorney general.

(c) In computing the tax under this chapter, the taxpayer is not entitled to deduct any taxes based on or measured by net income.

(d) Banks and savings and loan associations chartered by the federal government or the state are exempt from income tax under this chapter.

(e) An affiliated group of corporations may make or the commissioner may require them to make a consolidated or combined 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 §§ 1501 — 1552, as amended, apply.

(f) A natural person is entitled to a tax credit not to exceed \$50 for the amount of political campaign contributions made within the tax year, including but not limited to a contribution or gift to a person or organization for use exclusively (1) for political campaigns for candidates for President or Vice President of the United States, whether or not they will be voted on in a primary election in Alaska; United States senator from Alaska; United States representative from Alaska; governor or lieutenant governor of Alaska; the Alaska legislature; delegate to an Alaska constitutional convention; electoral confirmation as a judge or justice of a court in Alaska; and municipal office in Alaska;

or question; or dues to a nonprofit organization organized primarily for the purpose of influencing elections. The credit allowed by this subsection is in place of the credit allowed by § 41 of the Internal Revenue Code and the deduction allowed by § 218 of the Internal Revenue Code for contribution to candidates for public office.

(g) A person who wilfully makes and subscribes to a certificate referred to in (b) (3) of this section which is not true and correct as to every material fact is punishable by a fine of not more than \$10,000, or by imprisonment for not more than five years, or by both.

(h) A taxpayer who purchases an entry permit under AS 16.43 in carrying on a trade or business is entitled to a deduction of the amount of the price paid during the tax year as if it were allowable under § 162 of the Internal Revenue Code (26 U.S.C. § 162). (§ 5 ch 70 SLA 1975; am §§ 3 — 5 ch 125 SLA 1976; am § 8 ch 73 SLA 1977; am § 6 ch 133 SLA 1977)

Cross reference. — As to disclosure of contributions, see AS 24.45.121.

Effect of amendments. — The 1976 amendment added paragraph (3) to subsection (a), rewrote paragraph (2) of subsection (b), and substituted "any taxes based on or measured by net income" for "from the adjusted gross income state income taxes" at the end of subsection (c).

The first 1977 amendment added subsection (h).

The second 1977 amendment, in the first sentence of subsection (f), inserted the item designations, inserted the language beginning "for candidates for President or

Vice-President" and ending "municipal office in Alaska" in present item (1), and inserted "for groups seeking to influence the outcome of a ballot proposition or question" in present item (2).

Editor's note. — Section 1, ch. 115, SLA 1977, provides: "For purposes of AS 43.20.031 for tax years before January 1, 1976, an individual is taxable on his entire income as defined in that section except that income does not include wages earned outside the United States."

Am. Jur. 2d reference. — 71 Am. Jur. 2d, State and Local Taxation, § 518 et seq.

Sec. 43.20.035. Taxable income of nonresidents and part-year residents. (a) The taxable income of nonresidents or part-year residents of this state is taxable income as determined under § 31 of this chapter when attributable to sources in the state as provided in § 40 of this chapter with the following adjustments:

(1) a nonresident or part-year resident who claims the standard deduction as defined in Internal Revenue Code § 141 is allowed the deduction in the proportion provided in (b) of this section;

(2) a nonresident or part-year resident is entitled to claim the personal exemptions as defined in § 151 of the Internal Revenue Code in the proportion provided in (b) of this section;

(3) a nonresident or part-year resident who itemizes deductions is allowed a deduction for those items deductible under the Internal Revenue Code which arise from sources in the state.

(b) The ratio for prorating allowed by this section is the taxpayer's adjusted gross income from Alaska sources divided by the taxpayer's adjusted gross income from all sources. The ratio may not exceed 100

means adjusted gross income as defined in § 62 of the Internal Revenue Code as modified by the provisions of § 31 of this chapter.

(c) Deductions claimed which are allowed as deductions from gross income in arriving at adjusted gross income under the Internal Revenue Code are allowed only to the extent that they are connected with income which arises from sources in the state or property having a situs for taxation in the state. (§ 6 ch 70 SLA 1975)

Am. Jur. 2d reference. — 71 Am. Jur. 2d, State and Local Taxation, § 472.

Sec. 43.20.036. Federal tax deductions and credits. (a) For purposes of calculating the income tax payable under this chapter, the taxpayer may not apply as a credit against his tax liability the foreign tax credit allowed as to federal taxes under Internal Revenue Code § 33 (26 U.S.C. § 33).

(b) For purposes of calculating the income tax payable under this chapter, the taxpayer may apply as a credit against his tax liability the job development investment credit allowed as to federal taxes under Internal Revenue Code § 50 upon only the first \$500,000 of qualified investment put into use for each taxable year (26 U.S.C. § 50). This limitation does not apply to the amounts invested in equipment which meets the definition of a certified pollution control facility as defined under Internal Revenue Code § 169 (26 U.S.C. § 169) as in effect on the effective date of this Act except that the date specified in that section does not apply.

(c) For purposes of calculating the income tax payable under this chapter, the taxpayer may apply as an exemption from his tax liability the tax exemption for domestic international sales corporations under Internal Revenue Code § 991 (26 U.S.C. § 991), except those taxpayers who are engaged in the exportation of nonrenewable resources.

(d) For purposes of this chapter, the taxpayer may not apply for a refund of 1974 individual income taxes under Internal Revenue Code § 6428 (26 U.S.C. § 6428).

(e) For purposes of calculating the income tax payable under this chapter, the taxpayer may not apply as a credit against his tax liability the credit for personal exemptions under Internal Revenue Code § 42 (26 U.S.C. § 42).

(f) For purposes of calculating the income tax payable under this chapter, the taxpayer may not apply as a credit against his tax liability the credit for earned income under Internal Revenue Code § 43 (26 U.S.C. § 43).

(g) For purposes of calculating the tax payable under this chapter, the taxpayer may not apply as a credit against his tax liability the credit for purchase of new principal residence under Internal Revenue Code