

H B

300

# HOUSE COMMITTEE REPORT

(11)

Date referred: 5/1/87

FURTHER REFERRALS:

DATE: 5-10-87

The Finance Committee has considered HB 300

"An Act relating to the corporate income tax."

### RECOMMENDS:

- replace with \_\_\_\_\_  the same title
- attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

**ADOPTS:**  \_\_\_\_\_ letter of intent

### ATTACHES NEW FISCAL NOTE(S):

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published \_\_\_\_\_
- zero with analysis

### SIGNING DO PASS:

ADAMS Robert Adams

POWELL Pat Powell

LARSON Raymond Larson

SWACK-HAMMER Ed Swack-Hammer

BOYER Mark Boyer

WILLIS Kay Willis

BROWN Tay Brown

DAVIS Michael Davis

### SIGNING OTHER RECOMMENDATIONS:

Earl Earl P.R.

RIEGER Steve Rieger No Recommendation

FRANK Frank No Rec.

Robert Adams  
Chairman's signature

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

Bill Version: House Bill No. 300  
Publish Date: \_\_\_\_\_

REQUEST \_\_\_\_\_

Revision Date: May 6, 1978  
Title: Alternative Minimum Tax

Agency Affected: Department of Revenue  
BRU: Division of Audit

Sponsor: Administration  
Requestor: House Finance

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
<b>OPERATING</b>						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
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	-	-	-	-	-	-

ANALYSIS: See attached.

Prepared By: Steven E. Kettel  
Division: Division of Audit

Phone: 465-2320  
Date: May 6, 1987

Approved by Commissioner: [Signature]  
Agency: \_\_\_\_\_

Date: 5/6/87

Distribution (by Agency preparing fiscal note):

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

RECEIVED

MAY 07 1987

LEGISLATIVE FINANCE

Prepared by: Division of Audit  
Department of Revenue  
May 6, 1987

### Analysis of the Bill

The objective of a minimum tax is to ensure that no taxpayer with substantial economic income can avoid significant tax liability by using deductions, exclusions, and credits. The Tax Reform Act of 1986 replaced the corporate minimum tax with a more stringent minimum tax.

Taxable income for purposes of the prior and current minimum tax is equal to taxable income increased by certain tax preferences and adjusted in a manner that negates the tax deferral available under the regular tax. The new minimum tax, termed an alternative minimum tax, essentially expands the number of tax preferences. It is not a new tax but rather a fine tuning of the old tax.

The federal minimum tax is statutorily incorporated into Alaska law and the tax rate is 18% of the federal rate. However, the Alaska statute makes specific reference to the IRC provisions existing on the date of enactment. The IRC section numbers have now changed and there could be a question whether a basically procedural federal change results in a substantive change in Alaska law. The amendment to AS 43.20.021(f) clarifies this question and fixes the tax at 18% of the federal tax.

A review of ten of the largest companies filing corporate income tax returns in 1983 and 1984 revealed payment of five million dollars in minimum taxes. This amendment will not only raise an undetermined amount of additional revenue but will also protect the present minimum tax base. No change in current Alaska law is envisioned by the technical amendment.

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

HOUSE BILL NO. 300

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the corporate income tax."

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

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

9 (a) Sections 26 U.S.C. 1 - 1399 and 6001 - 7872 (Internal Reve-  
10 nuce Code) [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 this chapter [AS 43.20]. These portions of the Internal  
13 Revenue Code have full force and effect under this chapter [AS 43.20]  
14 unless excepted to or modified by other provisions of this chapter  
15 [AS 43.20].

16 \* Sec. 2. AS 43.20.021(f) is amended to read:

17 (f) For the purpose of calculating the alternative minimum tax  
18 on tax preferences provided for in 26 U.S.C. 55 - 59 [26 U.S.C. 56-58]  
19 (Internal Revenue Code), the tax [RATE] is 18 percent for corporations  
20 of the applicable alternative minimum federal tax [RATE].

21 \* Sec. 3. AS 43.20.036(a) is amended to read:

22 (a) For purposes of calculating the income tax payable under  
23 this chapter, the taxpayer may not apply as a credit against tax  
24 liability the foreign tax credit allowed as to federal taxes under 26  
25 U.S.C. 27 [26 U.S.C. 33] (Internal Revenue Code).

26 \* Sec. 4. AS 43.20.200(b) is amended to read:

27 (b) The same period of limitation upon the assessment and col-  
28 lection of taxes imposed under this chapter and the same exceptions to  
29 it shall apply as provided in 26 U.S.C. 6501 - 6503 (Internal Revenue

1 Code [OF 1954]). In the case of additional tax due by reason of a  
2 modification, recomputation, or determination of deficiency in a  
3 taxpayer's federal income tax return, the period of limitation on  
4 assessment commences from the date that the notice required in AS 43.-  
5 20.030(d) is filed, and if no notice is filed the tax may be assessed  
6 at any time.

7 \* Sec. 5. AS 43.20.270(m) is amended to read:

8 (m) The period of limitation upon distraint is the same as  
9 provided under 26 U.S.C. 6501(c), 6502(a), and 6503(a) (Internal Reve-  
10 nue Code [OF 1954]). In determining the running of a period of limi-  
11 tation in respect of distraint, the distraint is considered to begin  
12 when the levy upon property is made.

13 \* Sec. 6. AS 43.20.340(6) is amended to read:

14 (6) "Internal Revenue Code" means the Internal Revenue Code  
15 of the United States (26 U.S.C.) [(53 STAT. 1)] as the code exists now  
16 [AMENDED] or as hereafter amended, [INCLUDING ALL AMENDMENTS AFTER  
17 MARCH 29, 1949,] as the code and amendments apply to the normal taxes  
18 and surtax on net incomes, [BUT NOT INCLUDING EXCESS PROFITS TAXES,]  
19 which amendments are operative for the purposes of this chapter as of  
20 the time they became operative or will become operative under federal  
21 law;

22 \* Sec. 7. This Act applies to tax years beginning after December 31,  
23 1986.