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BILL SHEFFIELD  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

March 21, 1984

The Honorable Joe Hayes  
Alaska House of Representatives  
Pouch V  
Juneau, AK 99811

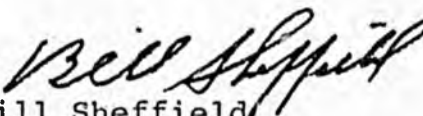
Dear Representative Hayes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to amend AS 43, the Revenue and Taxation Code, by repealing AS 43.20.031(d) and AS 43.70.030(b).

This bill repeals AS 43.20.031(d), which exempts banks and savings and loan associations from taxation under AS 43.20, the corporate income tax chapter. It also repeals AS 43.70.030(b), which taxes banks, trust companies, and savings and loan associations under AS 43.70, the Business License Act.

Currently, banks and savings and loan associations are specifically exempted from the corporate income tax under AS 43.20 because of federal restrictions which required states to tax national banks and savings and loan associations separately from other corporations. Those federal restrictions no longer exist. Therefore, we may now tax banks under AS 43.20 along with all other corporate taxpayers, and that is what this bill will accomplish.

Sincerely,

  
Bill Sheffield  
Governor

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

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Page 1 of 2

Revision Date \_\_\_\_\_

REQUEST

Bill/Resolution No: HB 703  
Title: State taxation of national banks

Sponsor: Governor  
Requestor: \_\_\_\_\_  
Date of Request: \_\_\_\_\_

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
<b>OPERATING</b>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-

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 *Maureen O'Brien*  
Division: Audit Division

Phone: 465-2320  
Date: March 20, 1984

Approved by Commissioner: *R.H. O'Heath*  
Agency: Revenue

Date: 3/20/84

Distribution (by Agency preparing fiscal note):

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

Currently banks are required to file returns and pay tax under a statute separate from all other corporations (AS 43.70). This results in significant administrative and legal problems. The Department of Revenue therefore recommends that banks be taxed under the same income tax statutes as other corporations (AS 43.20).

Although state and municipal interest is currently taxable under AS 43.70 and would not be subject to tax under AS 43.20, we estimate that requiring banks to file under AS 43.20 rather than AS 43.70 will result in no loss of revenue to the State. The Department's position is that under IRC sec. 265(2), which is adopted by reference in AS 43.20.021(a), no deduction is allowed for expenses and interest incurred or continued to purchase or carry obligations the interest on which is exempt from tax. This includes not only expenses and interest related to tax exempt state and municipal interest income, but also expenses and interest related to tax exempt U.S. interest income. Therefore, the total amount of nondeductible expenses under AS 43.20 will be close to the amount of nontaxable income.

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GOVERNOR



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JUNEAU

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cc  
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500 EQUIPMENT	-	-	-	-	-	-
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<b>TOTAL OPERATING</b>	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-
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FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-

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