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AS36.10.005 DOCUMENT  
CHAPTER = 36.10  
SECTION = 36.10.005  
TITLE = 36  
HEADINGS TITLE 36.  
Public Contracts.  
CHAPTER 10.  
Employment Preference.  
CITATION Sec. 36.10.005.  
CATCH LINE

LEGISLATIVE FINDINGS.

TEXT (a) The legislature finds that  
(1) because of its unique climate and its distance from the contiguous states, the state has historically suffered from unique social, seasonal, geographic, and economic conditions that result in an unstable economy;  
(2) the unstable economy is a hardship on the residents of the state and is aggravated by the large numbers of seasonal and transient nonresident workers;  
(3) the rate of unemployment among residents of the state is one of the highest in the nation;  
(4) the state has one of the highest ratios of nonresident to resident workers in the nation;  
(5) the state has a compelling interest in reducing the level of unemployment among its residents;  
(6) the construction industry in the state accounts for a substantial percentage of the available employment;  
(7) construction workers receive a greater percentage of all unemployment benefits paid by the state than is typical of other states;  
(8) historically, the rate of unemployment in the construction industry in the state is higher than the rate of unemployment in other industries in the state;  
(9) it is appropriate for the state to consider the welfare of its residents when it funds construction activity;  
(10) it is in the public interest for the state to allocate public funds for capital projects in order to reduce unemployment among its resident construction workers;  
(11) the influx of nonresident construction workers contributes to or causes the high unemployment rate among resident construction workers because nonresident workers compete with residents for the limited number of available construction jobs;  
(12) nonresident workers displace a substantial number

of qualified, available, and unemployed Alaska workers on jobs on state funded public works projects;

(13) the state has a special interest in seeing that the benefits of state construction spending accrue to its residents;

(14) the natural resources of land owned by the state belong to the citizens of the state;

(15) Alaskans have chosen to use the majority of the royalties derived from the state's natural resources to fund state government;

(16) the vast majority of the state's revenue is derived from natural resource income rather than from other forms of taxation;

(17) because the state has no personal income tax or sales tax, nonresident workers use services provided by the state but do not contribute fairly to the costs of those services; and

(18) Alaskans, more than the residents of other states, suffer economically when nonresidents displace qualified residents since resident workers contribute local taxes as well as their share of the royalties from natural resources.

(b) The legislature further finds that

(1) the state and its political subdivisions, when acting as a market participant in funding public works projects, should give Alaska residents an employment preference to promote a more stable economy;

(2) the state and its political subdivisions have a duty of loyalty to their citizens and should fulfill this duty by giving residents preference for employment on public works projects they fund;

(3) there is a legitimate and compelling governmental interest and that the public health and welfare will suffer if state residents are not afforded employment preference in state-funded construction-related work.

HISTORY (Sec. 1 ch 69 SLA 1985)

R0601 \* END OF DOCUMENTS IN LIST - ENTER RETURN OR ANOTHER COMMAND.

AS43.20.036 DOCUMENT

CHAPTER = 43.20

SECTION = 43.20.036

TITLE = 43

HEADINGS TITLE 43.

Revenue and Taxation.

CHAPTER 20.

Alaska Net Income Tax Act.

ARTICLE 1.

Persons Subject to Tax.

CITATION Sec. 43.20.036.

CATCH LINE

FEDERAL TAX DEDUCTIONS AND CREDITS.

TEXT

(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 26 U.S.C. 33 (Internal Revenue Code).

(b) For purposes of calculating the income tax payable under this chapter, the taxpayer may apply as a credit against tax liability the investment credit allowed as to federal taxes under 26 U.S.C. 38 (Internal Revenue Code) upon only the first \$20,000,000 of qualified investment, other than qualified investment for a special industrial incentive investment tax credit under AS 43.20.042, put into use in the state for each taxable year. This limitation does not apply to the amounts invested in equipment that meets the definition of a certified pollution control facility as defined in 26 U.S.C. 169 (Internal Revenue Code) as in effect on June 19, 1975, except that the date specified in 26 U.S.C. 169(d) (Internal Revenue Code) as a condition of qualifying a certified pollution control facility for a deduction 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 26 U.S.C. 991 (Internal Revenue Code), except those taxpayers who are engaged in the exportation of nonrenewable resources.

(d) Repealed, sec. 10 ch 1 SSSLA 1980. \_

(e) Repealed, sec. 10 ch 1 SSSLA 1980. \_

(f) Repealed, sec. 10 ch 1 SSSLA 1980. \_

(g) Repealed, sec. 10 ch 1 SSSLA 1980. \_

(h) Repealed, sec. 10 ch 1 SSSLA 1980. \_

(i) Repealed, sec. 10 ch 1 SSSLA 1980. \_

HISTORY

(Sec. 1 ch 153 SLA 1975; sec. 1 ch 171 SLA 1975; am sec. 3 ch 22 SLA 1980; am sec. 10 ch 1 SSSLA 1980; am sec. 9 ch 2 SSSLA 1980; am sec. 1 ch 117 SLA 1981; am sec. 3 ch 60 SLA 1984)

R0601 \* END OF DOCUMENTS IN LIST - ENTER RETURN OR ANOTHER COMMAND.

AS43.23.005 DOCUMENT

CHAPTER = 43.23

SECTION = 43.23.005

TITLE = 43

HEADINGS TITLE 43.

Revenue and Taxation.

CHAPTER 23.

Permanent Fund Dividends.

CITATION Sec. 43.23.005.

CATCH LINE

ELIGIBILITY.

TEXT

(a) An individual is eligible to receive one permanent fund dividend each year in an amount to be determined under AS 43.23.025 if the individual applies to the department, and if on the date of application the individual

(1) is a state resident; and

(2) has been a state resident for a period of at least six consecutive months immediately preceding the date of application.

(b) In determining the minimum period of an individual's residency required under (a)(2) of this section, the department may include months of residency both in the current year and in the immediately preceding year.

(c) A parent, guardian, or other authorized representative may claim a permanent fund dividend on behalf of an unemancipated minor or on behalf of an incompetent individual who is eligible to receive a payment under this section.

HISTORY (Sec. 1 ch 102 SLA 1982)

R0601 \* END OF DOCUMENTS IN LIST - ENTER RETURN OR ANOTHER COMMAND.

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: 3/18/86

REQUEST

Bill/Resolution No: SS SB 360  
Title: Local Hire Tax Credit

FISCAL DETAIL

Agency Affected: Revenue  
BRU: \_\_\_\_\_

Sponsor: Faiks, Bennett, et. al.  
Requestor: Labor and Commerce  
Date of Request: March 14, 1986

Components: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
* REVENUE	0	-33.2	-34.2	-35.4	-36.4	-38.1

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary (Revenue impacts are on a calendar year basis)

*Non-Petroleum Income Tax	0	-23,700	-24,700	-25,900	-27,300	-28,600
Petroleum Income Tax	0	- 9,500	- 9,500	- 9,500	- 9,500	- 9,500

See attached for narrative.

Prepared By: Al Zangri  
Division: Research Section

Phone: 465-2173

Date: 3/18/86

Approved by Commissioner: [Signature]  
Agency: Department of Revenue

Date: 3/18/86

Distribution (by Agency preparing fiscal note):

Legislative Finance  
Legislative Sponsor  
Requestor

It is assumed that conditions are such that the bill will have its intended effect on employers. Specifically this implies the following assumptions. (1) Corporations that hire non-residents have enough tax liability to take advantage of at least some of the available credit. (2) Every employer takes full advantage of the available tax credit when making hiring decisions. (3) Projected non-petroleum corporate income taxes increase at the rate of inflation (i.e. constant real non-petroleum corporate income tax). (4) The distribution of projected corporate income taxes among industries remains constant. (5) The distribution of jobs between residents and non-residents for calendar year 1986 is the same as that shown for 1984 in the Department of Labor study of January 17, 1986<sup>1</sup> (6) Non-resident wages have grown at a rate equal to the inflation rate since 1984. (7) That the historic relationship between the unemployment rate in Alaska and the national unemployment rate continues.<sup>2</sup> It is also assumed that sufficient data is obtainable to establish causality between unemployment and significant social ills and between non-resident employment and resident unemployment.

The Department of Labor study shows a state-wide total of 63,280 jobs held by non-residents. Using the assumptions above to project taxes and non-resident wages by industry shows that if 14% of the positions held by non-residents are filled by State residents the non-petroleum corporate income tax will be reduced to zero. Additionally, if the oil and gas and mining industry fills all 3,156 of the non-resident jobs with State residents corporate petroleum income taxes will be reduced by \$9.5 million. While the potential impact is to eliminate the corporate income tax the actual impact may differ depending upon: (1) how the Department of Labor determines unemployment areas, the cause of unemployment in underemployment areas and the existence of social ills in underemployment areas; (2) whether the increase in employed residents is enough to lower the unemployment rates in underemployment areas below the national average. The accompanying table shows the number and percentage of jobs now filled by non-residents that would need to be filled by residents in order to eliminate the corporate non petroleum income tax. The chart also shows the number of unemployment claims for each industry group and shows the number of those claims that come from residents if all industries employ the average percentage of non-resident workers.

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- 1 Non-residents Working in Alaska. A Special Study to Measure the Economic Impact of Non-Residents on Alaska's Economy During Calendar Year 1984. Alaska Department of Labor, January 1986.
  - 2 Since 1969 the only years that the Alaska, unemployment rate has been less than or equal to the national rate were 1975, 1976 and 1982. See Alaska's Economy Since Statehood: The ISER Map Economic Data Base, University of Alaska ISER February 1984. See also Annual Planning Information, Alaska Department of Labor, 1985.

### Economic Impact

1. Increase in jobs available to Alaskans.
2. A drop in the instate unemployment rate due to drop in migration.
3. The tax credit may tend to increase job turnover as employers attempt to stay eligible for the credit.
4. Could tend to lower wages as employers require pay cuts to avoid layoffs.
5. Could provide a subsidy to union busting employers as the State picks up half of the first \$6,000 in wages paid to new employees.
6. Incentives for fraudulent PFD claims may be greatly increased as employers may require proof of eligibility prior to hiring.
7. Could put pressure on the PFD program to certify eligibility more quickly and more often.

INDUSTRY GROUP	PROJECTED** % TAX	PROJECTED*	TOTAL*	JOBS TO	% OF	TOTAL***	ASSUMED****
		NONRESIDENT AVERAGE	NONRESIDENT	ELIMINATE	ELIMINATE	UNEMPLOY- MENT CLAIMS	RESIDENT CLAIMS
		% BASE	JOBS	TAX	TAX	1984	1984
MINING (INCLUDED OIL/GAS)	***	27335	***	***		2450	1538
CONSTRUCTION	3494898	17996	12642	1232	9.74%	21170	15578
LUMBER & WOOD MFG	548230	6715	260	183	70.29%	1933	1450
FOOD PROCESSING	92514	5429	12068	34	0.28%	5325	3594
OTHER MFG	2428778	10153	1642	895	49.27%	1768	1325
TRUCKING & WAREHOUSING	166416	16791	913	55	6.05%		
WATER TRANSPORTATION	695836	18726	517	200	45.06%		
AIR TRANSPORTATION	752823	15390	1624	251	15.44%		
OTHER TRANSPORTATION	224318	5480	350	82	23.39%	5788	4341
COMMUNICATIONS	215822	28219	799	72	9.00%		
UTILITIES	477261	18582	247	139	64.41%		
FISHING HUNTING & TRAPPING	268957	7471	177	57	45.14%	346	260
WHOLESALE TRADE	1946470	11997	1935	449	33.53%		
RETAIL TRADE	830880	4450	14993	2848	20.21%	9245	6734
FINANCE, INSUR & REAL EST	3011566	8991	2017	1004	49.77%	2076	1557
SERVICES	2883571	8387	17996	961	6.57%	11901	8926
NON-PETROLEUM CORP TAX	23737697		63280	3659			

\* Source: Dept of Labor study January 1986

\*\* Source: Dept of Revenue calendar year projection-does not include any collections from prior years.

\*\*\* This is the only sector that could fully utilize the \$3000 credit without completely eliminating it's income tax liability. There are 3154 nonresident jobs shown in the Dept of Labor study

\*\*\*\* Source: "Unemployment Insurance Actuarial Study And Financial Handbook", Alaska Dept of Labor, December 1985

\*\*\*\*\* The Dept of Labor January study shows that the state averages 25% nonresident unemployment claims. This column shows the distribution of resident unemployment claims if each industry has the same 25% average.

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date 3/11/86

REQUEST

Bill/Resolution No: Sponsor Sub. SB 360  
 Title: An Act relating to tax credits  
for local hire and an effective date.  
 Sponsor: Faiks, Bennett, Zharoff, Rodey  
De Vries and P. Fischer  
 Date of Request: March 11, 1986

FISCAL DETAIL

Agency Affected: Department of Revenue  
 BRU: Audit  
 Components:  
Audit Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
<u>OPERATING</u>						
100 PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL	-0-	2.0	-0-	-0-	-0-	-0-
400 SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
600 LANDS & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
800 MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
<u>TOTAL OPERATING</u>	-0-	2.0	-0-	-0-	-0-	-0-
<u>CAPITAL</u>	-0-	-0-	-0-	-0-	-0-	-0-
<u>REVENUE</u>	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-2.0	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
<u>TOTAL</u>	-0-	-2.0	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS: Please see attached.

Prepared By: Steven E. Kettel  
 Division: Audit Division

Phone: 465-2320  
 Date: March 11, 1986

Approved by Commissioner: [Signature]  
 Agency: Revenue

Date: 3/11/86

Distribution (by Agency preparing fiscal note):

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

Operating 2.0

Contractual services - forms design & printing

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

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

**REQUEST**

Bill/Resolution No. : SS SB 360  
 Title : "An Act relating to tax credits for employing and training residents.."  
 Sponsor : Faiks, et. al.  
 Requestor : Labor and Commerce  
 Date of Request : 3/7/86

**FISCAL DETAIL**

Agency Affected : Labor  
 BRU : Administrative Services  
 Components : Special Services

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		76.5	76.5	76.5	76.5	76.5
TRAVEL		0	0	0	0	0
CONTRACTUAL		55.0	48.4	50.3	52.3	54.4
SUPPLIES		1.5	1.6	1.7	1.8	1.9
EQUIPMENT		3.2	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	136.2	126.5	128.5	130.6	132.8

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING : (Thousands of Dollars)**

GENERAL FUND		136.2	126.5	128.5	130.6	132.8
FEDERAL FUNDS						
OTHER						
TOTAL	0	136.2	126.5	128.5	130.6	132.8

**POSITIONS :**

FULL-TIME		2	2	2	2	2
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

Prepared by : *ms Judy Knight*  
 Division : Administrative Services Division  
 Approved by Commissioner : *ms RW Jordan* Jim Robison  
 Agency : Labor

Phone : 465-2725  
 Date : 3/12/86  
 Date : 3/12/86

Distribution (by Agency preparing fiscal note) :

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

# CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SSSB 360

This legislation requires an annual report that designates areas as underemployment areas. The determination in Sec. 43.20.041 (c) (2) that "nonresident employment is a significant contributing cause of the high resident unemployment" will require this department to collect extensive occupational information by resident status. We would need two additional staff persons, a Labor Economist II and a Statistical Clerk, to complete the required report. Costs associated with these positions are shown on the attached - Request for New Position forms. In addition to the position costs we would require \$35,000 for data processing operations, \$10,000 for data processing applications, and \$6,050 a year for equipment lease and maintenance. \$8,500 of the data processing applications expense would be a one-time item, while the rest of the costs would be ongoing. The following assumptions were made in preparing the fiscal note:

1. An annual report designating underemployment areas would be completed by January 31 each year beginning in 1987.
2. On-going collection of occupational titles would be required from employers, and extensive computer matching would be necessary to determine residency status.
3. Beginning in 1988 occupational displacement information would be highlighted requiring continuation of both the existing occupational information budget levels, and the additional information on the occupational titles.
4. The collection of occupational titles from firms will be phased in over a three year period. Industries identified as having the highest dollar payments to nonresidents in 1984 would be targeted first:

First Year - construction, oil and gas mining, and food processing;

Second Year - all first year industries plus business services, local government, miscellaneous services, eating and drinking places, air transportation, and state government; and

Third Year - all industries.

5. "Economic region" will be defined as the six economic regions for which economic data is published by the Alaska Department of Labor.
6. Costs to determine that "resident unemployment has caused significant social ills" for each of the economic regions annually has not been included at this time. A thorough analysis of the available social data which can be released from other departments will require additional time. Case data would be required on all social problems in the state.

# CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SSSB 360

The costs to accomplish this section will greatly exceed all of our other costs associated with this bill.

7. The Department of Revenue will be responsible for all enforcement actions and the collection of all wage and job training costs.
8. The list of approved training cost will be the same as that used for JTPA, and there will be coordination between employers and the Service Delivery Areas of JTPA to determine approved training programs.
9. Work would begin on the report on July 1, 1986.
10. Annual inflation of 4% on non-personal services items.

Position Title <b>Labor Economist II</b>		No. of Positions <b>1</b>		Barg. Unit <b>IBA</b>		Gov. <b>Leg.</b>		Disapp.	
Time Status <b>PFT</b>		RP Number <b>12</b>		Election District		Leg.			

**Justification**

This position will have primary responsibility for the analysis of data and preparation of the annual resident hire report. Specifically the duties would include:

1. Coordinate the collection and monitor the validity of relevant resident hire related statistics from other agencies including the Department of Revenue and the Division of Labor Standards and Safety.
2. Coordinate the updating and crossmatching of resident hire related data files on the mainframe computer with the analyst programmer.
3. Analyze microcomputer resident hire data bases to generate resident hire related tables and reports. The reports will include data relating to occupational displacement of nonresidents by economic region and other related economic statistics associated with issue of resident hire.
4. Supervise the Statistical Clerk that will prepare the basic resident hire data tables for the report.
5. Prepare the annual resident hire report. Contractual services costs include phone, training, printing, and other miscellaneous items. The equipment expense for a desk, chair, etc. would be a one time item.

Type of Expenditure	Amount
1	3
Salary	33,660
Benefits	10,779
Premium Pay	
Other	
<b>Total Personal Services</b>	<b>44,439</b>
Travel	0
Contractual	2,000
Commodities	500
Equipment	1,600
Other	
<b>Total Cost</b>	<b>48,539</b>

Receipt Code	Funding Source	Amount
	Federal Receipts	1002
	G. F. Match	1003
	General Funds	1004
	I-A Receipts	1005
	Program Receipts	1028
	CIP Receipts	1061
	Other	
		48,539

For B&M Use Only  
Key Number

<b>Request For New Position</b>		<b>FY 87</b>	
Agency	Labor	Page	1 of 2
BRU	Administrative Services	Revised	Date
Component	Special Services		

Position Title	Statistical Clerk		RP Number
Time Status	PFT	Staff Months	12
No. of Positions	1	Range/Step	8B
Location	Juneau	Barg. Unit	GGU
		Election District	
		Gov.	Ut8.
		Approv.	
		Disapp.	

**Justification**  
 This position will support the labor economist in preparing an annual report on the effect of nonresident employment on Alaskans. Secondly, this position would assist on the quality control of occupational titles which would be submitted by employers each quarter. Specifically the duties would be:

1. Update tables of economic information by resident status.
2. Load information into spreadsheets to show occupational displacement of residents by nonresidents.
3. Assist in the quality control of the occupational displacement of residents by nonresident workers.

The other position will work on the quality control of occupational titles which would be submitted by employers each quarter. Specifically the duties would be:

1. Review detailed edit listings.
2. Update edit data files.
3. Call employers for clarification when necessary.
4. Correct occupational titles.
5. Prepare computer summaries of results.

Contractual costs for this position includes phone, training, printing, etc. Equipment expense for desk, chair, cabinets, etc. would be a one time item.

Type of Expenditure	Amount
1	3
Salary	23,580
Benefits	8,458
Premium Pay	
Other	
Total Personal Services	32,038
Travel	0
Contractual	2,000
Commodities	1,000
Equipment	1,600
Other	
Total Cost	36,638

Receipt Code	Funding Source	Amount
	Federal Receipts	1002
	G. E. Match	1003
	General Funds	1004
	I-A Receipts	1005
	Program Receipts	1028
	CIP Receipts	1061
	Other	
		36,638

For B&M Use Only  
 Key Number

**Request For  
 New Position**

Agency BRU Labor  
 Component Administrative Services  
Special Services

**FY 87**

Page 2 of 2  
 Revised Date

cost of assist programs

Bob Handeen D.C. Doc.  
Chuck Caldwell

seafood industry  
TJTC  
Fed Gov

Introduced: 3/6/86  
Referred: Labor and Commerce and Finance

Rec. Impact

what industries would this bill affect?  
any industries that are corporations?

Strengthening of existing employment for Tax credit

Seasonal employees - Fishing in Alaska

unemployed employees

1 IN THE SENATE

BY FAIKS, BENNETT, ZHAROFF, DEVRIES, RODEY AND P. FISCHER

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 360  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

6 For an Act entitled: "An Act relating to tax credits for employing and  
7 training residents; and providing for an effective  
8 date."

Let people desire work

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

10 \* Section 1. PURPOSE. The legislature recognizes that the state has a  
11 significant unemployment problem. This Act is intended to better fulfill  
12 the state's duty of loyalty to its citizens, reduce unemployment among  
13 residents of the state, remedy social harms resulting from chronic unem-  
14 ployment, and encourage the training of state residents so that they are  
15 better qualified to compete for job opportunities.

16 \* Sec. 2. LEGISLATIVE FINDINGS. The legislature finds:

17 (1) the findings made in AS 36.10.005 continue to accurately  
18 describe the social, economic, and employment situation in the state;

19 (2) nonresident workers displace a substantial number of qual-  
20 ified, available, and unemployed residents, and the displacement is a  
21 substantial contributing cause of the high rate of unemployment among state  
22 residents;

Construction industry only

23 (3) high and persistent unemployment breeds severe social prob-  
24 lems including alcoholism and domestic violence;

25 (4) the findings of the Department of Labor of the State of  
26 Alaska in its report entitled "Nonresidents Working in Alaska; A Special  
27 Study to Measure the Economic Impact of Nonresidents on Alaska's Economy  
28 During Calendar Year 1984" support the need for a resident hiring prefer-  
29 ence;

unemployment area? def.

1 (5) private sector investment in job training and vocational  
2 education programs will help qualify unemployed Alaskans for higher-skilled  
3 job opportunities.

4 \* Sec. 3. AS 43.20.036 is amended by adding a new subsection to read:

5 (j) For purposes of calculating the income tax payable under  
6 this chapter, the taxpayer may apply as a credit against tax liability  
7 an Alaska hire credit under AS 43.20.041, for employment of state  
8 residents who satisfy the eligibility requirements, equal to the sum  
9 of

10 (1) 50 percent of the qualified first-year wages, as de-  
11 fined in 26 U.S.C. 51(b)(2), to a maximum credit of \$3,000 for each  
12 eligible employee, paid or incurred by the employer during the taxable  
13 year;

14 (2) 25 percent of the qualified second-year wages, as  
15 defined in 26 U.S.C. 51(b)(3), to a maximum credit of \$3,000 for each  
16 eligible employee, paid or incurred by the employer during the taxable  
17 year; and

18 (3) 50 percent of the verifiable job training costs, as  
19 determined by regulations adopted by the commissioner of labor, to a  
20 maximum credit of \$3,000 for each eligible first-year employee, and 25  
21 percent of the verifiable job training costs to a maximum credit of  
22 \$3,000 for each eligible second year employee.

23 \* Sec. 4. AS 43.20 is amended by adding a new section to read:

24 Sec. 43.20.041. ALASKA HIRE TAX CREDIT. (a) An employer is  
25 entitled to claim an Alaska hire credit under AS 43.20.036(j) if the  
26 employer hires an eligible state resident.

27 (b) An employee is eligible under this section if the employee  
28 satisfies the residency requirements for eligibility for a permanent  
29 fund dividend under AS 43.23.005 on the date immediately preceding the

1 date of hire and on that date the employee was a resident of an under-  
2 employment area and

3 (1) was receiving unemployment benefits under AS 23.20 or  
4 would have been eligible to receive benefits but had exhausted them;

5 (2) was not employed and had registered to find work with a  
6 public or private employment agency or a local hiring hall;

7 (3) was underemployed or marginally employed as determined  
8 under regulations adopted by the Department of Labor; or

9 (4) had completed a job training program approved by the  
10 Department of Labor and is either not employed or is engaged in em-  
11 ployment that does not use the skills acquired in the job training  
12 program.

13 (c) The Department of Labor shall prepare an annual report that  
14 designates areas as underemployment areas. The department shall  
15 examine each economic region of the state and shall find that an area  
16 is an underemployment area if

17 (1) the area suffers from a resident unemployment rate that  
18 is higher than the national average; 2nd link together!!

19 (2) nonresident employment is a significant contributing  
20 cause of the high resident unemployment; and ??

21 (3) resident unemployment has caused significant social  
22 ills.

23 \* Sec. 5. This Act applies to employees first hired by an employer on  
24 or after January 1, 1986.

25 \* Sec. 6. This Act is retroactive to January 1, 1986.

26 \* Sec. 7. This Act takes effect immediately in accordance with AS 01.-  
27 10.070(c).

*Legal  
Standards*

*redaction  
##*

*??  
#*

*6 economic  
regions -  
(where / what  
are they)*

*economic*

*Village  
Folks  
how do they  
get into this??  
Now  
SJ & PC.*

Introduced: 1/23/86  
Referred: Labor and Commerce  
and Finance

BY FAIKS, BENNETT, ZHAROFF,  
DEVRIES, RODEY AND P. FISCHER

1 IN THE SENATE

2

SENATE BILL NO. 360

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to tax credits for employing resi-  
7 dents; and providing for an effective date."

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

9 \* Section 1. AS 43.20.036 is amended by adding a new subsection to  
10 read:

11 (j) For purposes of calculating the income tax payable under  
12 this chapter, the taxpayer may apply as a credit against tax liability  
13 an Alaska hire credit, for employment of state residents who satisfy  
14 the residency requirements for eligibility for a permanent fund  
15 dividend under AS 43.23.005 on the date immediately preceding the date  
16 of hire, equal to the sum of

17 (1) 50 percent of the qualified first-year wages, as de-  
18 fined in 26 U.S.C. 51(b)(2), to a maximum of \$6,000 in wages for each  
19 eligible employee, paid or incurred by the employer during the taxable  
20 year; and

21 (2) 25 percent of the qualified second-year wages, as  
22 defined in 26 U.S.C. 51(b)(3), to a maximum of \$6,000 in wages for  
23 each eligible employee, paid or incurred by the employer during the  
24 taxable year.

25 \* Sec. 2. Section 1 of this Act is retroactive to January 1, 1986.

26 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.-  
27 10.070(c).

*Admiral Approval*

426

WORK DRAFT

WORK DRAFT

WORK DRAFT

Cramer  
4/14/86

Original sponsors: Faiks, Bennett,  
Zharoff, et al

1 IN THE SENATE

BY THE LABOR AND  
COMMERCE COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 360 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to tax credits for employing and  
7 training residents; and providing for an effective  
8 date."

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

10 \* Section 1. PURPOSE. The legislature recognizes that the state has a  
11 significant unemployment problem. This Act is intended to better fulfill  
12 the state's duty of loyalty to its citizens, reduce unemployment among  
13 residents of the state, remedy social harms resulting from chronic unem-  
14 ployment, and encourage the training of state residents so that they are  
15 better qualified to compete for job opportunities. If the courts find that  
16 a portion of AS 43.20.036(j) or 43.20.041 is unconstitutional, the public  
17 interest requires that the remaining portions be implemented as fully as  
18 possible.

19 \* Sec. 2. LEGISLATIVE FINDINGS. The legislature finds:

20 (1) the findings made in AS 36.10.005 continue to accurately  
21 describe the social, economic, and employment situation in the state;

22 (2) nonresident workers displace a substantial number of qual-  
23 ified, available, and unemployed residents, and the displacement is a  
24 peculiar source of the high rate of unemployment among state residents;

25 (3) high and persistent unemployment breeds severe social prob-  
26 lems including alcoholism and domestic violence;

27 (4) the findings of the Department of Labor of the State of  
28 Alaska in its report entitled "Nonresidents Working in Alaska; A Special  
29 Study to Measure the Economic Impact of Nonresidents on Alaska's Economy

*506 to insurance*

*construction industry only*

1 During Calendar Year 1984" support the need for a resident hiring prefer-  
2 ence;

3 (5) private sector investment in job training and vocational  
4 education programs will help qualify unemployed Alaskans for higher-skilled  
5 job opportunities.

6 \* Sec. 3. AS 43.20.036 is amended by adding a new subsection to read:

7 (j) For purposes of calculating the income tax payable under  
8 this chapter, the taxpayer may apply as a credit against tax liability  
9 an Alaska hire credit under AS 43.20.041, for employment of state  
10 residents who satisfy the eligibility requirements, equal to the sum  
11 of

12 (1) 50 percent of the qualified first-year wages, as de-  
13 fined in 26 U.S.C. 51(b)(2), to a maximum credit of \$3,000 for each  
14 eligible employee, paid or incurred by the employer during the taxable  
15 year;

16 (2) 25 percent of the qualified second-year wages, as  
17 defined in 26 U.S.C. 51(b)(3), to a maximum credit of \$3,000 for each  
18 eligible employee, paid or incurred by the employer during the taxable  
19 year; and

20 (3) 50 percent of the verifiable job training costs, as  
21 determined by regulations adopted by the commissioner of labor, to a  
22 maximum credit of \$3,000 for each eligible first-year employee, and 25  
23 percent of the verifiable job training costs to a maximum credit of  
24 \$3,000 for each eligible second-year employee.

25 \* Sec. 4. AS 43.20 is amended by adding a new section to read:

26 Sec. 43.20.041. ALASKA HIRE TAX CREDIT. (a) An employer is  
27 entitled to claim an Alaska hire credit under AS 43.20.036(j) if the  
28 employer employs an eligible state resident for at least six consecu-  
29 tive months for a tax credit on first-year wages and 18 consecutive

1 months for a tax credit on second-year wages. The credit for first-  
2 year wages may only be claimed in the tax year in which the resident  
3 completes 12 consecutive months of employment with the employer, or in  
4 which the last day of the resident's consecutive employment with the  
5 employer occurs, whichever comes first. The credit for second-year  
6 wages may only be claimed in the tax year in which the resident compl-  
7 etes 24 consecutive months of employment with the employer, or in  
8 which the last day of the resident's consecutive employment with the  
9 employer occurs, whichever comes first.

10 (b) An employee is eligible under this section if the employee  
11 satisfies the residency requirements of AS 43.23.005(a) on the date  
12 immediately preceding the date of hire and on that date the employee  
13 was a resident of an underemployment area designated under (c) of this  
14 section and

15 (1) was receiving unemployment benefits under AS 23.20 or  
16 would have been eligible to receive benefits but had exhausted them;  
17 or

18 (2) was not employed and had registered to find work with a  
19 public or private employment agency or a local hiring hall.

20 (c) The Department of Labor shall report annually to the legis-  
21 lature and the governor on the status of employment in the state, the  
22 effect of nonresident employment on the employment of residents in the  
23 state, and methods to increase resident hire. The report may design-  
24 ate areas as underemployment areas. A designation is valid for two  
25 years immediately following a determination by the commissioner of  
26 labor. The commissioner of labor shall determine that an economic  
27 region of the state or the state as a whole is an underemployment area  
28 if the commissioner finds that

29 (1) the rate of unemployment within the area is

pp 1  
chapter 7

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substantially higher than the national rate of unemployment;

(2) the lack of employment opportunities in the area has contributed to serious social or economic problems in the area; and

(3) employment of workers who are not residents is a peculiar source of the unemployment of residents of the area.

(d) An employer may not claim a tax credit under this section if the employer terminated the employment of a resident in the expectation of receiving a greater tax credit under AS 43.20.036(j). If an employer terminates the employment of a resident and then hires a resident to fill the position within three months after the termination and if the employer would be entitled to a greater tax credit under AS 43.20.036(j) for the subsequent employment, there is a presumption that the employer acted in expectation of a greater tax credit. The employer may overcome the presumption by showing by clear and convincing evidence that the employer terminated the employee for cause or that the employee left the employment voluntarily.

\* Sec. 5. If a provision of AS 43.20.036(j) or 43.20.041, or the application of a provision to a person or circumstance, is held invalid, the remainder and the application to other persons or circumstances is not affected by the holding. The remainder shall be enforced to the greatest extent constitutionally permissible under the constitutions of the United States and the State of Alaska.

\* Sec. 6. This Act applies to employees first hired by an employer on or after January 1, 1986.

\* Sec. 7. This Act is retroactive to January 1, 1986.

\* Sec. 8. This Act takes effect immediately in accordance with AS 01.-10.070(c).

*Jan 31st*  
*Possible deletion*

Cramer  
5/6/86

Original sponsors: Faiks, Bennett,  
Zharoff, et al

1 IN THE SENATE

BY THE LABOR AND  
COMMERCE COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 360 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to tax credits for employing and  
7 training residents; and providing for an effective  
8 date."

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

10 \* Section 1. PURPOSE. The legislature recognizes that the state has a  
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12 the state's duty of loyalty to its citizens, reduce unemployment among  
13 residents of the state, remedy social harms resulting from chronic unem-  
14 ployment, and encourage the training of state residents so that they are  
15 better qualified to compete for job opportunities.

16 \* Sec. 2. LEGISLATIVE FINDINGS. The legislature finds:

17 (1) the findings made in AS 36.10.005 continue to accurately  
18 describe the social, economic, and employment situation in the state;

19 (2) nonresident workers displace a substantial number of qual-  
20 ified, available, and unemployed residents, and the displacement is a  
21 peculiar source of the high rate of unemployment among state residents;

22 (3) high and persistent unemployment breeds severe social prob-  
23 lems including alcoholism and domestic violence;

24 (4) the findings of the Department of Labor of the State of  
25 Alaska in its report entitled "Nonresidents Working in Alaska; A Special  
26 Study to Measure the Economic Impact of Nonresidents on Alaska's Economy  
27 During Calendar Year 1984" support the need for a resident hiring prefer-  
28 ence;

29 (5) private sector investment in job training and vocational

1 education programs will help qualify unemployed Alaskans for higher-skilled  
2 job opportunities.

3 \* Sec. 3. AS 43.20.036 is amended by adding a new subsection to read:

4 (j) For purposes of calculating the income tax payable under  
5 this chapter, the taxpayer may apply as a credit against tax liability  
6 an Alaska hire credit under AS 43.20.041, for employment of state  
7 residents who satisfy the eligibility requirements, equal to the sum  
8 of

9 (1) 50 percent of the qualified first-year wages, as de-  
10 fined in 26 U.S.C. 51(b)(2), to a maximum credit of \$3,000 for each  
11 eligible employee, paid or incurred by the employer during the taxable  
12 year;

13 (2) 25 percent of the qualified second-year wages, as  
14 defined in 26 U.S.C. 51(b)(3), to a maximum credit of \$3,000 for each  
15 eligible employee, paid or incurred by the employer during the taxable  
16 year; and

17 (3) 50 percent of the verifiable job training costs, as  
18 determined by regulations adopted by the commissioner of labor, to a  
19 maximum credit of \$3,000 for each eligible first-year employee, and 25  
20 percent of the verifiable job training costs to a maximum credit of  
21 \$3,000 for each eligible second-year employee.

22 \* Sec. 4. AS 43.20 is amended by adding a new section to read:

23 Sec. 43.20.041. ALASKA HIRE TAX CREDIT. (a) An employer is  
24 entitled to claim an Alaska hire tax credit under AS 43.20.036(j) on  
25 first-year wages if the employer employs an eligible state resident  
26 for at least six consecutive months. An employer is entitled to claim  
27 an Alaska hire tax credit under AS 43.20.036(j) on second-year wages  
28 if the employer employs an eligible state resident for at least 18  
29 consecutive months.

1 (b) The tax credit for first-year wages under (a) of this sec-  
2 tion may only be claimed in the tax year in which the resident com-  
3 pletes 12 consecutive months of employment with the employer, or in  
4 which the last day of the resident's consecutive employment with the  
5 employer occurs, whichever comes first. The tax credit for second-  
6 year wages under (a) of this section may only be claimed in the tax  
7 year in which the resident completes 24 consecutive months of employ-  
8 ment with the employer, or in which the last day of the resident's  
9 consecutive employment with the employer occurs, whichever comes  
10 first.

11 (c) An employee is eligible under this section if on the date  
12 immediately preceding the date of hire

13 (1) the employee satisfies the residency requirements of  
14 AS 43.23.005(a);

15 (2) the employee was a resident of a zone of underemploy-  
16 ment designated under (d) of this section, the place of employment was  
17 located in that zone of underemployment, and the employee

18 (A) was receiving unemployment benefits under AS 23.20  
19 or would have been eligible to receive benefits but had exhausted  
20 them; or

21 (B) was not employed and had registered to find work  
22 with a public or private employment agency or a local hiring  
23 hall.

24 (d) The Department of Labor shall report annually to the legis-  
25 lature and the governor on the status of employment in the state, the  
26 effect of nonresident employment on the employment of residents in the  
27 state, and methods to increase resident hire. The report may desig-  
28 nate areas as underemployment areas. A designation is valid immedi-  
29 ately and for the next two fiscal years following a determination by

1 the commissioner of labor. The commissioner of labor shall determine  
2 that a zone of underemployment exists if the commissioner finds that

3 (1) the rate of unemployment in the zone is substantially  
4 higher than the national rate of unemployment;

5 (2) a substantial number of residents in the zone have  
6 experience or training in occupations in which nonresidents are em-  
7 ployed;

8 (3) the lack of employment opportunities in the zone has  
9 contributed to serious social or economic problems in the zone; and

10 (4) employment of workers who are not residents is a pecu-  
11 liar source of the unemployment of residents of the zone.

12 (d) An employer may not claim a tax credit under this section if  
13 the employer terminated the employment of a resident in the expecta-  
14 tion of receiving a greater tax credit under AS 43.20.036(j). If an  
15 employer terminates the employment of a resident and then hires a  
16 resident to fill the position within three months after the termina-  
17 tion and if the employer would be entitled to a greater tax credit  
18 under AS 43.20.036(j) for the subsequent employment, there is a pre-  
19 sumption that the employer acted in expectation of a greater tax  
20 credit. The employer may overcome the presumption by showing by clear  
21 and convincing evidence that the employer terminated the employee for  
22 cause or that the employee left the employment voluntarily.

23 \* Sec. 5. If a provision of AS 43.20.036(j) or 43.20.041, or the appli-  
24 cation of a provision to a person or circumstance, is held invalid, the  
25 remainder and the application to other persons or circumstances is not  
26 affected by the holding. The remainder shall be enforced to the greatest  
27 extent constitutionally permissible under the constitutions of the United  
28 States and the State of Alaska.

29 \* Sec. 6. This Act takes effect immediately in accordance with

1 AS 01.10.070(c).

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# Alaska State Legislature

CO-CHAIRMAN  
FINANCE COMMITTEE

907-465-3740

JAN FAIKS  
POUCH V  
CAPITOL BUILDING  
JUNEAU, ALASKA 99811

MAY 5 1986

Senate

May 2, 1986

## MEMORANDUM

TO: Senator Zharoff, Chairman,  
Senate Labor and Commerce Committee

FROM: Senator Jan Faiks

SUBJECT: Revised CS for Senate Bill 360, an Act relating  
to tax credits for employing and training  
residents

My staff met with Bob Landau of the Department of Labor concerning their suggestions for improving Senate Bill 360. Together, they agreed on the following changes to the 4-14-86 committee substitute.

I would appreciate your having these drafted into a new committee substitute and scheduling the bill for a rehearing.

1. Wherever the words "unemployment area(s)" or "area(s)" appear, replace these with "underemployment zone(s)" or "zone(s)".
2. On page 3, line 24, after the word "two", add the word "fiscal".
3. On page 4, add the following subsection to (c): (d) a substantial number of residents in the zone have experience or training in occupations in which nonresidents are employed.

The above changes will make SB 360 uniform with other local hire bills.

4. On page 3, rewrite or place into another section the language dealing with the tax years in which the credits can be claimed. The current placement after the provision

OUT OF SESSION

1024 WEST SIXTH AVENUE, SUITE 302 ANCHORAGE, ALASKA 99501 907-274-6611

dealing with required consecutive employment has confused readers.

5. On page 3, in subsection (b) beginning line 10, add the following additional criterion: on the date immediately preceding the date of hire the place of employment was located in the same underemployment zone as the employee's place of residence. This will prevent employers from discriminating against local unemployed residents in favor unemployed residents from other areas of the state.

6. On page 4, please delete sections 6 and 7. These sections are unnecessary because employees will not be eligible for a tax credit until after the Department of Labor designates underemployment areas. According to the Department, the earliest that a designation could be made would be January 31, 1987.

Thank you.

CHAIRMAN'S INFORMATION: SSSB 360

1) BILL TITLE: "An act relating to tax credits for employing and training residents; and providing for an effective date."

a) Introduced: Fiaks, Bennett, Zharoff, Devries, Rodey, and P Fischer

b) Co-sponsors:

2) INTENT: This measure creates an "Alaskan Hire Tax Credit" for an employer who hires an eligible resident. The bill enacts a series of tax credits, including a credit for training costs (maximum of \$3,000), and details the eligibility criteria.

FISCAL NOTE: 2 from the Department of Revenue ( - \$33.2 million in revenue and \$2.0 contractual) and a DOL F/N of \$136.2

3) ADDITIONAL REFERRALS: Finance, Rules

4) PUBLIC HEARINGS:

a) Sponsor:

b) Public Witnesses:

5) BILL ACTION:

a) Hold in committee?

b) Assign to sub committee for further review?

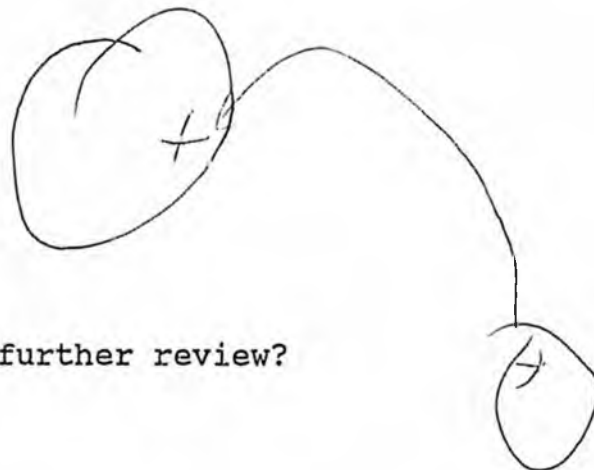
c) Move from committee?

d) Close public hearings?

6) COMMITTEE ACTION?

a) amendments?

b) CS adoption?



RECEIVED APR 14 1986



INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH  
UNIVERSITY OF ALASKA, ANCHORAGE

707 A Street, Suite 206 • Anchorage, Alaska 99501  
Phone (907) 278-4621



10 April 1986

Senator Jan Faiks  
Senate Finance Committee  
Pouch V  
Capitol Building  
Juneau, Alaska 99811

Re: Analysis of the Economic Effect of SB 360

Dear Senator Faiks,

In response to a request from Stephen White of your staff, I am enclosing a short analysis of the economic effect of SB 360, a bill providing tax credits for the hiring of resident Alaskans.

The basic equation for calculating the economic effect of displacing a nonresident worker, as measured by the change in income to Alaska residents, is the sum of two parts, as follows:

$$\begin{array}{rcl} \text{Change in income} & & \text{Net increase in} \\ \text{of Alaska} & = & \text{income of newly} \\ \text{residents} & & \text{hired Alaska} \\ & & \text{resident} \end{array} + \begin{array}{l} \text{Multiplier effect} \\ \text{of increased income} \\ \text{spent in Alaska} \end{array}$$

The net increase in income of the newly hired Alaska resident is the salary he receives minus any public benefits foregone, typically unemployment insurance payments.

$$\begin{array}{rcl} \text{Net increase in income} & & \text{Salary at} \\ \text{of newly hired} & = & \text{new job} \\ \text{Alaska resident} & & \end{array} - \begin{array}{l} \text{Foregone public} \\ \text{benefits} \end{array}$$

The multiplier effect (the increase in income of other Alaskans) is calculated using the additional income spent locally due to the displacement of the nonresident as the base to which an economic multiplier is applied.

$$\begin{array}{rcl} \text{Multiplier effect} & & \\ \text{of increased} & = & \text{[multiplier]} \times \\ \text{income spent} & & \text{Net increase} \\ \text{in Alaska} & & \text{in income of} \\ & & \text{newly hired} \\ & & \text{Alaska resident} \end{array} - \begin{array}{l} \text{Local} \\ \text{spending} \\ \text{by} \\ \text{nonresident} \end{array}$$

UNIVERSITY OF ALASKA

Jan Faiks  
10 April 1986  
Page 2

For example, if we assume the following:

weekly salary of Alaskan = \$557 (average weekly earnings of recipients of unemployment compensation in 1984)

public benefits foregone = \$140 (average weekly unemployment compensation in 1984)

local spending of nonresident = 25% of earnings \_

multiplier = .5

then the impact on Alaskan resident income of displacing a non-resident for one week by one unemployed resident would be about \$557--\$417 going to the resident worker and \$139 to Alaskans in other industries because of the multiplier effect.

$$[\$557 - \$140] + .5 [\$557 - \$140 - \$139] =$$
$$\$417 + \$139 \approx \$557$$

In this analysis, the income of the nonresident has no value.

In applying this formula to an analysis of SB 360, the critical variable is the percentage of credits which would be used to hire unemployed residents who would not otherwise get a job. In other words, how many credits "hit the target" for which they are designed. This depends upon the ability of the Department of Labor to designate as "underemployment areas" regions which do not have significant seasonal fluctuations in employment and high job turnover rates from other causes.

Absent such sharp designations, it seems likely on the basis of limited evidence that a large portion of the credits would be used to hire unemployed Alaskans who would have found jobs in the absence of the credits.

Alaska Department of Labor data show that in 1984, 45,453 persons submitted initial unemployment compensation claims and only 45.6 percent of these people exhausted their benefits. The remaining 24,749 either found employment prior to exhausting their benefits or dropped out of the labor market (79 percent [36,063] of these claims were from within the state, but the percentage of these claimants exhausting their benefits is not reported [ADOL, Unemployment Insurance Actuarial Study and Financial Handbook, December 1985]).

# UNIVERSITY OF ALASKA

Jan Faiks  
10 April 1986  
Page 3

Because of the seasonal nature of a number of Alaska industries, it is not surprising that a large portion of people filing for unemployment would find new jobs before their benefits were exhausted. These hirings would in general be eligible for the credit. In addition, there is a normal turnover of people in any industry as employers and employees continually strive to improve their circumstances. This phenomenon also accounts for some of the unemployment and hiring of individuals who have not exhausted benefits.

An estimate (very rough) of the potential for the credits to be used up by this rehiring process, in the absence of targeting, is provided by comparing first payments of unemployment compensation by industry in 1984 (p. 46 of the ADOL, Unemployment Insurance Actuarial Study and Financial Handbook) with the Department of Revenue (DOR) "fiscal note," attached to SB 360, an analysis of the number of resident hirings by industry necessary to eliminate the tax. With a few notable exceptions, the number of credits necessary to reduce the tax liability to zero is small compared to either the number of individuals receiving unemployment compensation or the apparent number rehired before exhaustion of benefits. For example, 11,376 people who said their occupation was construction received unemployment compensation, and apparently about half were rehired before their payments expired. In contrast, DOR estimated that only 1,232 job credits would be necessary to eliminate all tax liability for that industry. The major exceptions to this imbalance are the oil and gas, trade, and finance industries, where the number of claimants is commensurate with the DOR estimates. For example, there were only 1,170 first-time unemployment compensation payments to Alaskans in mining (primarily oil and gas) while DOR estimated 3,156 nonresident jobs displaced would not be enough to eliminate the tax liability in that industry.

Thus, the potential range of impact is great and largely dependent upon targeting. With "perfect targeting," complete use of the credits, and nonresident displacement consistent with the DOR job mix, the direct income displaced from nonresidents to residents would be \$171.1 million (\$86.3 in oil and gas, \$22.2 in construction, and the remainder in other industries). This is the result of hiring 3,156 Alaskans in oil and gas and 8,559 Alaskans in other industries at the same wage as the displaced nonresidents. Assuming a multiplier of .5 and a 25 percent local spending factor for nonresidents, the total impact on Alaska income would be equal to \$171 million, or about \$5 for each \$1 of state tax income foregone.

A more likely result is that "targeting" would be difficult to achieve. Many of those hired to receive a tax credit would be unemployed Alaskans who would have been hired eventually anyway. If one-fourth of the credits are "on target" for oil and gas and

UNIVERSITY OF ALASKA

Jan Faiks  
10 April 1986  
Page 4

one-fifth for other industries (a rough judgment based solely on a comparison of the DOR analysis of the number of jobs needed to eliminate the tax and the Department of Labor figures for the unemployed by industry) and if the credits were fully utilized, the impact on resident income would be \$39 million, about \$1.22 of income for each public dollar lost.

I am not in a position to offer any comments on the reduction in public expenditures which would result from the passage of SB 360. Since the unemployment insurance program is not funded out of the state general fund, a reduction in unemployment benefits paid would not directly impact the state treasury. The question of reduced payments for the treatment of social ills arising from unemployment is best addressed by an expert in the field.

I hope this information is useful to you as you consider this and other legislation relating to the issue of local hire.

Sincerely,



Oliver Scott Goldsmith  
Professor of Economics

# Faiks seeks local hire tax break

by Bruce Scandling  
Associated Press

JUNEAU — Employers would get a tax break for hiring state residents, according to a new proposal introduced less than a week after the Alaska Supreme Court tossed out the state's local hire law.

Companies could deduct up to \$6,000 a year from their tax bills for each newly hired Alaskan, under a plan drafted by Sen. Jan Faiks, an Anchorage Republican who co-chairs the Senate Finance Committee.

The deduction would apply only to workers hired after the law was enacted. The tax break would be good for the first two years a worker was on the job.

"I couldn't think of a better way to encourage employers to hire Alaskans," said Faiks, who modeled the law after a federal tax code providing incentives for the hire of minority and disadvantaged workers.

Although the financial ramifications of the bill have not been calculated, the proposal would likely cost the state millions of dollars in lost tax revenue.

According to the state Department of Revenue, 3,000 corporations in Alaska reported taxable income in 1982, the last year for which complete records are available.

"Presumably, there will be some fiscal impact," said Bruce Botelho, deputy commissioner in the Revenue Department. "I'm sure we're going to be asked for the impact on that."

Faiks said employers would determine the residency of workers according to their eligibility for an Alaska Permanent Fund dividend. A person who has lived

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## Proposal

Continued from page A-1

in Alaska for six months and plans to stay is eligible for the dividend.

The new proposal comes less than a week after the Alaska Supreme Court struck down the state's local hire law. In a unanimous opinion, the court said attempts to give Alaskans priority for jobs on state-funded projects is discriminatory, and a violation of the U.S. Constitution.

Ron Zobel, the Anchorage attorney who successfully argued against the local hire law, said Thursday he has questions about tax incentives which would work against non-residents.

"I would not be willing to say that a court would uphold such a scheme, although in this instance the law is a little more complicated," Zobel said.

He said the state supreme court and other courts have continually ruled that efforts to keep jobs away from non-residents are against the law.

"That very purpose of preventing the disposition of jobs (to non-residents) is constitutionally unenforceable," Zobel said.

Faiks said she still supports current attempts in the legislature to rewrite the local hire law with new figures showing the drastic economic impact of non-resident hire in Alaska. But the tax-incentive proposal could be a more well-received approach, she said.

"I think the courts have said that you can't just force people to hire Alaskans," said Faiks.

The measure would also provide incentives for companies to train Alaska workers, she said.

1 IN THE SENATE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 360 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to tax credits for employing and  
7 training residents; and providing for an effective  
8 date."

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

10 \* Section 1. PURPOSE. The legislature recognizes that the state has a  
11 significant unemployment problem. This Act is intended to better fulfill  
12 the state's duty of loyalty to its citizens, reduce unemployment among  
13 residents of the state, remedy social harms resulting from chronic unem-  
14 ployment, and encourage the training of state residents so that they are  
15 better qualified to compete for job opportunities. If the courts find that  
16 a portion of AS 43.20.036(j) or 43.20.041 is unconstitutional, the public  
17 interest requires that the remaining portions be implemented as fully, as  
18 possible.

19 \* Sec. 2. LEGISLATIVE FINDINGS. The legislature finds:

20 (1) the findings made in AS 36.10.005 continue to accurately  
21 describe the social, economic, and employment situation in the state;

22 (2) nonresident workers displace a substantial number of qual-  
23 ified, available, and unemployed residents, and the displacement is a  
24 peculiar source of the high rate of unemployment among state residents;

25 (3) high and persistent unemployment breeds severe social prob-  
26 lems including alcoholism and domestic violence;

27 (4) the findings of the Department of Labor of the State of  
28 Alaska in its report entitled "Nonresidents Working in Alaska; A Special  
29 Study to Measure the Economic Impact of Nonresidents on Alaska's Economy

1 During Calendar Year 1984" support the need for a resident hiring prefer-  
2 ence;

3 (5) private sector investment in job training and vocational  
4 education programs will help qualify unemployed Alaskans for higher-skilled  
5 job opportunities.

6 \* Sec. 3. AS 43.20.036 is amended by adding a new subsection to read:

7 (j) For purposes of calculating the income tax payable under  
8 this chapter, the taxpayer may apply as a credit against tax liability  
9 an Alaska hire credit under AS 43.20.041, for employment of state  
10 residents who satisfy the eligibility requirements, equal to the sum  
11 of

12 (1) 50 percent of the qualified first-year wages, as de-  
13 fined in 26 U.S.C. 51(b)(2), to a maximum credit of \$3,000 for each  
14 eligible employee, paid or incurred by the employer during the taxable  
15 year;

16 (2) 25 percent of the qualified second-year wages, as  
17 defined in 26 U.S.C. 51(b)(3), to a maximum credit of \$3,000 for each  
18 eligible employee, paid or incurred by the employer during the taxable  
19 year; and

20 (3) 50 percent of the verifiable job training costs, as  
21 determined by regulations adopted by the commissioner of labor, to a  
22 maximum credit of \$3,000 for each eligible first-year employee, and 25  
23 percent of the verifiable job training costs to a maximum credit of  
24 \$3,000 for each eligible second-year employee.

25 \* Sec. 4. AS 43.20 is amended by adding a new section to read:

26 Sec. 43.20.041. ALASKA HIRE TAX CREDIT. (a) An employer is  
27 entitled to claim an Alaska hire credit under AS 43.20.036(j) if the  
28 employer employs an eligible state resident for at least six consecu-  
29 tive months for a tax credit on first-year wages and 18 consecutive

1 months for a tax credit on second-year wages. The credit for first-  
2 year wages may only be claimed in the tax year in which the resident  
3 completes 12 consecutive months of employment with the employer, or in  
4 which the last day of the resident's consecutive employment with the  
5 employer occurs, whichever comes first. The credit for second-year  
6 wages may only be claimed in the tax year in which the resident compl-  
7 etes 24 consecutive months of employment with the employer, or in  
8 which the last day of the resident's consecutive employment with the  
9 employer occurs, whichever comes first.

10 (b) An employee is eligible under this section if the employee  
11 satisfies the residency requirements of AS 43.23.005(a) on the date  
12 immediately preceding the date of hire and on that date the employee  
13 was a resident of an underemployment area designated under (c) of this  
14 section and

15 (1) was receiving unemployment benefits under AS 23.20 or  
16 would have been eligible to receive benefits but had exhausted them;  
17 or

18 (2) was not employed and had registered to find work with a  
19 <sup>[(3)] [(4)]</sup> public or private employment agency or a local hiring hall. [;]

20 ~~(c)~~ (c) The Department of Labor shall report annually to the legis-  
21 lature and the governor on the status of employment in the state, the  
22 effect of nonresident employment on the employment of residents in the  
23 state, and methods to increase resident hire. The report may desig-  
24 nate areas as underemployment areas. A designation is valid for two  
25 years immediately following a determination by the commissioner of  
26 labor. The commissioner of labor shall determine that an economic  
27 region of the state or the state as a whole is an underemployment area  
28 if the commissioner finds that

29 (1) the rate of unemployment within the area is

1 substantially higher than the national rate of unemployment;

2 (2) the lack of employment opportunities in the area has  
3 contributed to serious social or economic problems in the area; and

4 (3) employment of workers who are not residents is a pecu-  
5 liar source of the unemployment of residents of the area.

6 (d) An employer may not claim a tax credit under this section if  
7 the employer terminated the employment of a resident in the expecta-  
8 tion of receiving a greater tax credit under AS 43.20.036(j). If an  
9 employer terminates the employment of a resident and then hires a  
10 resident to fill the position within three months after the termina-  
11 tion and if the employer would be entitled to a greater tax credit  
12 under AS 43.20.036(j) for the subsequent employment, there is a pre-  
13 sumption that the employer acted in expectation of a greater tax  
14 credit. The employer may overcome the presumption by showing by clear  
15 and convincing evidence that the employer terminated the employee for  
16 cause or that the employee left the employment voluntarily.

17 \* Sec. 5. If a provision of AS 43.20.036(j) or 43.20.041, or the appli-  
18 cation of a provision to a person or circumstance, is held invalid, the  
19 remainder and the application to other persons or circumstances is not  
20 affected by the holding. The remainder shall be enforced to the greatest  
21 extent constitutionally permissible under the constitutions of the United  
22 States and the State of Alaska.

23 \* Sec. 6. This Act applies to employees first hired by an employer on  
24 or after January 1, 1986.

25 \* Sec. 7. This Act is retroactive to January 1, 1986.

26 \* Sec. 8. This Act takes effect immediately in accordance with AS 01.-  
27 10.070(c).  
28



Official Business

# Alaska State Legislature

## Senate

### Committee on Labor & Commerce

Pouch V  
State Capitol  
Juneau, Alaska 99811

CS SSSB 360(L&C): Sectional Analysis

Section 1) Purpose Section

Section 2) Legislative Findings relating to unemployment among state residents, social "costs" associated with unemployment, and the need for private sector investment in job training and vocational programs to help qualify unemployed Alaskans for higher skilled job opportunities.

Section 3) Adds a new section which provides for an Alaskan hire tax credit for employers who satisfy specific requirements.

Tax credit to be computed as follows:

Tax credit equal to the sum of:

50% of the first year wages, or a maximum of \$3,000 for each eligible employee;

25% of second year wages, up to \$3,000 for each eligible employee;

50% of the verifiable job training costs, as determined by DOL regs, up to a max of \$3,000 for first year employees; 25% of the job training costs for a maximum of \$3,000 for each eligible second year employee.

Section 4) Entitlement for the Alaska Hire Tax Credit. An employer is entitled to a "first year" tax credit if he hires an eligible state resident for at least 6 consecutive months, and a "second year" tax credit, on second year wages, after 18 consecutive months of employment.

First year wage credits may only be claimed in the tax year in which the employee completes 12 months of consecutive employment or is terminated, whichever comes first.

Tax credit for second year wages may only be claimed in the tax year in which the employee completes 24 consecutive months of employment with the employer, or the resident employee is terminated, whichever comes first.

An employee is eligible under this section who satisfies the PFD residency requirements, (on the date immediately preceding the date of hire) and is a resident of an area which is defined as "underemployed". Employee must also meet the following additional requirements:

- 1) is either receiving UI benefits or would be receiving them if the resident had not exhausted them;
- 2) not employed but has registered for work;

DOL shall make an annual report designating underemployment areas

DOL to examine each economic region of the state to determine if an area is an "underemployment" area. The criteria for underemployment area is as follows:

- 1) resident unemployment is substantially higher than the national average;
- 2) lack of employment opportunities in the area has contributed to serious social and economic problems in the area.
- 3) nonresident hire is a peculiar source of high resident unemployment.

Employer may not claim a tax credit if the employer terminated an employee in expectation of getting a larger tax credit. Defines situations in which it can be "presumed" that the employer terminated an employee in hopes of getting a greater tax credit. Also provides a method of overturning such a "presumption", based on clear and convincing evidence.

Section 5) If a provision of this act is held invalid, the remainder shall be enforced to the greatest extent permissible under the US and Alaskan Constitutions.

- Section 6) Application: Applies to employees first hired by an employer on or after January 1, 1986.
- Section 7) Retroactive to January 1, 1986
- Section 8) Immediate effective date.