

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: SB 402
 Title: An Act relating to exemptions from tax or credits against tax
 Sponsor: Falks
 Requestor: Senate Finance Committee
 Date of Request: February 6, 1984

FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: Collection and Management
 BRU, Program of Subprogram(s) Affected: Audit Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis.

Prepared By: Maureen O'Brien
 Division: Audit Division

Phone: 465-2320
 Date: February 6, 1984

Approved by Commissioner: [Signature]
 Agency: Revenue

Date: 2/17/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Substantially all of the Internal Revenue Code provisions which apply to Corporation Income Tax are adopted by reference in AS 43.20.021(a). Therefore, every time the Internal Revenue Code is amended, Alaska taxes are affected.

The effective date of adoption by Alaska of amendments to the Internal Revenue Code is the same as the effective date for federal purposes, with one exception. Provisions which change or modify exemptions from tax or credits against the tax are not adopted until the second January 1 following the effective date of the federal law. The purpose of this delay was to protect the Alaska Individual Income Tax from the dilutive effect of federal changes. At the time AS 43.20.021(a) was passed Congress was considering bills providing for negative income taxes, refundable credits, exemption tax credits, and other changes which would have a direct impact on Alaska revenues. The one year delay gave the Alaska legislature an opportunity to evaluate whether it should adopt the federal amendments to the credit and exemption provisions in the Internal Revenue Code.

As Alaska has repealed the individual income tax, the one year delay is no longer necessary. It in fact causes administrative problems for the taxpayers and the Department. For these reasons, AS 43.20.021(a) should be amended to provide for immediate adoption of all changes to the Internal Revenue Code.

Introduced: 2/3/84
Referred: Finance

1 IN THE SENATE

BY FAIKS

2

SENATE BILL NO. 402

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to exemptions from tax or credits

7

against tax; and providing for effective date."

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

9

* Section 1. AS 43.20.021(a) is amended to read:

10

(a) Subtitle F and chapter 1 of subtitle A of the 1954 Internal

11

Revenue Code, Public Law 83-591, as amended, are adopted by reference

12

as a part of AS 43.20 [, EXCEPT THAT THOSE PROVISIONS OF THE INTERNAL

13

REVENUE CODE ADOPTED AFTER DECEMBER 31, 1975 WHICH CHANGE OR MODIFY

14

EXEMPTIONS FROM TAX OR CREDITS AGAINST TAX ARE NOT ADOPTED BY

15

REFERENCE AS A PART OF THIS CHAPTER UNTIL THE SECOND JANUARY 1 FOLLOW-

16

ING THE EFFECTIVE DATE OF THE FEDERAL LAW]. These portions of the

17

Internal Revenue Code have full force and effect under AS 43.20

18

unless excepted to or modified by other provisions of AS 43.20.

19

* Sec. 2. Section 1 of this Act is retroactive to January 1, 1984.

20

* Sec. 3. This Act takes effect immediately in accordance with AS 01.-

21

10.070(c).

Alaska State Legislature

OFFICIAL BUSINESS

CHAIRMAN
RULES COMMITTEE



JAN FAIKS
POUCH V
CAPITOL BUILDING
JUNEAU, ALASKA 99811

Senate

MEMORANDUM

TO: Representative Al Adams
Chairman, House Finance Committee

FROM: Senator Jan Faiks

RE: Senate Bill 402

DATE: April 3, 1984

Senate Bill 402 has been referred to the House Finance Committee. I would very much appreciate a hearing for this bill as soon as your committee schedule allows.

Senate Bill 402 would amend Title 43 of our Alaska Statutes. Chapters of the Internal Revenue Code are adopted by reference into the statutes. Those provisions which modify exemptions from tax or credits from tax are not automatically adopted. They are adopted the second January 1st following the effective date of the federal law. The purpose of this lag was to give the Legislature and the Administration at least one legislative session to decide if they want to incorporate this provision of the federal law into state law. This delay affects only to corporate income tax, since Alaska has repealed the state personal income tax.

In 1975 when the current statute was adopted, Alaska was almost totally dependent on the personal income tax as a source of revenue. At this time the federal government was in the process of enacting various tax credits for child care, home ownership, various energy credits as well as the personal exemption which would affect the personal income tax. There are very few credits that affect the corporate income tax. Present law allows for the immediate adoption of deductions but not credits. This system requires corporations to keep two separate sets of records—one for federal purposes and one for state purposes. The immediate adoption of all changes to the Internal Revenue Code would alleviate a lot of administrative problems for taxpayers and the Department of Revenue as well. The repeal would have no significant revenue impact on the state and would significantly decrease the burden of record keeping on the taxpayer. Since the enactment of the present statute, there has not been one time that the IRS provision was not automatically adopted, and only one time that it was accelerated.

An example of this is the jobs credit program enacted by Congress in 1977 and 1978. The credit required a reduction in the deduction of salary expenses equal to one half the tax credit. The purpose at the federal level was to increase the tax which was then more than offset by the credit to encourage businesses to hire certain groups of employees. Since Alaska adopted the deduction immediately but not the credit, the effect was to reduce the deduction Alaskan businesses could take and not allow them the credit that was intended to offset the reduction in the deduction. For Alaska tax purposes, a special ruling was required (Alaska Tax Ruling #80-3) to prevent Alaskans from being taxed on income that didn't exist. By the time the IRS provision was adopted by the State, the federal program had been discontinued.

The bill is supported by Certified Public Accountants around the State and by the Department of Revenue as well. I was originally approached by an Anchorage accounting firm about introducing the bill. When I asked the Department of Revenue for their opinion on this proposed legislation, Commissioner Heath responded that the Department's auditors had recommended this same change to the statutes. In the Senate Finance Committee hearing on this bill, Leroy Funk, a Juneau CPA, testified in support of the bill on behalf of the CPA Society. The bill passed the Senate by a vote of 17-0-3.

I look forward to working with your committee members on this legislation. If you have any questions or need any clarification, please give me a call.

Thank you.

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Referred: Finance

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