

HB

5411

**HOUSE COMMITTEE REPORT**

(11)

Date referred: 3/16/88

FURTHER REFERRALS:

DATE: 3/22/88

The Finance Committee has considered HB 541

"An Act relating to income tax returns and payments."

**RECOMMENDS:**

- replace with CS HB 541 (Finance)  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 [Signature]

FOURCHOT [Signature]

RIEGER [Signature]

DAVIS [Signature]

BUYER [Signature]

LAKSON [Signature]

SWACK [Signature]

HAMMER [Signature]

BROWN [Signature]

GOLL [Signature]

FRANK [Signature]

**SIGNING OTHER RECOMMENDATIONS:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

[Signature]  
Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: March 18, 1988  
Title: An Act relating to income tax returns and payments.  
Sponsor: Finance Committee  
Requestor: Finance

Agency Affected: Revenue  
BRU: Income and Excise Audit  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel  
Division: Income and Excise Audit

Phone: 465-2320  
Date: March 18, 1988

Approved by Commissioner: Hugh Malone  
Agency: Department of Revenue

Date: March 18, 1988

Distribution (by preparer):

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

REC-740  
MAR 23 1988

Prepared by: Steven E. Kettel  
Director, Income and Excise Audit  
Department of Revenue  
March 18, 1988

#### Analysis of HB 541

HB 541 extends the time in which corporations may file their Alaska corporate income tax returns under AS 43.20 by no more than 30 days.

Presently, taxpayers file their Alaska returns under the time for filing requirements of the Internal Revenue Code. Federal law permits corporations routine extensions of the time in which to file their tax returns. Typically, most large corporations file their returns with approved extensions, six months after the original due date for the return. Any federal extension automatically permits a taxpayer a similar extension of time to file their state return.

Due to the complexities of filing Alaska multistate returns, and the fact that the Alaska taxable income cannot be determined until the federal return is completed, many taxpayers, especially the larger multistate and multinational companies, have difficulty in filing their Alaska returns by the due date for the federal return. This legislation would extend the time to file a corporate return to 30 days beyond the due date, including extensions, of the federal return.

This provision also states that the extended time to file a return does not affect the timetable for payment of the tax. The Department of Revenue will not be adversely impacted by this legislation, and does not oppose its passage.

Original sponsor: Finance Committee

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 541 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to income tax returns and payments."

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

8 \* Section 1. AS 43.20.030(a) is amended to read:

9 (a) If a corporation or a partnership that [WHICH] has a corpo-  
10 ration as a partner [OR A CORPORATION] is required to make a return  
11 under the provisions of the Internal Revenue Code, it shall [AT THE  
12 SAME TIME] file with the department, within 30 days after the federal  
13 return is required to be filed, a return setting out

14 (1) the amount of tax due under this chapter, less credits  
15 claimed against the tax; and

16 (2) other information for the purpose of carrying out the  
17 provisions of this chapter that [WHICH] the department requires.

18 \* Sec. 2. AS 43.20.030(c) is amended to read:

19 (c) Notwithstanding (a) of this section, the [THE] total amount  
20 of tax imposed by this chapter is due and payable to the department at  
21 the same time and in the same manner as the tax payable to the United  
22 States Internal Revenue Service.

23 \* Sec. 3. This Act applies to income tax returns and payments for tax  
24 years that begin on or after January 1, 1988.

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13 return is required to be filed, <sup>[due, file w/the dept.]</sup> a return setting out

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20 of tax imposed by this chapter is due and payable to the department at  
21 the same time and in the same manner as the tax payable to the United  
22 States Internal Revenue Service. <sup>[The 30 day extended deadline</sup>

23 <sup>Allowed by (a) of this section does not extend the dates</sup>  
24 \* Sec. 3. This Act applies to income tax returns and payments for tax  
25 <sup>When Tax Payments Are due under this chapter.]</sup>  
26 years that begin on or after January 1, 1988.

FISCAL NOTE

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LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
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Alaska State Legislature  
House of Representatives



Official Business

TO: HOUSE FINANCE COMMITTEE MEMBERS  
FROM: REPRESENTATIVE AL ADAMS, CHAIRMAN  
HOUSE FINANCE COMMITTEE  
DATE: MARCH 21, 1988  
RE: HB 451

Al Adams  
Chairman  
Committee on Finance

WHILE IN SESSION  
P.O. Box V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-3706

OUT OF SESSION  
P.O. Box 333  
Kotzebue, Alaska 99752  
(907) 442-3320

1024 W. 6th  
Anchorage, Alaska 99501  
(907) 274-0615

Explanation of Proposed Legislation on  
Tax Return Deadline

The enclosed legislation would allow corporations a one month extension to file their tax returns with the state. Similar legislation has been adopted by 35 other states. It doesn't affect the deadline for actually paying corporate income taxes and therefore has no fiscal impact. The bill is supported by the Department of Revenue.

The legislation is necessary because of the way in which corporations must compute their income tax in Alaska. When a corporation does business in several states (including Alaska), to calculate its Alaska corporate income tax the corporation must first make a number of adjustments to its federal tax return. It then multiplies its federal taxable income (as adjusted for Alaska purposes) by a fraction which represents the percentage of the company's worldwide property, payroll and sales that occur in Alaska. 1/

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1/ For oil and gas producers, the fraction represents the percentage of the company's worldwide property and oil extraction occurring in Alaska.

The point is that the corporation must have its federal income tax return in hand in order to make the necessary adjustments and calculations that Alaska requires.

Under existing law, however, the company's federal return and Alaska return are due on the same day. 2/ As a result, corporations aren't given any time to adjust that return for Alaska purposes. In the past, the Department of Revenue has administratively granted corporations additional time to file their returns. The agency, however, feels that it is unable to continue this practice without clarifying legislation.

The bill has no fiscal impact on the state because corporate taxes are not paid with the return. Rather, they are paid in quarterly installments during the tax year itself. For example, for tax year 1988, quarterly installments of the tax are due in four installments payable in 1988. Under existing law, the Alaska return (and the

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2/ This is because Alaska generally adopts the internal revenue code, including its filing deadlines. See AS 43.20.021.

federal return) would be due on September 15, 1989. 3/  
Under the bill, the taxpayer's return would be due on  
October 15, 1989. The quarterly installment requirement  
would remain unchanged.

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3/ Under the Internal Revenue Code, corporate returns are  
due on March 15; however there is an automatic six month  
extension available to September 15.

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BY THE FINANCE COMMITTEE

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HOUSE BILL NO. 541

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FIFTEENTH LEGISLATURE - SECOND SESSION

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21 the tax payable to the United States Internal Revenue Service. The  
22 30-day extended deadline allowed by (a) of this section does not  
23 extend the dates when tax payments are due under this chapter.

24 \* Sec. 3. This Act applies to income tax returns and payments for tax  
25 years that begin on or after January 1, 1988.