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STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

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

January 21, 1982

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

Dear Senator Mulcahy:

Re: Senate Bill No. 641

Senate Bill No. 641, an Act providing a corporate tax exemption, was introduced in the Senate on January 11, 1982, 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. Robert R. Kessel, Director, Audit Division, and Mr. John Larson, Economist, Research Section, 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, Taxation
Department of Revenue

John Larson, Economist
Research Section
Department of Revenue

Robert R. Kessel, Director
Audit Division
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 641
 Title An Act providing a corporate tax exemption
 Requested by Senate Labor and Commerce Date 1-19-82

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 - See analysis below

	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	-0-					

FUNDING (Thousands of Dollars) None - See analysis below

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND	-0-					
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS None - See analysis below

	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)

We are assuming that the Act would be effective for taxable years beginning on or after January 1, 1983. Therefore, there would be no material reduction in expenditures until FY85.

IV. DATE January 19, 1982 PREPARED BY Robert R. Kessel

Original: Legislative Finance AGENCY Audit Division
 cc: Budget and Management PHONE (907) 465-2320
 Prime Sponsor (First Legislator Named)

MEMORANDUM

State of Alaska

Department of Revenue

TO: R.D. Stevenson
Special Assistant

DATE: January 19, 1982

FILE NO:

TELEPHONE NO:

FROM: R.R. Kessel
Director, Audit Division

SUBJECT: SB 641 - Corporate
Tax Exemption

SB 641 would provide for an exemption for corporations subject to the income tax imposed by AS 43.20 of \$150,000. A bill very similiar to SB 641 (SB 20) was introduced during the last session and apparently went nowhere.

Past studies indicate that upwards to 90% of corporate tax returns filed would be exempt from tax. The remaining few taxpayers would be very large domestic corporations and those multistate corporations having a substantial amount of Alaska income.

Gary Jenkins' comments of a year ago are still appropriate: "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 taxpayer would be the multistate corporations doing business in Alaska".

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill 641
 Title An Act providing a corporate tax exemption.
 Requested by Senate Labor & Commerce Date 01/19/82

II. FISCAL DETAIL

Agency Affected _____
 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

GENERAL FUND		(3.7)	(15.5)	(16.7)		
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

SEE ATTACHMENT.

IV. DATE 01/19/82 PREPARED BY John Larson, Economist
 AGENCY Dept. of Revenue, Research Section
 Original: Legislative Finance PHONE 465-2173
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

Attachment to Fiscal Note on Senate Bill 641

Senate Bill 641 would reduce the tax liability of both petroleum and non petroleum corporate taxpayers under AS 43.20 beginning in tax year 1983.

The exempting of the first \$150,000 of taxable income approximates a 39% tax reduction in non petroleum corporate tax liability which translates into revenue losses of \$3.4 million, \$15.2 million, and \$16.4 million for the years FY 83, FY 84, and FY 85.

The revenue loss from petroleum corporations would approximate \$300,000 a year.

The total revenue loss then to the general fund approximates \$3.7 million, \$15.5 million and \$16.7 million in FY 83, FY 84, and FY 85.

This analysis is based on limited data which is not necessarily a representative sample of the data which we do not have.



Official Business

Alaska State Legislature

Senate

Labor & Commerce Committee

Pouch V
State Capitol
Juneau, Alaska 99811

SUMMARY SB 641:

Provides for a corporate tax exemption of \$150,000 against its net income taxable under Chapter AS 43.20.