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112

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE 2/3/89
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER

FINANCE

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035

1/13/89

DATE TURNED INTO OFFICE 2/8/89

Mr. President:

L&C

Committee considered

SB 112

exempting farming from the business license requirement

and recommended:

- replace with CS _____ same title
- attached amendment(s) and new title
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

FISCAL NOTE(S) attached zero
 appropriation no FN attached

fiscal impact
 Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature]
[Signature]
[Signature]
[Signature]

Gov. Sub No Rec

[Signature]
Chairman signature and recommendation

Committee backup attached



Official Business

Alaska State Legislature

Senate

P.O. BOX V
State Capitol
Juneau, Alaska 99811

POSITION STATEMENT OF SENATOR JAY KERTTULA ON SB112
(FARMING EXEMPTION FROM BUSINESS LICENSE REQUIREMENT)
FEBRUARY 8, 1989

The Alaska Business License Act (AS 43.70 et seq) imposes taxes on Alaskan businesses as a condition of doing business. The purpose of the act is not to regulate but to generate revenue to the State.

In most cases the tax imposed is nominal (\$25/year); at times, however, it has been a significant percentage of net business income (for example, the 7% banking and savings and loan tax, repealed in 1984).

Historically, farming and some other types of businesses have been exempted from business license taxation. Recent legal analysis suggests that the practice of exempting farm operations is not consistent with the existing statutory scheme. SB112 will correct the statute to make it consistent with traditional practice.

It should be noted in support of the proposed bill that although the financial consequences of imposing a mandatory business tax on Alaska farmers would not be significant at the current rate of taxation, it is philosophically inconsistent with the trend of Alaska legislation to favor producers of local products whenever it is constitutionally and financially permissible to do so. Most other states specifically exempt farming operations from business licensing/taxation requirements-- typical examples being the states of Washington, Missouri, Minnesota, and New Jersey. One of the most obvious justifications for such an exemption is that it is not to a state's economic advantage to tax local produce twice-- once at production level and again at wholesale and retail outlets-- when imported produce is taxed only at the wholesale/retail end. Without an exemption, there is actually a disincentive created by a business license tax that operates in favor of producers in other states and against local farmers.

It should be noted also that most local farmers (about 450-- more than half) voluntarily pay the business license tax because for a very nominal price, it affords them easy access to wholesale businesses which typically require a business license as a condition of purchasing. This trend will undoubtedly continue as long as the tax is nominal.

Nonetheless, in order to continue current practice and minimize the risk of placing local producers at a competitive disadvantage because of a mandatory taxation scheme from which agricultural producers in other states are normally exempt, SB 112 should be passed.



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MEMORANDUM

TO: Senator Dick Eliason, Chairman
Senate Labor & Commerce Committee

FROM: Senator Jay Kerttula *Jay Kerttula/pt*

SUBJECT: Senate Bill 112, relating to exempting farming
from the business license requirement.

DATE: January 18, 1989

I would like to request that SB 112, relating to exempting farming from the business license requirement, be scheduled for a Senate Labor and Commerce Hearing at your earliest convenience.

Thank you for your consideration of this request.

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Economic Dev.
 Title: An Act exempting farming from the BRU: Occupational Licensing
business license requirement.
 Sponsor: Senator Kerttula Components: _____
 Requestor: Senate Labor & Commerce

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jennifer Strickler, Administrative Officer Phone: 465-2144
 Division: Occupational Licensing Date: January 20, 1989

Approved by Commissioner: Larry Mercurieff Date: 1/21/89
 Agency: Commerce and Economic Development

Distribution (by preparer) :
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

SB 112: An Act exempting farming from the business license requirement.

The bill proposes to exempt farming from the Alaska business license requirement. Although licensing requirements have not been enforced on farmers who commercially sold their products, current regulations do not exempt commercial farmers/farms from having to hold a business license. Many of the regulations are no longer applicable since they referenced a tax liability which has been long since removed; 15 AAC 70.080 entitled "Farmers," which succinctly states, "Farmers not liable under the Alaska Business License Act" clearly references a tax liability exemption, and not an exemption for the need to hold a business license. Farmers have been incorrectly exempted from the business licensing requirement for some years.

The department feels that the requirement for farmers to obtain business licenses is, above all else, an equity issue. Any person engaging in a business in the state is first required to have a business license. Some 51,000 businesses are licensed in the state; farmers who sell their products, goods and services commercially should also be licensed.

In the absence of a statutory amendment as proposed in the bill, the department intends to require the farming community to meet the business licensing requirement.

Larry Mercuri

 Larry Mercuri, Commissioner
 Department of Commerce and
 Economic Development

Date: 1/27/89