

COMMITTEE REPORT
SENATE

FURTHER:

4/13/84

Date 5/7/84

Mr. President

The Committee on FINANCE considered SR 532

state taxation of national banks, state banks, trust companies, and savings and loan associations; etc.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation *o fiscal note came w/ brief*
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

V. F. ...

Bob ...

Chairman

Chairman recommendation

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

slu 532

March 21, 1984

The Honorable Jalmar Kerttula
Alaska State Senate
Pouch V
Juneau, AK 99811

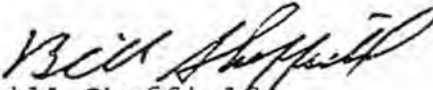
Dear Senator Kerttula:

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

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.

Introduced: 3/21/84
Referred: Labor and Commerce and
Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2

SENATE BILL NO. 532

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 state taxation of national banks,
7 state banks, trust companies, and savings and loan
8 associations; and providing for an effective date."

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

10 * Section 1. AS 43.20.031(d) and AS 43.70.030(b) are repealed.

11 * Sec. 2. This Act is retroactive to January 1, 1984.

12 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
13 10.070(c).

COMMITTEE REPORT
SENATE

FURTHER:

FINANCE

3/21/84

Date

4/12/84

Mr. President

The Committee on LABOR & COMMERCE considered SB 532

relating to state taxation of national banks, state banks, trust companies, and savings and loan associations; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
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MEMBERS SIGNING
DO PASS

MEMBER HAVING
OTHER RECOMMENDATIONS

2 *[Signature]* *no rec*
 2 *[Signature]* *no rec*
 2 *[Signature]* *no rec*

[Signature]
 Chairman
Do Pass
 Chairman recommendation