

HB

229

HFIN

FILE

Amendment to version "J"

By Craft.

CS FOR HOUSE BILL NO. 229()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY ~~deleted~~ Cruise ship head tax

Offered:
Referred:

Sponsor(s): REPRESENTATIVE STEVENS

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to taxation of income, taxation of alcoholic beverages, and
 2 apportionment of business income, and imposing an excise tax on travel on commercial
 3 passenger vessels providing overnight accommodations in the state's marine waters;
 4 increasing the motor fuel tax levied and collected on motor vehicles and on certain fuel
 5 for internal combustion engines not used in or in conjunction with a motor vehicle;
 6 directing separate accounting of amounts derived from motor vehicle licensing,
 7 registration, and transfers and related activities; authorizing the appropriation of the
 8 proceeds of the motor fuel tax on motor vehicles and the amounts separately accounted
 9 for in the special highway fuel tax account, redesignated as the special highway
 10 maintenance account and amended as to its purposes and limitations on its uses, to meet
 11 the costs of activities relating to motor vehicle licensing and registration and for the uses
 12 identified in the law establishing the account; and providing for an effective date."

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

2 * Section 1. AS 28.10 is amended by adding a new section to read:

3 Sec. 28.10.595. Separate accounting. Except as to the proceeds of fees for
4 which a different form of accounting and disposition is otherwise specifically provided
5 in this chapter,

6 (1) the fees collected by the department under this chapter shall be
7 deposited in the special highway maintenance account in the state general fund
8 described in AS 43.40.010(g); and

9 (2) the legislature may appropriate the annual estimated balance of the
10 funds from the special highway maintenance account for the purposes described in
11 AS 43.40.010(g).

12 * Sec. 2. AS 37.05.146(b)(4) is amended by adding a new subparagraph to read:

13 (AAA) special highway maintenance account
14 (AS 43.40.010(g)).

15 * Sec. 3. AS 43.20 is amended by adding a new section to read:

16 Sec. 43.20.009. Tax on individuals. (a) There is imposed for each taxable
17 year an income tax on the taxable income of every

18 (1) resident individual; and

19 (2) nonresident and part-year resident individual with income from
20 sources in the state.

21 (b) As soon as practicable after September 30 of each year, the department
22 shall publish the applicable tax rate under this subsection for the following calendar
23 year. The applicable tax rate is:

24 (1) four percent if, on September 30 of that year, the unaudited balance
25 in the budget reserve fund created by art. IX, sec. 17, Constitution of the State of
26 Alaska, was equal to or less than \$2,000,000,000;

27 (2) two percent if, on September 30 of that year, the unaudited balance
28 in the budget reserve fund created by art. IX, sec. 17, Constitution of the State of
29 Alaska, was more than \$2,000,000,000 but not more than \$2,500,000,000; or

30 (3) one percent if, on September 30 of that year, the unaudited balance
31 in the budget reserve fund created by art. IX, sec. 17, Constitution of the State of

1 Alaska, was more than \$2,500,000,000.

2 (c) For a resident individual, the tax under this section is the sum of the
3 taxpayer's taxable income multiplied by the tax rate described in (b) of this section.

4 (d) For a part-year resident individual or a nonresident individual, the tax
5 under this section shall be computed by applying the rate described in (b) of this
6 section to the individual's taxable income, and multiplying the result by a fraction, the
7 numerator of which is taxable income from all sources in the state and the
8 denominator of which is taxable income from all sources.

9 (e) In this section, "taxable income" has the meaning given in 26 U.S.C. 63
10 (Internal Revenue Code).

11 * Sec. 4. AS 43.20.021(a) is amended to read:

12 (a) Sections 26 U.S.C. 1 - 1399 and 6001 - 7872 (Internal Revenue
13 Code), as amended, are adopted by reference as a part of this chapter. These
14 portions of the Internal Revenue Code have full force and effect under this
15 chapter unless excepted to or modified by other provisions of this chapter.
16 However, nothing in this chapter or in AS 43.19 (Multistate Tax Compact) may
17 be construed as an exception to or modification of 26 U.S.C. 883, except that 26
18 U.S.C. 883(a)(1) does not apply to gross income derived by a corporation
19 organized in a foreign country from the international operation of a commercial
20 passenger vessel. In this subsection, "commercial passenger vessel" means a
21 vessel that is used in the common carriage of passengers in commerce;
22 "commercial passenger vessel" does not include a

23 (1) vessel with an overnight accommodation capacity for fewer
24 than 12 passengers;

25 (2) noncommercial vessel or a vessel operated by the state, the
26 United States, or a foreign government; or

27 (3) vessel licensed under AS 16.05.490 and used in charter service
28 for the recreational taking of fish and shellfish.

29 * Sec. 5. AS 43.20.030(a) is amended to read:

30 (a) If an individual, a corporation, or a partnership that has a corporation as a
31 partner, is required to make a return of income under the provisions of the Internal

1 Revenue Code, the individual, corporation, or partnership [IT] shall file with the
2 department, within 30 days after the federal return is required to be filed, a return
3 setting out

4 (1) the amount of tax due under this chapter, less allowable credits
5 and payments claimed against the tax; and

6 (2) other information that the department requires for the purpose of
7 carrying out the provisions of this chapter [THAT THE DEPARTMENT
8 REQUIRES].

9 * Sec. 6. AS 43.20.030(d) is amended to read:

10 (d) A taxpayer, upon request by the department, shall file with the taxpayer's
11 state return [FURNISH TO THE DEPARTMENT] a true [AND CORRECT] copy of
12 the tax return [WHICH THE TAXPAYER HAS] filed with the United States Internal
13 Revenue Service. Every taxpayer shall file an amended return with [NOTIFY] the
14 department, and remit any additional tax and interest due, within [IN WRITING
15 OF ANY ALTERATION IN, OR MODIFICATION OF, THE TAXPAYER'S
16 FEDERAL INCOME TAX RETURN AND OF A RECOMPUTATION OF TAX OR
17 DETERMINATION OF DEFICIENCY, WHETHER WITH OR WITHOUT
18 ASSESSMENT. A FULL STATEMENT OF THE FACTS MUST ACCOMPANY
19 THIS NOTICE. THE NOTICE SHALL BE FILED WITHIN] 60 days after a [THE]
20 final determination of the taxpayer's federal tax liability [MODIFICATION,
21 RECOMPUTATION OR DEFICIENCY, AND THE TAXPAYER SHALL PAY THE
22 ADDITIONAL TAX OR PENALTY UNDER THIS CHAPTER]. For purposes of
23 this subsection [SECTION], a final determination means [SHALL MEAN] the date
24 [TIME] that an amended federal return is filed, the date a federal [OR A NOTICE
25 OF DEFICIENCY OR AN] assessment is made, or the date the restrictions on
26 assessment are waived by [MAILED TO] the taxpayer [BY THE INTERNAL
27 REVENUE SERVICE, EXCEPT THAT IN NO EVENT WILL THERE BE A FINAL
28 DETERMINATION FOR PURPOSES OF THIS SECTION UNTIL THE
29 TAXPAYER HAS EXHAUSTED RIGHTS OF APPEAL UNDER FEDERAL
30 LAW].

31 * Sec. 7. AS 43.20.031(c) is amended to read:

1 (c) In computing the tax under this chapter, a corporation [THE
2 TAXPAYER] is not entitled to deduct any taxes based on or measured by net income.

3 * Sec. 8. AS 43.20.040 is repealed and reenacted to read:

4 Sec. 43.20.040. **Income from sources in the state.** (a) In this chapter,
5 income from sources in the state includes

6 (1) compensation for personal services rendered in the state;

7 (2) working in the state for salary or wages;

8 (3) income from real or tangible personal property located in the state;

9 (4) income from stocks, bonds, notes, bank deposits, and other
10 intangible personal property having a taxable or business situs in the state; however,
11 the receipt of interest income from intangible property in the state does not alone
12 establish a taxable or business situs in the state;

13 (5) rentals and royalties for the use of or for the privilege of using, in
14 the state, patents, copyrights, secret processes and formulas, good will, marks, trade
15 brands, franchises, and other property having a taxable or business situs in the state;

16 (6) income distributed from a trust established under or governed by
17 the laws of the state;

18 (7) income of whatever nature from a source with a taxable or business
19 situs in the state.

20 (b) Except as provided in (a)(4) of this section, in this section, income is from
21 a source with a taxable or business situs in the state if it is attributed to or derived from

22 (1) business facilities or property in the state;

23 (2) business, farming, or fishing activities in the state;

24 (3) conducting in the state the management or investment function for
25 intangible property;

26 (4) a partnership or limited liability company conducting business
27 activities in the state;

28 (5) a corporation transacting business activities in the state that has
29 elected to file federal returns under subchapter S of the Internal Revenue Code;

30 (6) any other activity from which income is received, realized, or
31 derived in the state.

1 (c) If a business, trade, or profession is carried on partly inside and partly
 2 outside the state, other than the rendering of purely personal services by an individual,
 3 the income from sources in the state shall be determined as provided in AS 43.19.

4 * Sec. 9. AS 43.20 is amended by adding a new section to article 1 to read:

5 Sec. 43.20.046. Individual income tax credits. (a) For a resident, the
 6 income tax imposed on that resident by another state or territory of the United States
 7 for the taxable year, on income derived from sources in that state or territory, is
 8 allowed as a credit against the tax under this chapter.

9 (b) The credit under (a) of this section is determined by multiplying the tax
 10 computed under this chapter by a fraction, the numerator of which is the income
 11 derived from sources in the other state or territory and the denominator of which is
 12 income derived from all sources. The credit under (a) of this section may not exceed
 13 the actual tax paid to the other state or territory.

14 (c) To the extent required by federal law, an individual is allowed as a credit
 15 against the tax under this chapter 10.2 percent of interest received by the individual in
 16 the taxable year upon obligations unconditionally backed by the full faith and credit of
 17 the United States.

18 (d) An individual is allowed only the state credits provided in this section.
 19 The total state credit allowed under this section may not exceed the tax liability for the
 20 taxable year for the individual. A credit may not be carried, in whole or in part, to a
 21 different taxable year.

22 * Sec. 10. AS 43.20.073(f) is amended to read:

23 (f) This section does not apply to taxpayers

24 (1) subject to AS 43.20.072 engaged in

25 (A) [(1)] the production of oil or gas from a lease or property in
 26 the state; or

27 (B) [(2)] the transportation of oil or gas by regulated pipeline in
 28 the state; or

29 (2) that operate a commercial passenger vessel: in this paragraph,
 30 "commercial passenger vessel" means a vessel that is used in the common
 31 carriage of passengers in commerce, but does not include a

1 (A) vessel with an overnight accommodation capacity for
2 fewer than 12 passengers:

3 (B) noncommercial vessel or a vessel operated by the state,
4 the United States, or a foreign government: or

5 (C) vessel licensed under AS 16.05.490 and used in charter
6 service for the recreational taking of fish and shellfish.

7 * Sec. 11. AS 43.20 is amended by adding a new section to read:

8 Sec. 43.20.171. Tax withholding on wages of individuals. (a) Every
9 employer making payment of wages, salaries, or crew shares

10 (1) shall deduct and withhold an amount of tax computed in a manner
11 to approximate the amount of tax due on those wages, salaries, or crew shares under
12 this chapter for that taxable year;

13 (2) shall remit the tax withheld to the department accompanied by a
14 return on a form prescribed by the department at the times required by the department
15 by regulation;

16 (3) is liable for the payment of the tax required to be deducted and
17 withheld under this section but is not liable to any individual for the amount of the
18 payment; and

19 (4) shall furnish to the employee on or before January 31 of the
20 succeeding year, or within 30 days after a request by the employee after the
21 employee's termination if the 30-day period ends before January 31, a written
22 statement on a form prescribed by the department showing

23 (A) the name and taxpayer identification number of the
24 employer;

25 (B) the name and social security number of the employee;

26 (C) the total amount of wages, salary, or crew shares for the
27 taxable year; and

28 (D) the total amount deducted and withheld as tax for the
29 taxable year.

30 (b) The department shall publish the rate of withholding required by this
31 section.

1 (c) In this section,

2 (1) "employee" includes an individual who receives compensation on a
3 crew share basis in connection with a commercial fishing activity;

4 (2) "employer" includes a person who pays compensation to an
5 individual on a crew share basis in connection with a commercial fishing activity.

6 * Sec. 12. AS 43.20.200(b) is amended to read:

7 (b) The same period of limitation upon the assessment and collection of taxes
8 imposed under this chapter and the same exceptions to it shall apply as provided in 26
9 U.S.C. 6501 - 6503 (Internal Revenue Code). In the case of additional tax due by
10 reason of a modification, recomputation, or determination of deficiency in a taxpayer's
11 federal income tax return, the period of limitation on assessment commences from the
12 date that the amended return [NOTICE] required in AS 43.20.030(d) is filed, and if
13 no amended return [NOTICE] is filed the tax may be assessed at any time.

14 * Sec. 13. AS 43.20.340 is amended by adding new paragraphs to read:

15 (12) "individual" means a natural person, married or unmarried, adult
16 or minor, subject to payment of income tax under 26 U.S.C. (Internal Revenue Code);

17 (13) "nonresident" means an individual who is not a resident or part-
18 year resident;

19 (14) "resident" means an individual who, for the entire taxable year,
20 was domiciled in the state or resided in the state.

21 * Sec. 14. AS 43.40.010(g) is amended to read:

22 (g) The proceeds of the revenue from the tax on all motor fuels, except as
23 provided in (e), (f), and (j) of this section, shall be deposited in a special highway
24 maintenance [FUEL TAX] account in the state general fund. The legislature may
25 appropriate the annual estimated balance of the funds from the account [IT] for (1)
26 the annual operating costs for the operating division or unit in the Department of
27 Administration that has the duties and responsibilities described in
28 AS 28.05.011(b)(1) - (7), including registration, titling, and transfer of motor
29 vehicles; (2) expenditure by the Department of Transportation and Public Facilities
30 directly or as matched with available federal-aid highway money for maintenance of
31 highways; and (3) for any other purpose. Money deposited in the account under

1 this subsection does not lapse into the unrestricted general fund unless otherwise
2 provided in an appropriation [, CONSTRUCTION OF HIGHWAY PROJECTS
3 AND FERRIES INCLUDED IN THE PROGRAM PROVIDED FOR IN
4 AS 19.10.150, INCLUDING APPROACHES, APPURTENANCES AND RELATED
5 FACILITIES AND ACQUISITION OF RIGHTS-OF-WAY OR EASEMENTS, AND
6 OTHER HIGHWAY COSTS INCLUDING SURVEYS, ADMINISTRATION, AND
7 RELATED MATTERS. ALL DEPARTMENTS OF THE STATE GOVERNMENT
8 AUTHORIZED TO SPEND FUNDS COLLECTED FROM TAXES IMPOSED BY
9 THIS CHAPTER SHALL PERFORM, WHEN FEASIBLE, ALL CONSTRUCTION
10 OR RECONSTRUCTION PROJECTS BY CONTRACT AFTER THE PROJECTS
11 HAVE BEEN ADVERTISED FOR COMPETITIVE BIDS, EXCEPT THAT, WHEN
12 FEASIBLE, ARRANGEMENTS SHALL BE MADE WITH POLITICAL
13 SUBDIVISIONS TO CARRY OUT THE CONSTRUCTION OR
14 RECONSTRUCTION PROJECTS. IF IT IS NOT FEASIBLE FOR THE WORK TO
15 BE PERFORMED BY STATE ENGINEERING FORCES, THE COMMISSIONER
16 OF TRANSPORTATION AND PUBLIC FACILITIES MAY CONTRACT ON A
17 PROFESSIONAL BASIS WITH PRIVATE ENGINEERING FIRMS FOR ROAD
18 DESIGN, BRIDGE DESIGN, AND SERVICES IN CONNECTION WITH
19 SURVEYS. IF MORE THAN ONE PRIVATE ENGINEERING FIRM IS
20 AVAILABLE FOR THE WORK THE CONTRACTS SHALL BE ENTERED INTO
21 ON A NEGOTIATED BASIS].

22 * Sec. 15. AS 43.40.010(h) is amended to read:

23 (h) All motor fuel tax receipts shall be paid into the general fund and
24 distributed to the proper accounts in the general fund. Valid motor fuel tax refund
25 claims shall be paid from the special highway maintenance [FUEL TAX] account in
26 the general fund.

27 * Sec. 16. AS 43.40.010 is amended by adding a new subsection to read:

28 (m) In addition to the tax on motor fuel levied under (a) and (b) of this section,
29 there is levied an additional tax of 10 cents a gallon on all motor fuel sold or otherwise
30 transferred within the state or consumed by a user. The levy made by this subsection
31 does not apply to motor fuel described in (a)(1) - (3) or to motor fuel described in

1 (b)(1) - (3) of this section.

2 * Sec. 17. AS 43.40.030(a) is amended to read:

3 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to
4 operate an internal combustion engine is entitled to a refund of 13 [SIX] cents a gallon
5 if

6 (1) the tax on the motor fuel has been paid;

7 (2) the motor fuel is not aviation fuel, or motor fuel used in or on
8 watercraft; and

9 (3) the internal combustion engine is not used in or in conjunction with
10 a motor vehicle licensed to be operated on public ways.

11 * Sec. 18. AS 43.40.070 is amended to read:

12 Sec. 43.40.070. Refund warrants. Upon approval of a refund claim by the
13 department, a warrant shall be drawn on the special highway maintenance [FUEL
14 TAX] account in the general fund in favor of the applicant in the amount of the claim.

15 * Sec. 19. AS 43 is amended by adding a new chapter to read:

16 **Chapter 52. Excise Tax on Passengers Traveling Aboard**

17 **Commercial Passenger Vessels.**

18 Sec. 43.52.010. Levy of excise tax on passengers traveling aboard
19 commercial passenger vessels. There is imposed an excise tax on passengers
20 traveling in the marine waters of the state aboard a commercial passenger vessel that
21 provides overnight accommodations.

22 Sec. 43.52.020. Rate of tax. The tax imposed by this chapter is levied at a
23 rate of \$30 a passenger a voyage.

24 Sec. 43.52.030. Liability for payment of tax. (a) A passenger traveling in
25 the marine waters of the state aboard a commercial passenger vessel that provides
26 overnight accommodations is liable for the tax imposed by this chapter. The tax

27 (1) shall be collected by the person who provides the travel to the
28 passenger; and

29 (2) is due and payable to the department

30 (A) by the person who provides the travel to the passenger,
31 regardless of whether the person actually collects the tax from the passenger;

1 and

2 (B) in the manner and at the times required by the department
3 by regulation.

4 (b) A passenger is not liable for the tax under this chapter if that passenger
5 was liable for the tax within the preceding 30 days.

6 (c) A person who provides travel for a passenger who, under (b) of this
7 section, is not liable for the tax under this chapter is not required to collect and pay the
8 tax to the department if the person reasonably believes that the passenger is not liable
9 for the tax under (b) of this section.

10 **Sec. 43.52.040. Disposition of proceeds.** The proceeds from the tax imposed
11 by this chapter shall be deposited in the general fund.

12 **Sec. 43.52.050. Administration.** (a) The department shall

13 (1) administer this chapter; and

14 (2) collect, and supervise and enforce the collection of, taxes due under
15 this chapter and penalties as provided in AS 43.05.

16 (b) The department may adopt regulations to carry out the purposes of this
17 chapter.

18 **Sec. 43.52.900. Definitions.** In this chapter, unless the context otherwise
19 requires,

20 (1) "commercial passenger vessel" means a vessel that is used in the
21 common carriage of passengers in commerce; "commercial passenger vessel" does not
22 include a

23 (A) vessel with an overnight accommodation capacity for fewer
24 than 12 passengers;

25 (B) noncommercial vessel or a vessel operated by the state, the
26 United States, or a foreign government; or

27 (C) vessel licensed under AS 16.05.490 and used in charter
28 service for the recreational taking of fish and shellfish;

29 (2) "marine waters of the state" means the marine bays, sounds, rivers,
30 inlets, straits, passages, canals, Pacific Ocean, Gulf of Alaska, Bering Sea, and Arctic
31 Ocean within the territorial limits of the state, and all other bodies of marine water that

1 are wholly or partially within the state or are under the jurisdiction of the state;

2 (3) "passenger" means a person with whom a common carrier has
3 contracted for carriage from one place to another.

4 * Sec. 20. AS 43.60.010(a) is amended to read:

5 (a) Except as provided in (c) of this section, every [EVERY] brewer,
6 distiller, bottler, jobber, retailer, wholesaler, or manufacturer who sells alcoholic
7 beverages in the state or who consigns shipments of alcoholic beverages into the state,
8 whether or not the alcoholic beverages are brewed, distilled, bottled, or manufactured
9 in the state, shall pay on all malt beverages (alcoholic content of one percent or more
10 by volume), wines, and hard or distilled alcoholic beverages, the following taxes:

11 (1) malt beverages at the rate of \$1.42 [35 CENTS] a gallon or fraction
12 of a gallon;

13 (2) cider with at least 0.5 percent alcohol by volume but not more
14 than seven percent alcohol by volume, at the rate of \$1.42 a gallon or fraction of a
15 gallon;

16 (3) wine or other beverages, other than beverages described in (1) or
17 (2) of this subsection, of 21 percent alcohol by volume or less, at the rate of \$3.41
18 [85 CENTS] a gallon or fraction of a gallon; and

19 (4) [(3)] other beverages having a content of more than 21 percent
20 alcohol by volume at the rate of \$18.40 [\$5.60] a gallon.

21 * Sec. 21. AS 43.60.010 is amended by adding a new subsection to read:

22 (c) A brewer shall pay a tax at the rate of 35 cents a gallon on sales of the first
23 60,000 barrels of beer sold in the state each fiscal year beginning July 1, 2003, for beer
24 produced in the United States if the producing brewery meets the qualifications of 26
25 U.S.C. 5051(a)(2). To qualify for the tax rate under this subsection, the brewer must
26 file with the department a copy of a Bureau of Alcohol, Tobacco and Firearms
27 acknowledged copy of the brewer's Notice of Brewer to Pay Reduced Rate of Tax
28 required under 27 C.F.R. 25.167 for the calendar year in which the fiscal year begins
29 for which the partial exemption is sought. If proof of eligibility is not received by the
30 department before June 1, the tax rate under this subsection does not apply until the
31 first day of the second month after the month the notice is received by the department.

1 For purposes of applying this subsection, a barrel of beer may contain no more than 31
2 gallons.

3 * Sec. 22. AS 43.05.085; AS 43.20.012, 43.20.013, and 43.20.072(d) are repealed.

4 * Sec. 23. AS 43.52.010, 43.52.020, 43.52.030, 43.52.040, 43.52.050, and 43.52.900 are
5 repealed.

6 * Sec. 24. The uncodified law of the State of Alaska is amended by adding a new section to
7 read:

8 APPLICABILITY. Sections 4 and 10 of this Act apply to tax years beginning on or
9 after the effective dates of secs. 4 and 10 of this Act.

10 * Sec. 25. The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 INDIVIDUAL INCOME TAX RATE FOR 2003. The tax rate for 2003 under
13 AS 43.20.009, added by sec. 3 of this Act, is four percent.

14 * Sec. 26. The uncodified law of the State of Alaska is amended by adding a new section to
15 read:

16 TRANSITION: FLOOR STOCK TAXES. (a) There is imposed on every person
17 holding a license or permit under AS 04.11 a floor stock tax. The floor stock tax is imposed
18 once on those alcoholic beverages for sale or distribution that are in the person's possession or
19 under the person's control at 12:01 a.m. on the effective date of this section, including cider
20 with at least 0.5 percent alcohol by volume but not more than seven percent alcohol by
21 volume.

22 (b) The tax is imposed at the rate required under AS 43.60.010(a), as amended by
23 sec. 20 of this Act, less any tax actually paid on the same product under AS 43.60.010(a) at
24 the rate in effect on the day before the effective date of this section.

25 (c) The provisions of AS 43.05 and AS 43.10 apply to the administration,
26 enforcement, and collection of the floor stock tax levied by this section.

27 (d) A person subject to the floor stock tax shall file a return on a form prescribed by
28 the department not later than 30 days after the effective date of the section.

29 * Sec. 27. The uncodified law of the State of Alaska is amended by adding a new section to
30 read:

31 TRANSITION: REGULATIONS. The Department of Revenue may proceed to adopt

1 regulations necessary to implement the provisions of this Act. The regulations take effect
2 under AS 44.62 (Administrative Procedure Act), but not before the effective date of the
3 provision being implemented.

4 * Sec. 28. The uncodified law of the State of Alaska is amended by adding a new section to
5 read:

6 CONDITIONAL EFFECT. Sections 4, 10, 23, and 24 of this Act take effect only if
7 the validity of the tax imposed by AS 43.52 enacted by sec. 19 of this Act is challenged in
8 court and a court order finding the tax invalid is entered, becomes final, and is no longer
9 subject to appeal or petition for certiorari. The commissioner of revenue shall notify the
10 lieutenant governor and the revisor of statutes of the date of the court order described in this
11 section.

12 * Sec. 29. If secs. 4, 10, 23, and 24 of this Act take effect under sec. 28 of this Act, they
13 take effect on January 1 of the year following the year in which the court order described in
14 sec. 28 of this Act is no longer subject to appeal or petition for certiorari.

15 * Sec. 30. Section 27 of this Act takes effect immediately under AS 01.10.070(c).

16 * Sec. 31. Sections 1, 2, and 14 - 18 of this Act take effect July 1, 2002.

17 * Sec. 32. Except as provided in secs. 29 and 31 of this Act, this Act takes effect January 1,
18 2003.

3/26/02

Withdrawn

AMENDMENT #3

OFFERED IN THE HOUSE

By: Rep. Whitaker

TO: CSHB229(FIN), Draft Version "O"

- 1 Page 2, line 13, through page 7, line 15:
- 2 Delete all material, and renumber subsequent sections accordingly.

This removes sections:

3 - Tax on individuals

4 - amends to require individuals file a return to the state within 30 days of federal return

5 - allows amended returns and requires remittance of additional tax and interest if due

6 - amends AS43.20.031 to read "a corporation" instead of "taxpayer"

7 - Income from sources in the state

8 - Individual income tax credits

9 - Tax withholding on wages of individuals

10 - affecting amended returns

11 - definitions

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 229 (L&C)
(H) Publish Date: 2/19/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Education Tax on Employment BRU: Revenue Operations
Component: Tax Division
Sponsor: Representative Stevens
Requester: House Finance Committee Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	43.6	87.2	87.2	87.2	87.2	87.2
Travel						
Contractual	14.1	28.2	28.2	28.2	28.2	28.2
Supplies	1.0	2.0	2.0	2.0	2.0	2.0
Equipment	16.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	74.7	117.4	117.4	117.4	117.4	117.4

CAPITAL EXPENDITURES	50.0					
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CHANGE IN REVENUES (increased)	16,199.7	38,732.7	38,732.7	38,732.7	38,732.7	38,732.7
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	124.7	117.4	117.4	117.4	117.4	117.4
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL						

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time	1	2	2	2	2	2
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

For revenue estimating purposes, we assume a little less than one-half of the estimated annual proceeds of the new tax would be withheld from worker paychecks and remitted to the state in the first six months of calendar 2003 (the last six months of Fiscal 2003). Actual revenues would depend on the timing of withholding and any refunds. We also assume -- for purposes of this fiscal note -- that the tax would take effect Jan. 1, 2003, coinciding with a state personal income tax, as discussed in Sections 2 and 3 of the Labor and Commerce committee substitute.

Operating expenses reflect what the department believes would be necessary to provide quality taxpayer services.

We also assume that the tax collected by employers would be remitted with personal income tax withholding payments, and that self-employed workers would remit their tax with their individual income tax returns.

Prepared by: Carl Meyer and Michael Williams, Revenue Auditors
Division: Tax Division
Approved by: Larry Persily, Deputy Commissioner
Agency: Department of Revenue

Phone 465-4773 or 465-3682
Date/Time 2/16/02 10:00 AM
Date 02/16/2002

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COMMITTEE COPY

Page 1 of 3

Discussion

Section 1 amends AS 43 by adding a new chapter to impose an education tax.

AS 43.45.011 provides that the tax is \$100 a year on each individual 19 years of age or older who is employed or self-employed in the state.

AS 43.45.021 provides that an employer is to deduct and withhold \$50 from the employee's wages in each of the first two regular payrolls of the tax year, or the first two payrolls following initial employment. The employer must then remit the withheld tax to the department on or before the last day of the month following the calendar quarter in which the tax was withheld from the employee. No deduction shall be made if the employee can prove to the employer that the \$100 tax has previously been paid. The department is to provide a return form for the employer to withhold the tax.

AS 43.45.031 provides that an employer, upon request of the employee, shall furnish a record of the tax withheld from the employee. The department is to provide a form for this purpose.

AS 43.45.041 provides that the tax shall be deposited into the state general fund, accounted for separately, and may be appropriated by the legislature for education. The deposit and appropriation is not intended to create a dedicated fund.

Section 2 provides that the tax takes effect only if an act imposing an individual income tax is passed by the Twenty-Second Alaska State Legislature and becomes law.

Section 3 provides that the act takes effect on the later of (1) the effective date of an individual income tax passed by the Twenty-Second Alaska State Legislature, and (2) January 1, 2003.

Analysis

We presume the intent of the bill is not to apportion the tax based upon days or months worked during the year, but rather to levy the full \$100 tax on an individual who is either employed or self-employed on any day during the tax year. Therefore, it is possible for the tax to exceed the wages if an individual works only a day or two during the tax year.

It is also possible that the \$50 required to be withheld in the first two payroll periods will exceed the actual amount of the earned wages. Since the employer is only required to deduct the tax from the first two payrolls of the employee, it is unclear whether the employer must continue to withhold in subsequent payrolls or whether the employee must remit the additional tax. However, we note there is no provision in the bill for an employee to make payment of any tax owing.

An individual working two jobs at the beginning of the year will have both employers withhold \$50 in tax in the first payroll period. Since the two jobs cover the same time period, the employee will not be able to prove to either employer that the tax has already been paid. The employee may then establish in the second payroll period that the entire tax has already been paid so that neither employer needs to withhold any further tax.

Education Tax on Employment
CSHB 229(L&C)
February 15, 2002
Page 3 of 3 - FN#1

We see no compelling reason why the department needs to provide a form for an employer to furnish to an employee showing the amount of tax withheld. The payroll check issued to the employee should show all amounts withheld from compensation and that should be a sufficient record of withholding.

The department interprets "employed in the state" to include individuals who receive compensation for personal services rendered in the state but who otherwise may be considered employed in another state for such things as unemployment insurance, as well as self-employed individuals who engage in business activities in the state.

The bill as written would appear to apply to United States military personnel on active duty in the state but who retain a legal residence in another state. The Soldiers' and Sailors' Civil Relief Act of 1940 (50 U.S.C.) may preclude the application of the tax to these individuals.

The bill provides that the tax liability is that of the individual, and the employer only has the obligation to deduct the tax and remit it to the department. The tax liability is not that of the employer as the employer is not the taxpayer. If the employer fails to meet the remittance obligation, or fails to do so timely, the state may proceed under AS 43.05.220 to collect the amount required to be deducted and remitted, but there does not appear to be any civil penalty or interest provisions that would apply to the employer. The department believes that AS 43.05.220(a) and AS 43.05.225 should apply to the amounts required to be remitted by the employer.

Revenue

The Alaska Department of Labor estimates that in 2000 the number of resident and nonresident workers with unique Social Security numbers was 362,873. This differs from the 2000 Alaska Department of Labor annual average monthly employment estimate of 284,000 because it is a measurement of the number of unique workers, not jobs. For example, in any given year a business might employ more than one worker for the same job. However, this does not include the estimated 16,700 federal government workers or 33,796 self-employed workers.

The data on self-employed workers is from the Internal Revenue Service and is adjusted for individuals who might have more than one job or not have any earnings in a particular year. The number of federal workers comes from the Department of Labor. The total number of workers is then reduced by 26,042 to account for workers under the age of 19.

Prepared by Carl Meyer and Michael Williams

Alaska State Legislature

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Representative Gary Stevens

Sponsor Statement – House Bill 229

-Updated February 20, 2002-

“An Act imposing a tax on employment; and providing for an effective date.”

HB 229 would impose a tax of \$100 a year on each employed individual age 19 or older, including the self-employed. Under this bill, the employer would deduct \$50 from the employee's salary on each of their first two regular payrolls after January 1 of the calendar year. A provision has been added to prevent this tax from being taken out more than once when the employee provides proof to their new employer that the tax has already been satisfied.

The accompanied fiscal note from the Tax Division of the Department of Revenue states that it will take \$74,700 in general fund money the first year of implementation to operate the new tax program. On the other side of the ledger, the division has previously projected over \$38 million will be raised yearly in new revenue as a result of this legislation.

The tax collected under AS 43.45.021 would be deposited into the state's general fund, but accounted for separately. In turn, the legislature may then appropriate the amounts collected under this section for education.

This authorization is not intended to create a dedication of funds in violation of art. IX, sec. 7, of the Constitution of the State of Alaska.

Back up material for HB 229 / SB 165



SENATOR ALAN AUSTERMAN

Alaska State Legislature

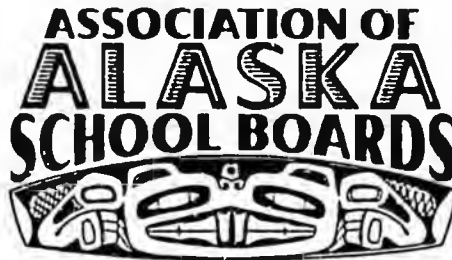
Interim: 112 Mill Bay Road, Kodiak, Alaska 99615 (907) 486-8872 • Session: State Capitol, Juneau, Alaska 99801 (907) 465-2487
senator_alan_austerman@legis.state.ak.us

WHAT SB 165 CAN ACCOMPLISH

- Senate Bill 165 would impose a tax of \$100 per year on each employed individual age 19 or older, including the self-employed.
- Under this bill, the employer would deduct \$50 from the employee's salary on each of their first two regular payrolls after January 1 of the calendar year.
- Out-of-state workers would have this amount deducted from their first two paychecks whenever they begin work.
- The fiscal note with this legislation indicates that in FY2003 over \$38 million will be raised yearly in new revenue as a result of this legislation.
- The cost to the general fund for the first year of implementation to operate the new tax program will be \$822,000.
- This legislation is a step towards paying for some of the proposed increases to education such as the general fund dollars needed to add \$145 for the base student allocation for school funding as called for in SB 1, which is almost \$29 million.
- If we continue exhausting the Constitutional Budget Reserve to balance the state budget rather than generate new revenue streams we are deficit spending. The end result of this raid on the CBR will be that prospective Permanent Fund Dividend dollars will be all that is left to tap.
- The people of Alaska are vocal on two subjects: protect the Permanent Fund and support and increase funding for education. SB 165 can be part of a long-range plan to accomplish both goals.

DISTRICT C

Kodiak Archipelago • Southeast Islands



Advocates for Alaska's Youth

Position Paper
HB 229 / SB 165 Education Tax on Employment

April 2001

The Association of Alaska School Boards (AASB) supports legislation that will enhance revenue generating measures of the State of Alaska. SB 165 Education Tax on Employment is one such measure.

Decreased oil production and a dwindling Constitutional Budget Reserve continue to fuel discussion of a long range fiscal plan for Alaska. Over the last five years state policymakers have tightened their collective budget belt. Now it is time to consider the other side of the coin—enhancing state revenues.

AASB's goal is to obtain a stable source of funding for the state's largest constitutionally mandated responsibility—education.

Alaska lawmakers have it within their grasp to address three essential components of education funding:

1. Appropriations based on need (Adequacy Study)
2. Appropriate distribution of funds (School Cost Study)
3. Maintaining buying power (inflation proofing formula/ Funding Task Force)

An education tax on employment, generating in the neighborhood of \$35 million annually, would help underwrite efforts to stabilize education funding.

The vast majority in the education community and the public support recent education reforms—standards and testing of those standards. Alaska has made remarkable gains in these areas. Schools are reporting significant changes in the way they do business. Alaska schools are requesting the support and resources necessary to ensure that every classroom is prepared to deliver on the promise that no child is left behind.

Forward thinking will maximize our financial resources *and* address the fiscal gap. Forward thinking can create a plan for a future that doesn't include cutting essential education services to our children. SB 165 is a step in the right direction.

Introduced by: Manager Jensen
Requested by: Assembly
Drafted by: Borough Clerk
Introduced: 04/05/2001
Adopted: 04/05/2001

**KODIAK ISLAND BOROUGH
RESOLUTION NO. 2001-23**

**A RESOLUTION OF THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH
SUPPORTING SENATE BILL 165 CREATING AN EDUCATION HEAD TAX
AS PART OF SENATE BILL 1 AS A COMPREHENSIVE APPROACH
TO FILL ALASKA'S MOUNTING BUDGET GAP**

WHEREAS, Senate Bill 165 would impose an annual tax of \$100 on each Alaskan worker age 19 or older, including the self-employed; and

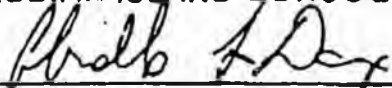
WHEREAS, the collected revenue would be deposited into the state's general fund and accounted for separately. In turn, the legislature may then appropriate the collected revenue, as set forth in this section, to education funding; and

WHEREAS, the Department of Revenue would collect between \$35 and \$36 million annually in new revenue; and

WHEREAS, Senate Bill 1 needs to generate \$29 million to increase the base student allocation for school funding; and the revenue raised would cover the \$29 million costs proposed in Senate Bill 1 which would increase funding for education;

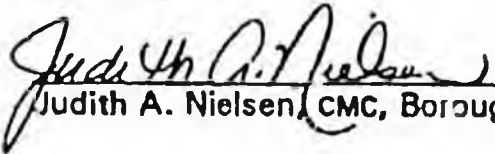
NOW, THEREFORE, BE IT RESOLVED BY THE KODIAK ISLAND BOROUGH ASSEMBLY that the Kodiak Island Borough Assembly urges the Twenty-Second Legislature to adopt Senate Bill 165.

**ADOPTED BY THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH
THIS FIFTH DAY OF APRIL, 2001**

KODIAK ISLAND BOROUGH


Gabrielle LeDoux, Borough Mayor

ATTEST:



Judith A. Nielsen, CMC, Borough Clerk

APR. 3. 2001 1:49PM

SSD DISTRICT OFFICE
SITKA SCHOOL DISTRICT
www.ssd.k12.ak.us

NO. 544 P. 2

PO Box 179
Sitka, Alaska 99835
Phone: (907) 747-8622
Fax: (907) 966-1260



April 2, 2001

Senator Alan Austerman
State Capitol
Juneau, AK 99801-1182

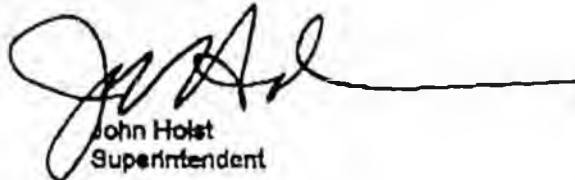
Dear Senator Austerman:

It is a pleasure to endorse your latest bill, SB 165, Head Tax.

There has been far too little discussion about a long-term fiscal plan which must include new sources of revenue. I see this bill simply as a re-instatement of the old "school tax", adjusted for inflation over the time it was originally instituted.

I applaud you for the leadership you are showing by being involved with colleagues who share your interest in the development of a fiscal plan. I am certain that the Sitka School District Board of Education will support your efforts in any way that can.

Sincerely,



John Holst
Superintendent

"Educating Today's Children to Become Tomorrow's Leaders"

Subject: Re: information

Date: Mon, 19 Mar 2001 11:38:25 -0900

From: Larry Persily <Larry_Persily@revenue.state.ak.us>

Organization: Department of Revenue

To: Suzanne Hancock <Suzanne_Hancock@iegis.state.ak.us>

CC: Stephen C Slotnick <neil_slotnick@revenue.state.ak.us>,
Brett Fried <brett_fried@revenue.state.ak.us>,
Larry Meyers <larry_meyers@revenue.state.ak.us>

Suzanne,

Our recollection of the old \$10 school head tax is as follows:

- * Every wage earner in the state paid the \$10 out of his or her first paycheck.
- * Employers collected and remitted the money.
- * Workers who had more than one job during a calendar year would have the \$10 deducted from the first paycheck at each job and could apply for refunds from the state (though few did).
- * Self-employed Alaskans paid the \$10 as part of their personal income tax return.
- * Non-working Alaskans did not pay the tax.

If you reimposed the tax at \$100 per worker, to be deducted from the first paycheck of every wage earner:

- * You would collect between \$35 million and \$36 million a year.
- * You would have to set up a system for refunds to workers who had multiple jobs, unless you wanted them to pay \$100 for each job. Although few people filed for the \$10 refunds, we would expect most people would file for the \$100 refunds.
- * And you would have a problem collecting from self-employed Alaskans and out-of-staters. Without an income tax return, you would have to set up a self-reporting return to collect the \$100 from such people.

As for cost of administering the problem, it would be easiest if you didn't bother with self-employed Alaskans. You could then have the employers handle all the work and report and remit the money through the quarterly employment security (unemployment taxes) report. We'd guess at maybe \$500,000 a year to process, collect, audit, etc.

But, if you wanted to be fair and charge the same \$100 tax to self-employed Alaskans and out-of-staters, you would need tax returns and staff at Revenue to handle the workload (and to keep taxpayers honest, especially self-employed people who live out of state). Such a tax program could run maybe \$2 million a year to administer.

Let me know if you have any questions.

Larry

3/26/02

22-LS0842\O.2

Kurtz

3/25/02

withdrawn
AMENDMENT 2

OFFERED IN THE HOUSE

BY REPRESENTATIVE CROFT

TO: CSHB 229(FIN), Draft Version "O"

- 1 Page 2, lines 19 - 30:
- 2 Delete all material and insert:
- 3 "(b) The tax rate is four percent."
- 4
- 5 Page 10, lines 11 - 14:
- 6 Delete all material.
- 7
- 8 Renumber the following bill sections accordingly.
- 9
- 10 Page 11, line 5:
- 11 Delete "Section 22"
- 12 Insert "Section 21"
- 13
- 14 Page 11, line 7:
- 15 Delete "secs. 23 and 24"
- 16 Insert "secs. 22 and 23"

22-LS08420
Kurtz
3/23/02

adopted

CS FOR HOUSE BILL NO. 229(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVE STEVENS

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to taxation of income; relating to taxation of alcoholic beverages;
2 increasing the motor fuel tax levied and collected on motor vehicles and on certain fuel
3 for internal combustion engines not used in or in conjunction with a motor vehicle;
4 directing separate accounting of amounts derived from motor vehicle licensing,
5 registration, and transfers and related activities; authorizing the appropriation of the
6 proceeds of the motor fuel tax on motor vehicles and the amounts separately accounted
7 for in the special highway fuel tax account, redesignated as the special highway
8 maintenance account and amended as to its purposes and limitations on its uses, to meet
9 the costs of activities relating to motor vehicle licensing and registration and for the uses
10 identified in the law establishing the account; and providing for an effective date."

11 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

12 * Section 1. AS 28.10 is amended by adding a new section to read:

1 **Sec. 28.10.595. Separate accounting.** Except as to the proceeds of fees for
2 which a different form of accounting and disposition is otherwise specifically provided
3 in this chapter,

4 (1) the fees collected by the department under this chapter shall be
5 deposited in the special highway maintenance account in the state general fund
6 described in AS 43.40.010(g); and

7 (2) the legislature may appropriate the annual estimated balance of the
8 funds from the special highway maintenance account for the purposes described in
9 AS 43.40.010(g).

10 * **Sec. 2.** AS 37.05.146(b)(4) is amended by adding a new subparagraph to read:

11 (AAA) special highway maintenance account
12 (AS 43.40.010(g)).

13 * **Sec. 3.** AS 43.20 is amended by adding a new section to read:

14 **Sec. 43.20.009. Tax on individuals.** (a) There is imposed for each taxable
15 year an income tax on the taxable income of every

16 (1) resident individual; and

17 (2) nonresident and part-year resident individual with income from
18 sources in the state.

19 (b) As soon as practicable after September 30 of each year, the department
20 shall publish the applicable tax rate under this subsection for the following calendar
21 year. The applicable tax rate is:

22 (1) four percent if, on September 30 of that year, the unaudited balance
23 in the budget reserve fund created by art. IX, sec. 17, Constitution of the State of
24 Alaska, was equal to or less than \$2,000,000,000;

25 (2) two percent if, on September 30 of that year, the unaudited balance
26 in the budget reserve fund created by art. IX, sec. 17, Constitution of the State of
27 Alaska, was more than \$2,000,000,000 but not more than \$2,500,000,000; or

28 (3) one percent if, on September 30 of that year, the unaudited balance
29 in the budget reserve fund created by art. IX, sec. 17, Constitution of the State of
30 Alaska, was more than \$2,500,000,000.

31 (c) For a resident individual, the tax under this section is the sum of the

1 taxpayer's taxable income multiplied by the tax rate described in (b) of this section.

2 (d) For a part-year resident individual or a nonresident individual, the tax
3 under this section shall be computed by applying the rate described in (b) of this
4 section to the individual's taxable income, and multiplying the result by a fraction, the
5 numerator of which is taxable income from all sources in the state and the
6 denominator of which is taxable income from all sources.

7 (e) In this section, "taxable income" has the meaning given in 26 U.S.C. 63
8 (Internal Revenue Code).

9 * Sec. 4. AS 43.20.030(a) is amended to read:

10 (a) If an individual, a corporation, or a partnership that has a corporation as a
11 partner, is required to make a return of income under the provisions of the Internal
12 Revenue Code, the individual, corporation, or partnership [IT] shall file with the
13 department, within 30 days after the federal return is required to be filed, a return
14 setting out

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

17 (2) other information that the department requires for the purpose of
18 carrying out the provisions of this chapter [THAT THE DEPARTMENT
19 REQUIRES].

20 * Sec. 5. AS 43.20.030(d) is amended to read:

21 (d) A taxpayer, upon request by the department, shall file with the taxpayer's
22 state return [FURNISH TO THE DEPARTMENT] a true [AND CORRECT] copy of
23 the tax return [WHICH THE TAXPAYER HAS] filed with the United States Internal
24 Revenue Service. Every taxpayer shall file an amended return with [NOTIFY] the
25 department, and remit any additional tax and interest due, within [IN WRITING
26 OF ANY ALTERATION IN, OR MODIFICATION OF, THE TAXPAYER'S
27 FEDERAL INCOME TAX RETURN AND OF A RECOMPUTATION OF TAX OR
28 DETERMINATION OF DEFICIENCY, WHETHER WITH OR WITHOUT
29 ASSESSMENT. A FULL STATEMENT OF THE FACTS MUST ACCOMPANY
30 THIS NOTICE. THE NOTICE SHALL BE FILED WITHIN] 60 days after a [THE]
31 final determination of the taxpayer's federal tax liability [MODIFICATION,

1 RECOMPUTATION OR DEFICIENCY, AND THE TAXPAYER SHALL PAY THE
2 ADDITIONAL TAX OR PENALTY UNDER THIS CHAPTER]. For purposes of
3 this subsection [SECTION], a final determination means [SHALL MEAN] the date
4 [TIME] that an amended federal return is filed, the date a federal [OR A NOTICE
5 OF DEFICIENCY OR AN] assessment is made, or the date the restrictions on
6 assessment are waived by [MAILED TO] the taxpayer [BY THE INTERNAL
7 REVENUE SERVICE, EXCEPT THAT IN NO EVENT WILL THERE BE A FINAL
8 DETERMINATION FOR PURPOSES OF THIS SECTION UNTIL THE
9 TAXPAYER HAS EXHAUSTED RIGHTS OF APPEAL UNDER FEDERAL
10 LAW].

11 * Sec. 6. AS 43.20.031(c) is amended to read:

12 (c) In computing the tax under this chapter, a corporation [THE
13 TAXPAYER] is not entitled to deduct any taxes based on or measured by net income.

14 * Sec. 7. AS 43.20.040 is repealed and reenacted to read:

15 **Sec. 43.20.040. Income from sources in the state.** (a) In this chapter,
16 income from sources in the state includes

17 (1) compensation for personal services rendered in the state;
18 (2) working in the state for salary or wages;
19 (3) income from real or tangible personal property located in the state;
20 (4) income from stocks, bonds, notes, bank deposits, and other
21 intangible personal property having a taxable or business situs in the state; however,
22 the receipt of interest income from intangible property in the state does not alone
23 establish a taxable or business situs in the state;

24 (5) rentals and royalties for the use of or for the privilege of using, in
25 the state, patents, copyrights, secret processes and formulas, good will, marks, trade
26 brands, franchises, and other property having a taxable or business situs in the state;

27 (6) income distributed from a trust established under or governed by
28 the laws of the state;

29 (7) income of whatever nature from a source with a taxable or business
30 situs in the state.

31 (b) Except as provided in (a)(4) of this section, in this section, income is from

1 a source with a taxable or business situs in the state if it is attributed to or derived from

2 (1) business facilities or property in the state;

3 (2) business, farming, or fishing activities in the state;

4 (3) conducting in the state the management or investment function for
5 intangible property;

6 (4) a partnership or limited liability company conducting business
7 activities in the state;

8 (5) a corporation transacting business activities in the state that has
9 elected to file federal returns under subchapter S of the Internal Revenue Code;

10 (6) any other activity from which income is received, realized, or
11 derived in the state.

12 (c) If a business, trade, or profession is carried on partly inside and partly
13 outside the state, other than the rendering of purely personal services by an individual,
14 the income from sources in the state shall be determined as provided in AS 43.19.

15 * **Sec. 8.** AS 43.20 is amended by adding a new section to article 1 to read:

16 **Sec. 43.20.046. Individual income tax credits.** (a) For a resident, the
17 income tax imposed on that resident by another state or territory of the United States
18 for the taxable year, on income derived from sources in that state or territory, is
19 allowed as a credit against the tax under this chapter.

20 (b) The credit under (a) of this section is determined by multiplying the tax
21 computed under this chapter by a fraction, the numerator of which is the income
22 derived from sources in the other state or territory and the denominator of which is
23 income derived from all sources. The credit under (a) of this section may not exceed
24 the actual tax paid to the other state or territory.

25 (c) To the extent required by federal law, an individual is allowed as a credit
26 against the tax under this chapter 10.2 percent of interest received by the individual in
27 the taxable year upon obligations unconditionally backed by the full faith and credit of
28 the United States.

29 (d) An individual is allowed only the state credits provided in this section.
30 The total state credit allowed under this section may not exceed the tax liability for the
31 taxable year for the individual. A credit may not be carried, in whole or in part, to a

1 different taxable year.

2 * Sec. 9. AS 43.20 is amended by adding a new section to read:

3 **Sec. 43.20.171. Tax withholding on wages of individuals.** (a) Every
4 employer making payment of wages, salaries, or crew shares

5 (1) shall deduct and withhold an amount of tax computed in a manner
6 to approximate the amount of tax due on those wages, salaries, or crew shares under
7 this chapter for that taxable year;

8 (2) shall remit the tax withheld to the department accompanied by a
9 return on a form prescribed by the department at the times required by the department
10 by regulation;

11 (3) is liable for the payment of the tax required to be deducted and
12 withheld under this section but is not liable to any individual for the amount of the
13 payment; and

14 (4) shall furnish to the employee on or before January 31 of the
15 succeeding year, or within 30 days after a request by the employee after the
16 employee's termination if the 30-day period ends before January 31, a written
17 statement on a form prescribed by the department showing

18 (A) the name and taxpayer identification number of the
19 employer;

20 (B) the name and social security number of the employee;

21 (C) the total amount of wages, salary, or crew shares for the
22 taxable year; and

23 (D) the total amount deducted and withheld as tax for the
24 taxable year.

25 (b) The department shall publish the rate of withholding required by this
26 section.

27 (c) In this section,

28 (1) "employee" includes an individual who receives compensation on a
29 crew share basis in connection with a commercial fishing activity;

30 (2) "employer" includes a person who pays compensation to an
31 individual on a crew share basis in connection with a commercial fishing activity.

1 * **Sec. 10.** AS 43.20.200(b) is amended to read:

2 (b) The same period of limitation upon the assessment and collection of taxes
3 imposed under this chapter and the same exceptions to it shall apply as provided in 26
4 U.S.C. 6501 - 6503 (Internal Revenue Code). In the case of additional tax due by
5 reason of modification, recomputation, or determination of deficiency in a taxpayer's
6 federal income tax return, the period of limitation on assessment commences from the
7 date that the amended return [NOTICE] required in AS 43.20.030(d) is filed, and if
8 no amended return [NOTICE] is filed the tax may be assessed at any time.

9 * **Sec. 11.** AS 43.20.340 is amended by adding new paragraphs to read:

10 (12) "individual" means a natural person, married or unmarried, adult
11 or minor, subject to payment of income tax under 26 U.S.C. (Internal Revenue Code);

12 (13) "nonresident" means an individual who is not a resident or part-
13 year resident;

14 (14) "resident" means an individual who, for the entire taxable year,
15 was domiciled in the state or resided in the state.

16 * **Sec. 12.** AS 43.40.010(g) is amended to read:

17 (g) The proceeds of the revenue from the tax on all motor fuels, except as
18 provided in (e), (f), and (j) of this section, shall be deposited in a special highway
19 maintenance [FUEL TAX] account in the state general fund. The legislature may
20 appropriate the annual estimated balance of the funds from the account [IT] for (1)
21 the annual operating costs for the operating division or unit in the Department of
22 Administration that has the duties and responsibilities described in
23 AS 28.05.011(b)(1) - (7), including registration, titling, and transfer of motor
24 vehicles; (2) expenditure by the Department of Transportation and Public Facilities
25 directly or as matched with available federal-aid highway money for maintenance of
26 highways; and (3) for any other purpose. Money deposited in the account under
27 this subsection does not lapse into the unrestricted general fund unless otherwise
28 provided in an appropriation [, CONSTRUCTION OF HIGHWAY PROJECTS
29 AND FERRIES INCLUDED IN THE PROGRAM PROVIDED FOR IN
30 AS 19.10.150, INCLUDING APPROACHES, APPURTENANCES AND RELATED
31 FACILITIES AND ACQUISITION OF RIGHTS-OF-WAY OR EASEMENTS, AND

1 OTHER HIGHWAY COSTS INCLUDING SURVEYS, ADMINISTRATION, AND
2 RELATED MATTERS. ALL DEPARTMENTS OF THE STATE GOVERNMENT
3 AUTHORIZED TO SPEND FUNDS COLLECTED FROM TAXES IMPOSED BY
4 THIS CHAPTER SHALL PERFORM, WHEN FEASIBLE, ALL CONSTRUCTION
5 OR RECONSTRUCTION PROJECTS BY CONTRACT AFTER THE PROJECTS
6 HAVE BEEN ADVERTISED FOR COMPETITIVE BIDS, EXCEPT THAT, WHEN
7 FEASIBLE, ARRANGEMENTS SHALL BE MADE WITH POLITICAL
8 SUBDIVISIONS TO CARRY OUT THE CONSTRUCTION OR
9 RECONSTRUCTION PROJECTS. IF IT IS NOT FEASIBLE FOR THE WORK TO
10 BE PERFORMED BY STATE ENGINEERING FORCES, THE COMMISSIONER
11 OF TRANSPORTATION AND PUBLIC FACILITIES MAY CONTRACT ON A
12 PROFESSIONAL BASIS WITH PRIVATE ENGINEERING FIRMS FOR ROAD
13 DESIGN, BRIDGE DESIGN, AND SERVICES IN CONNECTION WITH
14 SURVEYS. IF MORE THAN ONE PRIVATE ENGINEERING FIRM IS
15 AVAILABLE FOR THE WORK THE CONTRACTS SHALL BE ENTERED INTO
16 ON A NEGOTIATED BASIS].

17 * Sec. 13. AS 43.40.010(h) is amended to read:

18 (h) All motor fuel tax receipts shall be paid into the general fund and
19 distributed to the proper accounts in the general fund. Valid motor fuel tax refund
20 claims shall be paid from the special highway maintenance [FUEL TAX] account in
21 the general fund.

22 * Sec. 14. AS 43.40.010 is amended by adding a new subsection to read:

23 (m) In addition to the tax on motor fuel levied under (a) and (b) of this section,
24 there is levied an additional tax of 10 cents a gallon on all motor fuel sold or otherwise
25 transferred within the state or consumed by a user. The levy made by this subsection
26 does not apply to motor fuel described in (a)(1) - (3) or to motor fuel described in
27 (b)(1) - (3) of this section.

28 * Sec. 15. AS 43.40.030(a) is amended to read:

29 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to
30 operate an internal combustion engine is entitled to a refund of 13 [SIX] cents a gallon
31 if

- 1 (1) the tax on the motor fuel has been paid;
- 2 (2) the motor fuel is not aviation fuel, or motor fuel used in or on
- 3 watercraft; and
- 4 (3) the internal combustion engine is not used in or in conjunction with
- 5 a motor vehicle licensed to be operated on public ways.

6 * Sec. 16. AS 43.40.070 is amended to read:

7 **Sec. 43.40.070. Refund warrants.** Upon approval of a refund claim by

8 the department, a warrant shall be drawn on the special highway maintenance

9 [FUEL TAX] account in the general fund in favor of the applicant in the

10 amount of the claim.

11 * Sec. 17. AS 43.60.010(a) is amended to read:

12 (a) Except as provided in (c) of this section, every [EVERY] brewer,

13 distiller, bottler, jobber, retailer, wholesaler, or manufacturer who sells alcoholic

14 beverages in the state or who consigns shipments of alcoholic beverages into the state,

15 whether or not the alcoholic beverages are brewed, distilled, bottled, or manufactured

16 in the state, shall pay on all malt beverages (alcoholic content of one percent or more

17 by volume), wines, and hard or distilled alcoholic beverages, the following taxes:

18 (1) malt beverages at the rate of \$1.42 [35 CENTS] a gallon or fraction

19 of a gallon;

20 (2) cider with at least 0.5 percent alcohol by volume but not more

21 than sever percent alcohol by volume, at the rate of \$1.42 a gallon or fraction of a

22 gallon;

23 (3) wine or other beverages, other than beverages described in (1) or

24 (2) of this subsection, of 21 percent alcohol by volume or less, at the rate of \$3.41

25 [85 CENTS] a gallon or fraction of a gallon; and

26 (4) [(3)] other beverages having a content of more than 21 percent

27 alcohol by volume at the rate of \$18.40 [\$5.60] a gallon.

28 * Sec. 18. AS 43.60.010 is amended by adding a new subsection to read:

29 (c) A brewer shall pay a tax at the rate of 35 cents a gallon on sales of the first

30 60,000 barrels of beer sold in the state each fiscal year beginning July 1, 2003, for beer

31 produced in the United States if the producing brewery meets the qualifications of 26

1 U.S.C. 5051(a)(2). To qualify for the tax rate under this subsection, the brewer must
2 file with the department a copy of a Bureau of Alcohol, Tobacco and Firearms
3 acknowledged copy of the brewer's Notice of Brewer to Pay Reduced Rate of Tax
4 required under 27 C.F.R. 25.167 for the calendar year in which the fiscal year begins
5 for which the partial exemption is sought. If proof of eligibility is not received by the
6 department before June 1, the tax rate under this subsection does not apply until the
7 first day of the second month after the month the notice is received by the department.
8 For purposes of applying this subsection, a barrel of beer may contain no more than 31
9 gallons.

10 * Sec. 19. AS 43.05.085; AS 43.20.012, 43.20.013, and 43.20.072(d) are repealed.

11 * Sec. 20. The uncodified law of the State of Alaska is amended by adding a new section to
12 read:

13 INDIVIDUAL INCOME TAX RATE FOR 2003. The tax rate for 2003 under
14 AS 43.20.009, added by sec. 3 of this Act, is four percent.

15 * Sec. 21. The uncodified law of the State of Alaska is amended by adding a new section to
16 read:

17 TRANSITION: FLOOR STOCK TAXES. (a) There is imposed on every person
18 holding a license or permit under AS 04.11 a floor stock tax. The floor stock tax is imposed
19 once on those alcoholic beverages for sale or distribution that are in the person's possession or
20 under the person's control at 12:01 a.m. on the effective date of this section, including cider
21 with at least 0.5 percent alcohol by volume but not more than seven percent alcohol by
22 volume.

23 (b) The tax is imposed at the rate required under AS 43.60.010(a), as amended by
24 sec. 17 of this Act, less any tax actually paid on the same product under AS 43.60.010(a) at
25 the rate in effect on the day before the effective date of this section.

26 (c) The provisions of AS 43.05 and AS 43.10 apply to the administration,
27 enforcement, and collection of the floor stock tax levied by this section.

28 (d) A person subject to the floor stock tax shall file a return on a form prescribed by
29 the department not later than 30 days after the effective date of the section.

30 * Sec. 22. The uncodified law of the State of Alaska is amended by adding a new section to
31 read:

1 TRANSITION: REGULATIONS. The Department of Revenue may proceed to adopt
2 regulations necessary to implement the provisions of this Act. The regulations take effect
3 under AS 44.62 (Administrative Procedure Act), but not before the effective date of the
4 provision being implemented.

5 * Sec. 23. Section 22 of this Act takes effect immediately under AS 01.10.070(c).

6 * Sec. 24. Sections 1, 2, and 12 - 16 of this Act take effect July 1, 2002.

7 * Sec. 25. Except as provided in secs. 23 and 24 of this Act, this Act takes effect January 1,
8 2003.

3/26/02

adopted

S22-LS0842\O.1
Kurtz
3/25/02

AMENDMENT

①

OFFERED IN THE HOUSE

BY REPRESENTATIVE CROFT

TO: CSHB 229(FIN), Draft Version "O"

1 Page 2, following line 12:

2 Insert a new bill section to read:

3 "* Sec. 3. AS 43.05 is amended by adding a new section to article 3 to read:

4 Sec. 43.05.300. Definition. In AS 43.05.220 - 43.05.300, unless the context
5 otherwise requires, "taxpayer"

6 (1) means a person required to pay a tax under this title; and

7 (2) includes an employer that is required to withhold taxes under
8 AS 43.20.041."

9

10 Renumber the following bill sections accordingly.

11

12 Page 2, line 31:

13 Delete "sum"

14 Insert "product"

15

16 Page 3, line 7, following "section,":

17 Insert "(1)"

18

19 Page 3, line 8, following "(Internal Revenue Code)":

20 Insert "and refers to the taxable income reported on the taxpayer's federal return, but
21 does not include income exempt from state taxation under federal law;

22 (2) "unaudited balance in the budget reserve fund" means the balance
23 in the fund on deposit with the state's custodian bank as certified by the commissioner,

1 without regard to liabilities to the general fund under art. IX, sec. 17(d), Constitution
2 of the State of Alaska.

3 * Sec. 5. AS 43.20 is amended by adding a new section to read:

4 Sec. 43.20.029. **Electronic filing incentive.** The commissioner may by
5 regulation provide for an incentive to taxpayers for electronically filing tax returns and
6 making tax payments. An incentive under this section may not exceed \$25 for each
7 taxpayer a year and is contingent on the accurate and timely filing of the tax return and
8 timely payment of the tax due"

9
10 Renumber the following bill sections accordingly.

11
12 Page 3, lines 10 - 14:

13 Delete all material and insert:

14 "(a) Every individual, trust, estate, partnership, and [IF A] corporation [,
15 OR A PARTNERSHIP THAT HAS A CORPORATION AS A PARTNER, IS]
16 required to make a return under the provisions of the Internal Revenue Code [, IT]
17 shall file with the department [, WITHIN 30 DAYS AFTER THE FEDERAL
18 RETURN IS REQUIRED TO BE FILED,] a return setting out"

19
20 Page 4, following line 10:

21 Insert a new bill section to read:

22 "** Sec. 8. AS 43.20.030 is amended by adding a new subsection to read:

23 (h) The return for a corporation is due within 30 days after the federal return is
24 required to be filed. The return for other taxpayers is due on the date the federal return
25 is required to be filed."

26
27 Page 5, lines 25 - 28:

28 Delete all material.

29
30 Reletter the following subsection accordingly.

31

1 Page 6, line 4:
2 Delete ", salaries, or crew shares"
3 Insert "or salaries"

4
5 Page 6, line 6:
6 Delete ", salaries, or crew shares"
7 Insert "or salaries"

8
9 Page 6, line 21:
10 Delete ", salary, or crew shares"
11 Insert "or salary"

12
13 Page 6, lines 27 - 31:
14 Delete all material.

15
16 Page 10, line 14:
17 Delete "sec. 3"
18 Insert "sec. 4"

19
20 Page 10, line 24:
21 Delete "sec. 17"
22 Insert "sec. 20"

23
24 Page 11, line 5:
25 Delete "Section 22"
26 Insert "Section 25"

27
28 Page 11, line 6:
29 Delete "12 - 16"
30 Insert "15 - 19"

31

- 1 Page 11, line 7:
- 2 Delete "secs. 23 and 24"
- 3 Insert "secs. 26 and 27"

22-LS0842U
Kurtz
3/21/02

CS FOR HOUSE BILL NO. 229(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVE STEVENS

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to state taxation of alcoholic beverages; increasing the alcoholic
2 beverage state tax rates; increasing the rate of the motor fuel tax levied and collected on
3 motor vehicles and on certain fuel for internal combustion engines not used in or in
4 conjunction with a motor vehicle; directing separate accounting of amounts derived
5 from motor vehicle licensing, registration, and transfers and related activities;
6 authorizing the appropriation of the proceeds of the motor fuel tax on motor vehicles
7 and the amounts separately accounted for in the special highway fuel tax account,
8 redesignated as the special highway maintenance account and amended as to its
9 purposes and limitations on its uses, to meet the costs of activities relating to motor
10 vehicle licensing and registration and for the uses identified in the law establishing the
11 account; and providing for an effective date."

12 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

1 * Section 1. AS 28.10 is amended by adding a new section to read:

2 Sec. 28.10.595. **Separate accounting.** Except as to the proceeds of fees for
3 which a different form of accounting and disposition is otherwise specifically provided
4 in this chapter,

5 (1) the fees collected by the department under this chapter shall be
6 deposited in the special highway maintenance account in the state general fund
7 described in AS 43.40.010(g); and

8 (2) the legislature may appropriate the annual estimated balance of the
9 funds from the special highway maintenance account for the purposes described in
10 AS 43.40.010(g).

11 * Sec. 2. AS 37.05.146(b)(4) is amended by adding a new subparagraph to read:

12 (AAA) special highway maintenance account
13 (AS 43.40.010(g)).

14 * Sec. 3. AS 43.40.010(g) is amended to read:

15 (g) The proceeds of the revenue from the tax on all motor fuels, except as
16 provided in (e), (f), and (j) of this section, shall be deposited in a special highway
17 maintenance [FUEL TAX] account in the state general fund. The legislature may
18 appropriate the annual estimated balance of the funds from the account [IT] for (1)
19 the annual operating costs for the operating division or unit in the Department of
20 Administration that has the duties and responsibilities described in
21 AS 28.05.011(b)(1) - (7), including registration, titling, and transfer of motor
22 vehicles; (2) expenditure by the Department of Transportation and Public Facilities
23 directly or as matched with available federal-aid highway money for maintenance of
24 highways; and (3) for any other purpose. Money deposited in the account under
25 this subsection does not lapse into the unrestricted general fund unless otherwise
26 provided in an appropriation [CONSTRUCTION OF HIGHWAY PROJECTS
27 AND FERRIES INCLUDED IN THE PROGRAM PROVIDED FOR IN
28 AS 19.10.150, INCLUDING APPROACHES, APPURTENANCES AND RELATED
29 FACILITIES AND ACQUISITION OF RIGHTS-OF-WAY OR EASEMENTS, AND
30 OTHER HIGHWAY COSTS INCLUDING SURVEYS, ADMINISTRATION, AND
31 RELATED MATTERS. ALL DEPARTMENTS OF THE STATE GOVERNMENT

1 AUTHORIZED TO SPEND FUNDS COLLECTED FROM TAXES IMPOSED BY
2 THIS CHAPTER SHALL PERFORM, WHEN FEASIBLE, ALL CONSTRUCTION
3 OR RECONSTRUCTION PROJECTS BY CONTRACT AFTER THE PROJECTS
4 HAVE BEEN ADVERTISED FOR COMPETITIVE BIDS, EXCEPT THAT, WHEN
5 FEASIBLE, ARRANGEMENTS SHALL BE MADE WITH POLITICAL
6 SUBDIVISIONS TO CARRY OUT THE CONSTRUCTION OR
7 RECONSTRUCTION PROJECTS. IF IT IS NOT FEASIBLE FOR THE WORK TO
8 BE PERFORMED BY STATE ENGINEERING FORCES, THE COMMISSIONER
9 OF TRANSPORTATION AND PUBLIC FACILITIES MAY CONTRACT ON A
10 PROFESSIONAL BASIS WITH PRIVATE ENGINEERING FIRMS FOR ROAD
11 DESIGN, BRIDGE DESIGN, AND SERVICES IN CONNECTION WITH
12 SURVEYS. IF MORE THAN ONE PRIVATE ENGINEERING FIRM IS
13 AVAILABLE FOR THE WORK THE CONTRACTS SHALL BE ENTERED INTO
14 ON A NEGOTIATED BASIS].

15 * Sec. 4. AS 43.40.010(h) is amended to read:

16 (h) All motor fuel tax receipts shall be paid into the general fund and
17 distributed to the proper accounts in the general fund. Valid motor fuel tax refund
18 claims shall be paid from the special highway maintenance [FUEL TAX] account in
19 the general fund.

20 * Sec. 5. AS 43.40.010 is amended by adding a new subsection to read:

21 (m) In addition to the tax on motor fuel levied under (a) and (b) of this section,
22 there is levied an additional tax of 10 cents a gallon on all motor fuel sold or otherwise
23 transferred within the state or consumed by a user. The levy made by this subsection
24 does not apply to motor fuel described in (a)(1) - (3) of this section or to motor fuel
25 described in (b)(1) - (3) of this section.

26 * Sec. 6. AS 43.40.030(a) is amended to read:

27 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to
28 operate an internal combustion engine is entitled to a refund of 14 [SIX] cents a gallon
29 if

30 (1) the tax on the motor fuel has been paid;

31 (2) the motor fuel is not aviation fuel, or motor fuel used in or on

1 watercraft; and

2 (3) the internal combustion engine is not used in or in conjunction with
3 a motor vehicle licensed to be operated on public ways.

4 * Sec. 7. AS 43.40.070 is amended to read:

5 **Sec. 43.40.070. Refund warrants.** Upon approval of a refund claim by the
6 department, a warrant shall be drawn on the special highway maintenance [FUEL
7 TAX] account in the general fund in favor of the applicant in the amount of the claim.

8 * Sec. 8. AS 43.60.010(a) is amended to read:

9 (a) Except as provided in (c) of this section, every [EVERY] brewer,
10 distiller, bottler, jobber, retailer, wholesaler, or manufacturer who sells alcoholic
11 beverages in the state or who consigns shipments of alcoholic beverages into the state,
12 whether or not the alcoholic beverages are brewed, distilled, bottled, or manufactured
13 in the state, shall pay on all malt beverages (alcoholic content of one percent or more
14 by volume), wines, and hard or distilled alcoholic beverages, the following taxes:

15 (1) malt beverages at the rate of 70 [35] cents a gallon or fraction of a
16 gallon;

17 (2) cider with at least 0.5 percent alcohol by volume but not more
18 than seven percent alcohol by volume, at the rate of \$1.42 a gallon or fraction of a
19 gallon;

20 (3) wine or other beverages, other than beverages described in (1) or
21 (2) of this subsection, of 21 percent alcohol by volume or less, at the rate of \$1.70
22 [85 CENTS] a gallon or fraction of a gallon; and

23 (4) [(3)] other beverages having a content of more than 21 percent
24 alcohol by volume at the rate of \$11.20 [\$5.60] a gallon.

25 * Sec. 9. AS 43.60.010 is amended by adding a new subsection to read:

26 (c) A brewer shall pay a tax at the rate of 35 cents a gallon on sales of the first
27 60,000 barrels of beer sold in the state each fiscal year beginning July 1, 2002, for beer
28 produced in the United States if the producing brewery meets the qualifications of 26
29 U.S.C. 5051(a)(2). To qualify for the tax rate under this subsection, the brewer must
30 file with the department a copy of a Bureau of Alcohol, Tobacco and Firearms
31 acknowledged copy of the brewer's Notice of Brewer to Pay Reduced Rate of Tax

1 required under 27 C.F.R. 25.167 for the calendar year in which the fiscal year begins
2 for which the partial exemption is sought. If proof of eligibility is not received by the
3 department before June 1, the tax rate under this subsection does not apply until the
4 first day of the second month after the month the notice is received by the department.
5 For purposes of applying this subsection, a barrel of beer may contain no more than 31
6 gallons.

7 * **Sec. 10.** Sections 1 - 7 of this Act take effect July 1, 2002.