

USB

7

<TARGET><BILL>SB 7</BILL><SUBJECT>SB
7</SUBJECT><COMM>HFIN28</COMM></TARGET>

(11)

Date Referred to Committee: March 4, 2013

FURTHER REFERRALS:

Date of Committee Action: 4.12.13

The FINANCE Committee considered:

SB 7

SENATE BILL NO. 7 am

"An Act relating to the computation of the tax on the taxable income of a corporation derived from sources within the state."

SB 7 CORPORATE INCOME TAX

Recommends it be replaced with HCS or CS for SB 7 (FIN)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of Abbrev for Depts.:
 ADM
 CED
 COR
 CRT
 EED
 DEC
 DFG
 GOV
 DHS
 LWF
 LAW
 LEG
 MVA
 DNR
 DPS
 REV
 DOT
 UA

NEW FISCAL NOTES				
*FN# is assigned by Chief Clerk's Office				
*FN#	List by Dept(s):	Fiscal	Indet.	Zero
	REV	✓		
	CED			✓

PREVIOUS FISCAL NOTES				
FN#	List by Dept(s):	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	Karamanli				✗
	Holmes	x			
	Muñoz	✓			
	Thompson	✓			
	Edgmon			x	
	T. Wilson	✓			
	Gara		x		
	Neuge	+			
	CASTELLO	✓			
Chair:	A. Stoltz				✗
Chair:	Australian				✗

Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: SB 7
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB007HCS(FIN)-DOR-TAX-04-09-13
Title: CORPORATE INCOME TAX
Sponsor: GIESSEL
Requester: (H) FIN

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2014 Request	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES	FY 2014	FY 2014					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues			(5,000.0)	(5,000.0)	(5,000.0)	(5,000.0)	(5,000.0)
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **Yes**
If yes, by what date are the regulations to be adopted, amended or repealed? **12/31/13**

Why this fiscal note differs from previous version:

This version reflects a change to the tax brackets that provides that the tax on the first \$25,000 of taxable income of all companies is zero. The total revenue effect of this change is an estimated decrease of approximately \$300,000 in corporate income taxes each year. This version also reflects proposed changes to the film production tax credit program.

Prepared By:	Johanna Bales, Deputy Director and Loren Crawford, Economist	Phone:	(907)269-6628
Division	Tax Division	Date:	04/09/2013 10:30 PM
Approved By:	Alicia Egan, Legislative Liaison	Date:	04/09/13
	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. HCS(FIN)SB 7

Analysis

Bill Language: This bill will adjust the current corporate income tax schedule to the following:

If the taxable income is inclusively between:	Then the tax is:
\$ 0 and \$ 24,999	zero
\$ 25,000 and \$ 48,999	2 percent of the taxable income over \$25,000
\$ 49,000 and \$ 73,999	\$480 plus 3 percent of the taxable income over \$49,000
\$ 74,000 and \$ 98,999	\$1,230 plus 4 percent of the taxable income over \$74,000
\$ 99,000 and \$ 123,999	\$2,230 plus 5 percent of the taxable income over \$99,000
\$ 124,000 and \$ 147,999	\$3,480 plus 6 percent of the taxable income over \$124,000
\$ 148,000 and \$ 172,999	\$4,920 plus 7 percent of the taxable income over \$148,000
\$ 173,000 and \$ 197,999	\$6,670 plus 8 percent of the taxable income over \$173,000
\$ 198,000 and \$ 221,999	\$8,670 plus 9 percent of the taxable income over \$198,000
\$ 222,000 or more	\$10,830 plus 9.4 percent of the taxable income over \$222,000

The change in tax schedule expands the brackets of the current progressive corporate income tax from nine \$10,000 brackets to three \$24,000 brackets and six \$25,000 brackets. This shifts some companies in a higher income tax bracket, to a lower one. This bill affects all companies subject to corporate income tax. Those companies with taxable income less than \$25,000 will benefit the most from this bill as they will see their tax liability decrease by 100%. Those companies with tax liability between \$99,000 and \$124,000 will benefit the second most from this change, seeing an estimated 52.5% decrease in their tax liability. This benefit is measured by the difference in total tax liability, calculated using current and proposed rates, for companies in this tax bracket. Those companies with taxable income over \$1,000,000 and up to \$100,000,000 will see an overall decrease in tax liability between 6% and .06%. Thus, this bill will result in a larger percentage decrease in tax liability for smaller companies.

This bill also includes transition language which will allow DOR to issue tax credits for film productions currently pre-qualified by the Department of Commerce, Community, and Economic Development under previous law and will continue to make news, weather, commercial or corporate programming, and sexually explicit film productions ineligible for a film credit when the program transitions to DOR on July 1, 2013.

Revenues: A study of State of Alaska corporate income tax revenues from 2009, 2010, and 2011 suggests that had the bill been implemented in those years, the decrease in corporate income tax revenue would have been \$5,522,802, \$5,446,493 and \$4,045,573, respectively, an average of \$5,000,000 per year over the three years. This represents approximately one half of a percent of total corporate income tax revenue collected during each of those years. These estimates do not take into account the effect of the small business tax exemption legislation passed during the 2012 legislative session which exempts certain small corporations from corporate income tax starting January 1, 2013. It also does not reflect the changes in the behavior of companies in reaction to tax schedule changes, nor does it account for corporate income tax credits.

There will be no change to tax revenues as a result of the changes affecting the film credit program.

Expenditures: We anticipate the changes to the corporate income tax structure and film credit program can be implemented in the Department of Revenue using existing staff and resources.

Regulations: The department will need to draft regulations to implement the changes to the film credit program as outlined in the bill. These regulations should be in effect by 12/31/2013.

Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: SB 7
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB007CS(FIN)-DCCED-DED-04-08-13
Title: CORPORATE INCOME TAX
Sponsor: GIESSEL
Requester: House Finance

Department: Department of Commerce, Community and
Economic Development
Appropriation: Economic Development
Allocation: Economic Development
OMB Component Number: 2743

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2014 Request	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES	FY 2014	FY 2014					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Not applicable, initial version.

Prepared By: Lorene Palmer, Director
Division: Division of Economic Development
Approved By: JoEllen Hanrahan, Director
Administrative Services Division

Phone: (907)465-2625
Date: 04/08/2013 06:00 PM
Date: 04/08/13

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. SB 7

Analysis

Senate Bill 7 adjusts the tax bracket for Alaska's corporate income tax. It also includes transition language for film productions currently pre-qualified by the Department of Commerce, Community, and Economic Development and will continue the exemptions for news, weather, commercial or corporate programming, and sexually explicit films when the program transitions to the Department of Revenue on July 1, 2013.

There is no anticipated fiscal impact to the Division of Economic Development.

HOUSE CS FOR SENATE BILL NO. 7(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATORS GIESSEL, Egan, Wielechowski, French, Dyson, McGuire, Bishop, Fairclough, Meyer, Micciche, Dunleavy, Kelly

REPRESENTATIVE Kawasaki

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the computation of the tax on the taxable income of a corporation**
2 **derived from sources within the state; relating to the ineligibility and eligibility of**
3 **certain productions to receive a film production tax credit; and providing for an**
4 **effective date."**

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

6 *** Section 1. AS 43.20.011(e) is amended to read:**

7 (e) There is imposed for each taxable year upon the entire taxable income of
8 every corporation derived from sources within the state a tax computed as follows:

9	If the taxable income is:	Then the tax is:
10	Less than <u>\$25,000</u> [\$10,000]	<u>zero</u> [1 PERCENT OF THE
11		TAXABLE INCOME]
12	<u>\$25,000</u> [\$10,000] but less than	[\$100 PLUS] 2 percent of the
13	<u>\$49,000</u> [\$20,000]	taxable income over <u>\$25,000</u>
14		[\$10,000]

1	<u>\$49,000</u> [\$20,000] but less than	<u>\$480</u> [\$300] plus 3 percent of the
2	<u>\$74,000</u> [\$30,000]	taxable income over <u>\$49,000</u>
3		[\$20,000]
4	<u>\$74,000</u> [\$30,000] but less than	<u>\$1,230</u> [\$600] plus 4 percent of the
5	<u>\$99,000</u> [\$40,000]	taxable income over <u>\$74,000</u>
6		[\$30,000]
7	<u>\$99,000</u> [\$40,000] but less than	<u>\$2,230</u> [\$1,000] plus 5 percent of the
8	<u>\$124,000</u> [\$50,000]	taxable income over <u>\$99,000</u>
9		[\$40,000]
10	<u>\$124,000</u> [\$50,000] but less than	<u>\$3,480</u> [\$1,500] plus 6 percent of the
11	<u>\$148,000</u> [\$60,000]	taxable income over <u>\$124,000</u>
12		[\$50,000]
13	<u>\$148,000</u> [\$60,000] but less than	<u>\$4,920</u> [\$2,100] plus 7 percent of the
14	<u>\$173,000</u> [\$70,000]	taxable income over <u>\$148,000</u>
15		[\$60,000]
16	<u>\$173,000</u> [\$70,000] but less than	<u>\$6,670</u> [\$2,800] plus 8 percent of the
17	<u>\$198,000</u> [\$80,000]	taxable income over <u>\$173,000</u>
18		[\$70,000]
19	<u>\$198,000</u> [\$80,000] but less than	<u>\$8,670</u> [\$3,600] plus 9 percent of the
20	<u>\$222,000</u> [\$90,000]	taxable income over <u>\$198,000</u>
21		[\$80,000]
22	<u>\$222,000</u> [\$90,000] or more	<u>\$10,830</u> [\$4,500] plus 9.4 percent of
23		the taxable income over <u>\$222,000</u>
24		[\$90,000].

25 * Sec. 2. AS 44.25.115, as enacted by sec. 28, ch. 51, SLA 2012, is amended by adding a
26 new subsection to read:

27 (c) The following productions are not eligible, regardless of the production
28 costs:

- 29 (1) news, weather, or current events programming;
30 (2) a production produced primarily for industrial, corporate, or
31 institutional purposes, and for internal use;

1 (3) an advertisement, infomercial, or any other production that solicits
2 funds, except for a commercial television advertisement produced for national
3 distribution;

4 (4) a political advertisement; or

5 (5) a production that is determined by the film office to contain
6 sexually explicit conduct as defined in 18 U.S.C. 2256.

7 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 APPLICABILITY. AS 43.20.011(e), as amended by sec. 1 of this Act, applies to the
10 taxable income of a corporation derived from sources within the state during a taxable year
11 that begins on or after the effective date of sec. 1 of this Act.

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

14 TRANSITION. Subject to AS 43.98.030(f), as that subsection read on June 30, 2013,
15 secs. 30 and 31, ch. 51, SLA 2012, do not prohibit the film office from determining a film
16 production's qualified expenditures, awarding a tax credit, or reviewing a tax credit for a
17 production that has received a notice of qualification under former AS 44.33.234 before
18 July 1, 2013, or the Department of Revenue from providing a transferable film production tax
19 credit to a producer under former AS 43.98.030, by applying the former provisions repealed
20 by secs. 30 and 31, ch. 51, SLA 2012, the regulations adopted by the Department of
21 Commerce, Community, and Economic Development under former AS 44.33.238, and the
22 regulations adopted by the Department of Revenue under former AS 43.98.030.

23 * **Sec. 5.** Sections 2 and 4 of this Act take effect July 1, 2013.

HOUSE CONCURRENT RESOLUTION NO.
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Introduced:
Referred:

A RESOLUTION

1 **Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State**
2 **Legislature, concerning Senate Bill No. 7, relating to the computation of the tax on the**
3 **taxable income of a corporation derived from sources within the state.**

4 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 That under Rule 54, Uniform Rules of the Alaska State Legislature, the provisions of
6 Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, regarding
7 changes to the title of a bill, are suspended in consideration of Senate Bill No. 7, relating to
8 the computation of the tax on the taxable income of a corporation derived from sources within
9 the state.

Adopted 4-12-13

WORK DRAFT

WORK DRAFT

WORK DRAFT

28-LS0104C
Bullock
4/9/13

HOUSE CS FOR SENATE BILL NO. 7(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATORS GIESSEL, Egan, Wielechowski, French, Dyson, McGuire, Bishop, Fairclough, Meyer, Micciche, Dunleavy, Kelly

REPRESENTATIVE Kawasaki

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the computation of the tax on the taxable income of a corporation
2 derived from sources within the state; relating to the ineligibility and eligibility of
3 certain productions to receive a film production tax credit; and providing for an
4 effective date."

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

6 * **Section 1.** AS 43.20.011(e) is amended to read:

7 (e) There is imposed for each taxable year upon the entire taxable income of
8 every corporation derived from sources within the state a tax computed as follows:

9	If the taxable income is:	Then the tax is:
10	Less than <u>\$25,000</u> [\$10,000]	<u>zero</u> [1 PERCENT OF THE
11		TAXABLE INCOME]
12	<u>\$25,000</u> [\$10,000] but less than	[\$100 PLUS] 2 percent of the
13	<u>\$49,000</u> [\$20,000]	taxable income over <u>\$25,000</u>
14		[\$10,000]

1	<u>\$49,000</u> [\$20,000] but less than	<u>\$480</u> [\$300] plus 3 percent of the
2	<u>\$74,000</u> [\$30,000]	taxable income over <u>\$49,000</u>
3		[\$20,000]
4	<u>\$74,000</u> [\$30,000] but less than	<u>\$1,230</u> [\$600] plus 4 percent of the
5	<u>\$99,000</u> [\$40,000]	taxable income over <u>\$74,000</u>
6		[\$30,000]
7	<u>\$99,000</u> [\$40,000] but less than	<u>\$2,230</u> [\$1,000] plus 5 percent of the
8	<u>\$124,000</u> [\$50,000]	taxable income over <u>\$99,000</u>
9		[\$40,000]
10	<u>\$124,000</u> [\$50,000] but less than	<u>\$3,480</u> [\$1,500] plus 6 percent of the
11	<u>\$148,000</u> [\$60,000]	taxable income over <u>\$124,000</u>
12		[\$50,000]
13	<u>\$148,000</u> [\$60,000] but less than	<u>\$4,920</u> [\$2,100] plus 7 percent of the
14	<u>\$173,000</u> [\$70,000]	taxable income over <u>\$148,000</u>
15		[\$60,000]
16	<u>\$173,000</u> [\$70,000] but less than	<u>\$6,670</u> [\$2,800] plus 8 percent of the
17	<u>\$198,000</u> [\$80,000]	taxable income over <u>\$173,000</u>
18		[\$70,000]
19	<u>\$198,000</u> [\$80,000] but less than	<u>\$8,670</u> [\$3,600] plus 9 percent of the
20	<u>\$222,000</u> [\$90,000]	taxable income over <u>\$198,000</u>
21		[\$80,000]
22	<u>\$222,000</u> [\$90,000] or more	<u>\$10,830</u> [\$4,500] plus 9.4 percent of
23		the taxable income over <u>\$222,000</u>
24		[\$90,000].

25 * Sec. 2. AS 44.25.115, as enacted by sec. 28, ch. 51, SLA 2012, is amended by adding a
 26 new subsection to read:

27 (c) The following productions are not eligible, regardless of the production
 28 costs:

- 29 (1) news, weather, or current events programming;
- 30 (2) a production produced primarily for industrial, corporate, or
- 31 institutional purposes, and for internal use;

1 (3) an advertisement, infomercial, or any other production that solicits
2 funds, except for a commercial television advertisement produced for national
3 distribution;

4 (4) a political advertisement; or

5 (5) a production that is determined by the film office to contain
6 sexually explicit conduct as defined in 18 U.S.C. 2256.

7 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 APPLICABILITY. AS 43.20.011(e), as amended by sec. 1 of this Act, applies to the
10 taxable income of a corporation derived from sources within the state during a taxable year
11 that begins on or after the effective date of sec. 1 of this Act.

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

14 TRANSITION. Subject to AS 43.98.030(f), as that subsection read on June 30, 2013,
15 secs. 30 and 31, ch. 51, SLA 2012, do not prohibit the film office from determining a film
16 production's qualified expenditures, awarding a tax credit, or reviewing a tax credit for a
17 production that has received a notice of qualification under former AS 44.33.234 before
18 July 1, 2013, or the Department of Revenue from providing a transferable film production tax
19 credit to a producer under former AS 43.98.030, by applying the former provisions repealed
20 by secs. 30 and 31, ch. 51, SLA 2012, the regulations adopted by the Department of
21 Commerce, Community, and Economic Development under former AS 44.33.238, and the
22 regulations adopted by the Department of Revenue under former AS 43.98.030.

23 * **Sec. 5.** Sections 2 and 4 of this Act take effect July 1, 2013.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

April 9, 2013

SUBJECT: Sectional summary of HCS SB 7(FIN); addition of bill sections relating the film production tax credit (Work Order No. 28-LS0104\C)

TO: Representative Bill Stoltze
Co-Chair of the House Finance Committee
Attn: Daniel George

FROM: Donald M. Bullock
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

* **Sec 1.** Amends AS 43.20.011(e) to reduce corporation income tax rates.

* **Sec. 2.** Adds a new subsection to AS 44.25.115 as that section was enacted by sec. 28, ch. 51, SLA 2012. Makes the types of productions in the list ineligible for the film production tax credit. Note that, under AS 44.25.115(a)(3) (eff. July 1, 2013), a film production is eligible for a tax credit if the Alaska Film Incentive Review Commission "determines that the production is not contrary to the best interests of the state[.]" The new subsection added to AS 44.25.115, in sec. 2 of the bill, lists the specific types of productions that are not eligible for the credit.

* **Sec. 3.** States that the changes in tax rates in sec. 1 of the bill are applicable during a taxable year that begins on or after the effective date of sec. 1 of the bill.

* **Sec. 4.** Provides that a film production that received a notice of qualification under AS 44.33.234 before July 1, 2013 will be eligible for the film production tax credit as provided by the law in effect before July 1, 2013. Note that on July 1, 2013, the duties of the film office will be transferred to the Department of Revenue from the Department of Commerce, Community, and Economic Development, the film production tax credit provisions that were formerly in AS 44.33.232 - 44.33.239 will be repealed, and the new provisions for administering the credit in AS 44.25.100 - 44.25.190 will take effect.

Representative Bill Stoltze

April 9, 2013

Page 2

AS 44.33.231 was not repealed, but was reenacted to authorize a film production promotion program to be administered by the Department of Commerce, Community, and Economic Development. Note that I was not sure what the July 1, 2013 date meant. In this version, July 1, 2013 is the date before which a production was required to receive notice of qualification.

* **Sec. 5.** Makes the film production tax-related sections of the bill take effect on July 1, 2013, to coincide with the effective date of changes in administration and substantive provisions related to the credit under ch. 51, SLA 2012.

The enclosed draft changes the title of the Senate bill in the House. A concurrent resolution is enclosed to suspend the Uniform Rules that prohibit a title change in the House.

DMB:Ind
13-232.Ind

Enclosures

Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: SB 7
Fiscal Note Number: 1
(S) Publish Date: 2/22/13

Identifier: SB007-DOR-TAX-01-25-13
Title: CORPORATE INCOME TAX
Sponsor: GIESSEL
Requester: (S) FIN

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2014 Request	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES	FY 2014	FY 2014					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues			(3,800.0)	(3,800.0)	(3,800.0)	(3,800.0)	(3,800.0)
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Initial version.

Prepared By:	Johanna Bales, Deputy Director and Loren Crawford, Economist	Phone:	(907)269-6628
Division:	Tax Division	Date:	01/23/2013 08:30 PM
Approved By:	Alicia Egan, Legislative Liaison	Date:	01/25/13
	Department of Revenue		

FISCAL NOTE ANALYSIS #1

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. SB 7

Analysis

Bill Language:

This bill will adjust the current corporate income tax schedule to the following:

If the taxable income is inclusively between:	Then the tax is:
\$ 0 and \$ 24,999	1% of the taxable income
\$ 25,000 and \$ 48,999	\$250 plus 2 percent of the taxable income over \$25,000
\$ 49,000 and \$ 73,999	\$730 plus 3 percent of the taxable income over \$49,000
\$ 74,000 and \$ 98,999	\$1480 plus 4 percent of the taxable income over \$74,000
\$ 99,000 and \$ 123,999	\$2,480 plus 5 percent of the taxable income over \$99,000
\$ 124,000 and \$ 147,999	\$3,730 plus 6 percent of the taxable income over \$124,000
\$ 148,000 and \$ 172,999	\$5,170 plus 7 percent of the taxable income over \$148,000
\$ 173,000 and \$ 197,999	\$6,920 plus 8 percent of the taxable income over \$173,000
\$ 198,000 and \$ 221,999	\$8,920 plus 9 percent of the taxable income over \$198,000
\$ 222,000 or more	\$11,080 plus 9.4 percent of the taxable income over \$222,000

The change in tax schedule expands the brackets of the current progressive corporate income tax from nine \$10,000 brackets to three \$24,000 brackets and six \$25,000 brackets. This shifts some companies in a higher income tax bracket, to a lower one.

This bill affects all companies subject to corporate income tax. Companies with a positive taxable income above \$10,000 would have less tax liability in comparison to the current schedule. Those companies with taxable income between \$99,000 and \$124,000 benefit the most from this change at a benefit of 52.5%. This benefit is measured by the difference in total tax liability, calculated using current and proposed rates, for companies in this tax bracket. Those companies with taxable income over \$1,000,000 and up to \$100,000,000 will see an over all decrease in tax between 6% and .06%. Thus, this bill will result in a decreased tax liability for smaller companies.

Revenues:

A study of State of Alaska corporate income tax revenues from 2009, 2010, and 2011 suggests that had the bill been implemented in those years, the decrease in corporate income tax revenue would have been \$3,899,278, \$4,221,351 and \$3,340,625, respectively, an average of \$3,800,000 per year over the three years. This represents less than one half of a percent of total corporate income tax revenue collected, during each of those years.

These estimates do not take into account the effect of the small business tax exemption legislation passed during the 2012 legislative session which exempts certain small corporations from corporate income tax starting January 1, 2013. It also does not reflect the changes in the behavior of companies in reaction to tax schedule changes, nor does it account for corporate income tax credits.

Expenditures:

We anticipate that this change in tax structure can be implemented in the Department of Revenue using existing staff and resources.

ALASKA STATE LEGISLATURE

Senate District N
*Anchorage Hillside, Indian, Bird,
Girdwood, Hope, Cooper Landing,
Sterling, Nikiski, Moose Pass, Bear
Creek, Seward*



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Senator Cathy Giessel

SB 7 Corporate Income Tax Sponsor Statement

Senate Bill 7 will reduce tax liability for small to medium size corporations and by doing so attract commerce to Alaska, create additional jobs, and allow small to medium size businesses to keep more of their earnings. Alaska's corporate income tax is graduated – that is, the rate of taxation increases incrementally with the amount of taxable income reported. There are ten business income tax brackets that increase for every \$10,000 in profit up to \$90,000, which is the state's top bracket. This law has not been updated since 1981.

Senate Bill 7 adjusts these tax brackets up to increments of approximately \$25,000 and it moves the top bracket so that it starts at \$222,000. The adjustment proposed in Senate Bill 7 accounts for inflation, as measured by the change in the U.S. consumer price index, since the brackets were last adjusted more than 30 years ago. The bill also adjusts the tax rate for the lowest bracket from 1% to zero.

Although top corporate earners who earn over \$222,000 of taxable income each year will continue to pay at the top rate, smaller corporations will see their tax liability reduced. For example, a small company with a taxable income of \$45,000 a year will see its tax liability cut almost in half, from \$1,250 to \$650, under the change proposed by Senate Bill 7.

The corporate income tax schedule has not been reviewed or updated since 1981, and it is time to adjust the brackets to account for inflation. By supporting Senate Bill 7 you will support Alaskan businesses and encourage growth and development of business in our communities. I urge your support for Senate Bill 7.

ALASKA STATE LEGISLATURE

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Explanation of Change

Version 28-LS0104\U – to – Version 28-LS0104\U.A

An amendment offered on the floor of the Senate changed the tax rate for the lowest bracket, for taxable income from \$1 to \$25,000, from 1% to zero.

Figure 1 - Three-Year Comparison of Revenue Collections

Program (All Funds)	FY 2012	% Fund	FY 2011	% Fund	FY 2010	% Fund
Oil & Gas Production ¹	\$6,131,605,503	83.39%	\$4,606,102,504	78.52%	\$3,320,509,475	76.73%
Oil & Gas Corporate Income ¹	571,772,010	7.78%	572,966,245	9.77%	491,876,513	11.37%
Oil and Gas Property ^{1 and 2}	215,414,779	2.93%	184,254,471	3.14%	118,768,329	2.74%
Other Corporate Income	98,492,182	1.34%	157,676,608	2.69%	81,910,562	1.89%
Tobacco ³	71,405,625	0.97%	73,055,396	1.25%	71,985,643	1.66%
Fisheries Business ⁵	53,097,514	0.72%	44,462,246	0.76%	31,945,400	0.74%
Motor Fuel ⁵	40,980,346	0.56%	39,617,286	0.68%	28,834,020	0.67%
Mining License ¹	40,695,833	0.55%	49,588,119	0.85%	29,725,100	0.69%
Alcoholic Beverages ⁶	38,692,797	0.53%	38,730,319	0.66%	38,756,760	0.90%
Commercial Passenger Vessel ^{4 and 5}	16,372,480	0.22%	31,997,310	0.55%	44,205,582	1.02%
Fishery Resource Landing ⁵	12,013,308	0.16%	7,083,988	0.12%	12,552,075	0.29%
Salmon Enhancement	10,060,538	0.14%	7,851,054	0.13%	4,877,106	0.11%
Seafood Marketing Assessment	9,710,180	0.13%	8,622,211	0.15%	7,812,697	0.18%
Oil & Gas Conservation Surcharge	9,448,398	0.13%	9,670,333	0.16%	10,318,732	0.24%
Vehicle Rental	8,529,633	0.12%	8,280,292	0.14%	7,332,686	0.17%
Regulatory Cost Charges	8,510,552	0.12%	9,796,244	0.17%	9,666,038	0.22%
Large Passenger Vessel Gambling	5,155,954	0.07%	5,764,962	0.10%	6,312,053	0.15%
Gaming	2,586,847	0.04%	2,537,686	0.04%	2,609,282	0.06%
Telephone Cooperative ⁵	2,067,213	0.03%	1,897,512	0.03%	2,046,583	0.05%
Electric Cooperative ⁵	2,046,510	0.03%	2,025,707	0.03%	2,038,375	0.05%
Seafood Development	1,915,156	0.03%	2,143,116	0.04%	1,578,861	0.04%
Tire Fee	1,419,884	0.02%	1,500,800	0.03%	1,427,771	0.03%
Dive Fishery Management	682,534	0.01%	603,219	0.01%	523,024	0.01%
Salmon Marketing	0	0.00%	0	0.00%	-11,781	0.00%
Estate	0	0.00%	0	0.00%	-19,510	0.00%
Total	<u>\$7,352,675,776</u>	<u>100.00%</u>	<u>\$5,866,227,627</u>	<u>100.00%</u>	<u>\$4,327,581,376</u>	<u>100.00%</u>

¹ Includes amounts transferred to the Constitutional Budget Reserve Fund.

² Amount is net of credits for local government property tax paid to municipalities.

³ Includes amounts transferred to the School Fund and Tobacco Use Education and Cessation Fund.

⁴ Includes amounts transferred to the Regional Cruise Ship Impact Fund.

⁵ Prior to sharing with municipalities. See Figure 3 for amounts shared under each program.

⁶ Includes amounts transferred to the Alcohol and Other Drug Abuse Treatment and Prevention Fund.

⁷ The legislation establishing the Regional Cruise Ship Impact Fund was repealed beginning in FY2012.

Note: Amounts below are included in program revenues above. These amounts were required to be transferred to the designated funds identified below under provisions of the Alaska Constitution or Alaska Statutes.

Constitutional Budget Reserve Fund						
Oil & Gas Production	(\$5,058,795)	-4.95%	\$62,872,010	37.44%	\$459,807,918	90.94%
Oil & Gas Corporate	2,956,805	2.89%	30,851,341	18.37%	45,756,692	9.05%
Mining	53,648	0.05%	607,605	0.36%	48,116	.01%
Oil & Gas Property	<u>104,235,535</u>	<u>102.00%</u>	<u>73,618,541</u>	<u>43.83%</u>	<u>0</u>	<u>0.00%</u>
Total CBRF	<u>\$102,187,193</u>	<u>100.00%</u>	<u>\$167,949,497</u>	<u>100.00%</u>	<u>\$505,612,726</u>	<u>100.00%</u>
School Fund	\$22,549,956	100.00%	\$23,155,813	100.00%	\$23,440,125	100.00%
Alcohol and Other Drug Abuse Treatment and Prevention Fund	\$19,330,107	100.00%	\$19,362,716	100.00%	\$19,231,568	100.00%
Regional Cruise Ship Impact Fund⁷	\$0	100.00%	\$8,757,054	100.00%	\$11,006,316	100.00%
Tobacco Use Education and Cessation Fund	\$3,273,499	100.00%	\$3,361,917	100.00%	\$3,403,221	100.00%



LEGISLATIVE RESEARCH SERVICES

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Research Brief

TO: Senator Cathy Giessel
FROM: Susan Haymes, Legislative Analyst
DATE: February 5, 2013
RE: Alaska Corporate Income Tax Revenues
LRS Report 13.192

You wished to know the estimated revenue the state would receive if the current taxable income brackets were increased by an inflation rate of 2.47 measured by the change in the U.S Consumer Price Index from 1981 to 2011 as proposed in Senate Bill 7.

Alaska levies a corporate income tax on corporations doing business in the state.¹ The Alaska corporate income tax is graduated—that is, the rate of taxation increases incrementally with the amount of taxable income reported. Current law, which has been in effect since 1981, provides ten tax rates based on ten levels of taxable income, with incomes of \$90,000 or more taxed at the highest rate of 9.4 percent (AS 43.20.011[e]). The taxable income for Alaska purposes is the company's federal taxable income (gross minus allowable deductions) with certain modifications. Corporations that do business inside and outside of Alaska apportion a percentage of their total income to Alaska by using a formula that involves an average of property, payroll, and sales.² Table 1 shows the current Alaska corporate income tax rate schedule. The graduated tax rate includes a base tax plus an additional percentage as shown below.³

Table 1: Current Alaska Corporate Income Tax Rate Schedule

Taxable Income	Base Tax	Tax Rate
Less than \$10,000	\$0 plus	1% of the taxable income
At least \$10,000, but less than \$20,000	\$100 plus	2% of the taxable income over \$10,000
At least \$20,000, but less than \$30,000	\$300 plus	3% of the taxable income over \$20,000
At least \$30,000, but less than \$40,000	\$600 plus	4% of the taxable income over \$30,000
At least \$40,000, but less than \$50,000	\$1,000 plus	5% of the taxable income over \$40,000
At least \$50,000, but less than \$60,000	\$1,500 plus	6% of the taxable income over \$50,000
At least \$60,000, but less than \$70,000	\$2,100 plus	7% of the taxable income over \$60,000
At least \$70,000, but less than \$80,000	\$2,800 plus	8% of the taxable income over \$70,000
At least \$80,000, but less than \$90,000	\$3,600 plus	9% of the taxable income over \$80,000
\$90,000 or more	\$4,500 plus	9.4% of the taxable income over \$90,000

Source: AS 43.20.011(e).

Under this rate structure, a corporation with \$550,000 in taxable income, for example, would pay \$47,740 in corporate tax to the state, while a company with taxable income of \$45,000 would pay \$1,250.⁴

¹ S-Corporations and limited liability companies (LLCs) that file federally as partnerships are generally exempt from state corporate income tax.

² According to the Alaska Department of Revenue's Tax Division, oil and gas corporations calculate taxable income using a modified apportionment formula of property, sales, and extraction.

³ The tax base is calculated by adding up the amount of tax due under lower income brackets. For example, for a company with \$45,000 in taxable income, the first \$10,000 is taxed at one percent (\$100), the second \$10,000 at two percent (\$200), the third at three percent (\$300), and the fourth \$10,000 at four percent (\$400), making a base tax of \$1,000. The remaining \$5,000 is taxed at five percent (\$250), so the company would pay a total income tax of \$1,250.

⁴ A corporation netting \$550,000 in taxable income would pay the highest tax rate of 9.4 percent: \$4,500 + (\$460,000 x .094) = \$47,740. The company with taxable income of \$45,000 would pay at the 5 percent tax rate: \$1,000 + (\$5,000 x .05) = \$1,250.

Taxable Income Brackets Multiplied by Inflation Rate as Proposed in SB 7

Table 2 shows the second hypothetical tax schedule, which still includes ten tax brackets, but multiplies the current taxable income brackets by the inflation rate as measured by the change in the U.S. Consumer Price Index (CPI) from 1981 to 2011.⁵ Under this schedule, a corporation netting \$550,000 would pay \$41,912, which is almost \$6,000 less than what would be owed under the current system. A company with taxable income of \$45,000 paying \$1,250 under the current structure would pay only \$650 under the proposed schedule.

Table 2: Alaska Corporate Income Tax Schedule as Proposed in SB 7			
Taxable Income	Base Tax		Tax Rate
Less than \$25,000	\$0	plus	1% of the taxable amount over \$0
At least \$25,000, but less than \$49,000	\$250	plus	2% of the taxable amount over \$25,000
At least \$49,000, but less than \$74,000	\$730	plus	3% of the taxable amount over \$49,000
At least \$74,000, but less than \$99,000	\$1,480	plus	4% of the taxable amount over \$74,000
At least \$99,000, but less than \$124,000	\$2,480	plus	5% of the taxable amount over \$99,000
At least \$124,000, but less than \$148,000	\$3,730	plus	6% of the taxable amount over \$124,000
At least \$148,000, but less than \$173,000	\$5,170	plus	7% of the taxable amount over \$148,000
At least \$173,000, but less than \$198,000	\$6,920	plus	8% of the taxable amount over \$173,000
At least \$198,000, but less than \$222,000	\$8,920	plus	9% of the taxable amount over \$198,000
\$222,000 or more	\$11,080	plus	9.4% of the taxable amount over \$222,000

Notes: The corporate income tax schedule proposed in SB 7 reflects the current tax schedule multiplied by the change in the U.S. Consumer Price Index, which is 224.939 (2011 CPI)/ 90.9 (1981 CPI) = 2.47 . The base tax is calculated by adding the amount of tax due under the lower income brackets.

The Alaska Tax Division provided an approximate tax liability for non-oil and gas corporations for each fiscal year (FY) 2009-2011 as calculated under the current and proposed tax schedules.⁶ The calculations are based on the tax liability as reported on the original tax returns filed in the respective fiscal year, which means amended returns or changes made to the returns after each fiscal year may not be included in this report. In order to calculate the estimated tax revenue under the hypothetical system, the Division maintained the same specific credits and other adjustments for each taxpayer, so the count of the number of taxpayers at each level of liability is not exact, but, rather, an estimate of what might happen under such a system. Table 3 shows the amount of non-oil and gas industry corporate tax revenues collected under the current tax schedule and an estimate of the amount that would have been collected using the proposed tax schedule for FY 2009-2011 for each taxable income bracket.

Under the proposed tax structure, the state would have received about \$3 to \$4 million less each year. The Tax Division estimates the state would have received approximately \$3.8 million less in FY2009, \$4.1 million less in FY2010, and \$3.3 million less in FY2011. Under the proposed structure, a higher percentage of companies fall under the three lowest tax brackets; overall, however, the tax liability would be more evenly distributed through the middle tax brackets than it is under the current tax structure.

⁵ To calculate the change in the U.S. consumer price Index from 1981 to 2011, we used figures from the Alaska Department of Labor and Workforce Development. The average U.S. CPI for 1981 (the year the current tax rates were enacted) was 90.9, and the average U.S. CPI for 2011 was 224.939. The 2011 CPI divided by the 1981 CPI is 2.47. To determine the proposed taxable income brackets, we multiplied the current taxable income brackets by 2.47, which changes each bracket by an increment of \$25,000.

⁶ We note that the proposed changes to the tax schedule would also apply to oil and gas corporations; however, the impact would be slight.

Table 3: A Comparison of Non-Oil and Gas Corporate Income Tax Revenue under the Current and Proposed Tax Schedules, FY2009 - FY2011

Current Tax Schedule						
Tax Brackets	FY 2009		FY 2010		FY2011	
	# of Filers	Tax Liability	# of Filers	Tax Liability	# of Filers	Tax Liability
Less than \$10,000	12,249	\$1,277,867	13,974	\$1,460,941	13,743	\$333,252
\$10,000 - \$19,999	266	\$52,854	212	\$69,928	230	\$86,819
\$20,000 - \$29,999	164	\$90,062	139	\$71,440	125	\$93,497
\$30,000 - \$39,999	112	\$100,994	99	\$86,695	105	\$87,300
\$40,000 - \$49,999	104	\$150,178	99	\$129,439	76	\$99,413
\$50,000 - \$59,999	79	\$135,626	74	\$134,057	60	\$113,098
\$60,000 - \$69,999	67	\$166,779	44	\$117,877	57	\$140,025
\$70,000 - \$79,999	53	\$166,274	54	\$173,730	34	\$107,563
\$80,000 - \$89,999	41	\$170,760	38	\$142,379	33	\$177,537
\$90,000 or more	659	\$133,957,185	596	\$127,104,944	559	\$102,110,492
TOTAL	13,794	\$136,268,579	15,329	\$129,491,430	15,022	\$103,348,996
Proposed Tax Schedule						
Tax Brackets	FY 2009		FY 2010		FY2011	
	# of Filers	Tax Liability	# of Filers	Tax Liability	# of Filers	Tax Liability
Less than \$25,000	12,602	\$1,318,774	14,277	\$955,392	14,046	\$454,198
\$25,000 - \$48,999	286	\$176,860	230	\$132,431	221	\$115,508
\$49,000 - \$73,999	177	\$200,819	150	\$171,443	147	\$168,389
\$74,000 - \$98,999	99	\$195,813	102	\$197,138	78	\$204,004
\$99,000 - \$123,999	80	\$211,362	46	\$130,828	52	\$152,406
\$124,000 - \$147,999	51	\$210,051	39	\$162,862	51	\$211,959
\$148,000 - \$172,999	42	\$242,534	40	\$229,352	24	\$134,947
\$173,000 - \$197,999	25	\$167,037	36	\$267,382	21	\$150,979
\$198,000 - \$221,999	26	\$215,694	24	\$203,060	26	\$250,922
\$222,000 or more	406	\$129,512,391	385	\$122,920,177	356	\$98,239,047
TOTAL	13,794	\$132,451,335	15,329	\$125,370,065	15,022	\$100,082,359
DIFFERENCE IN LIABILITY	\$3,817,244		\$4,121,365		\$3,266,637	

Notes: The amounts reflect tax liabilities reported on the taxpayers' original returns for corporations other than oil and gas. Liabilities may differ from revenue remitted by the taxpayer during the fiscal year due to timing differences resulting from estimated tax payments, credits and final payment of taxes reported. The proposed corporate tax schedule is the current taxable income brackets multiplied by a factor of 2.47, which is the inflation rate measured by the change in the Consumer Price Index from 1981 to 2011. The tax base is calculated by adding up the amount of tax due under the lower income brackets. In order to produce the estimated tax liability under the proposed system, the Division assumed taxpayer specific credits and other adjustments would be constant, so the count of the number of taxpayers at each level of liability is not exact, but an estimate of what might happen under such a system.

Source: Johanna Bales, Deputy Director, Tax Division, Department of Revenue, 907.269.6628.

Table 4 compares the tax liability under the current and proposed tax schedules at five different taxable income levels.

Taxable Income	Current	Proposed
\$18,000	\$260	\$180
\$45,000	\$1,250	\$650
\$140,000	\$9,200	\$4,690
\$310,000	\$25,180	\$19,352
\$550,000	\$47,740	\$41,912

Notes: The proposed tax structure reflects the current tax schedule multiplied by 2.47, which is the change in the U.S. Consumer Price Index from 1981 to 2011.

We hope this is helpful. If you have questions or need additional information, please let us know.

RANGE OF STATE CORPORATE INCOME TAX RATES

(For tax year 2013 -- as of January 1, 2013)

STATE	TAX RATE (percent)	TAX BRACKETS		NUMBER OF BRACKETS	TAX RATE (a)	FEDERAL INCOME TAX DEDUCTIBLE
		LOWEST	HIGHEST		(percent) FINANCIAL INST.	
ALABAMA	6.5	---Flat Rate---		1	6.5	Yes
ALASKA	1.0 - 9.4	9,999	90,000	10	1.0 - 9.4	
ARIZONA	6.968 (b)	---Flat Rate---		1	6.968 (b)	
ARKANSAS	1.0 - 6.5	3,000	100,001	6	1.0 - 6.5	
CALIFORNIA	8.84 (c)	---Flat Rate---		1	10.84 (c)	
COLORADO	4.63	---Flat Rate---		1	4.63	
CONNECTICUT	7.5 (d)	---Flat Rate---		1	7.5 (d)	
DELAWARE	8.7	---Flat Rate---		1	8.7-1.7 (e)	
FLORIDA	5.5 (f)	---Flat Rate---		1	5.5 (f)	
GEORGIA	6.0	---Flat Rate---		1	6.0	
HAWAII	4.4 - 6.4 (g)	25,000	100,001	3	7.92 (g)	
IDAHO	7.4 (h)	---Flat Rate---		1	7.4 (h)	
ILLINOIS	9.5 (i)	---Flat Rate---		1	9.5 (i)	
INDIANA	8.0 (j)	---Flat Rate---		1	8.5	
IOWA	6.0 - 12.0	25,000	250,001	4	5.0	Yes (k)
KANSAS	4.0 (l)	---Flat Rate---		1	2.25 (l)	
KENTUCKY	4.0 - 6.0	50,000	100,001	3	--- (a)	
LOUISIANA	4.0 - 8.0	25,000	200,001	5	4.0 - 8.0	Yes
MAINE	3.5 - 8.93	25,000	250,000	4	1.0 (m)	
MARYLAND	8.25	---Flat Rate---		1	8.25	
MASSACHUSETTS	8.0 (n)	---Flat Rate---		1	9.0 (n)	
MICHIGAN	6.0	---Flat Rate---		1	--- (a)	
MINNESOTA	9.8 (o)	---Flat Rate---		1	9.8 (o)	
MISSISSIPPI	3.0 - 5.0	5,000	10,001	3	3.0 - 5.0	
MISSOURI	6.25	---Flat Rate---		1	7.0	Yes (k)
MONTANA	6.75 (p)	---Flat Rate---		1	6.75 (p)	
NEBRASKA	5.58 - 7.81	100,000		2	--- (a)	
NEVADA	--	No corporate income tax				
NEW HAMPSHIRE	8.5 (q)	---Flat Rate---		1	8.5 (q)	
NEW JERSEY	9.0 (r)	---Flat Rate---		1	9.0 (r)	
NEW MEXICO	4.8 - 7.6	500,000	1 million	3	4.8 - 7.6	
NEW YORK	7.1 (s)	---Flat Rate---		1	7.1 (s)	
NORTH CAROLINA	6.9	---Flat Rate---		1	6.9 (t)	
NORTH DAKOTA	1.68 - 5.15	25,000	50,001	3	7 (b)	Yes
OHIO	(u)	---Flat Rate---		1	--- (u)	
OKLAHOMA	6.0	---Flat Rate---		1	6.0	
OREGON	6.6 - 7.6 (v)	10 million		2	6.6 - 7.6 (v)	
PENNSYLVANIA	9.99	---Flat Rate---		1	--- (a)	
RHODE ISLAND	9.0 (b)	---Flat Rate---		1	9.0 (b)	
SOUTH CAROLINA	5.0	---Flat Rate---		1	4.5 (w)	
SOUTH DAKOTA	--	No corporate income tax			6.0-0.25% (b)	
TENNESSEE	6.5	---Flat Rate---		1	6.5	
TEXAS	(x)	---Flat Rate---		1	(x)	
UTAH	5.0 (b)	---Flat Rate---		1	5.0 (b)	
VERMONT	6.0 - 8.5 (b)	10,000	25,000	3	--- (a)	
VIRGINIA	6.0	---Flat Rate---		1	6.0	
WASHINGTON	--	No corporate income tax				
WEST VIRGINIA	7.0 (y)	---Flat Rate---		1	7.0 (y)	
WISCONSIN	7.9	---Flat Rate---		1	7.9	
WYOMING	--	No corporate income tax				
DIST. OF COLUMBIA	9.975 (b)	---Flat Rate---		1	9.975 (b)	

Source: Compiled by FTA from various sources.

Footnotes on next page.

RANGE OF STATE CORPORATE INCOME TAX RATES (footnotes)

Source: Compiled by FTA from various sources

- (a) Rates listed are the corporate income tax rate applied to financial institutions or excise taxes based on income. Some states have other taxes based upon the value of deposits or shares.
- (b) Minimum tax is \$50 in Arizona, \$100 in District of Columbia, \$50 in North Dakota (banks), \$500 in Rhode Island, \$200 per location in South Dakota (banks), \$100 in Utah, \$250 in Vermont.
- (c) The minimum corporation franchise tax in California is \$800. The additional alternative minimum tax is levied at a 6.65% rate.
- (d) Connecticut's tax is the greater of the 7.5% tax on net income, a 0.31% tax on capital stock and surplus (maximum tax of \$1 million), or \$250 (the minimum tax). Plus, an additional 20% surtax applies for tax years 2012 and 2013.
- (e) The Delaware Bank marginal rate decreases over 4 brackets ranging from \$20 to \$650 million in taxable income. Building and loan associations are taxed at a flat 8.7%.
- (f) An exemption of \$5,000 is allowed. Florida's Alternative Minimum Tax rate is 3.3%.
- (g) Hawaii taxes capital gains at 4%. Financial institutions pay a franchise tax of 7.92% of taxable income (in lieu of the corporate income tax and general excise taxes).
- (h) Idaho's minimum tax on a corporation is \$20. The \$10 Permanent Building Fund Tax must be paid by each corporation in a unitary group filing a combined return. Taxpayers with gross sales in Idaho under \$100,000, and with no property or payroll in Idaho, may elect to pay 1% on such sales (instead of the tax on net income).
- (i) The Illinois rate of 9.5% is the sum of a corporate income tax rate of 7.0% plus a replacement tax of 2.5%.
- (j) The Indiana tax rate is scheduled to decrease to 7.5% on July 1, 2013.
- (k) 50% of the federal income tax is deductible.
- (l) In addition to the flat 4% corporate income tax, Kansas levies a 3.0% surtax on taxable income over \$50,000. Banks pay a privilege tax of 2.25% of net income, plus a surtax of 2.125% (2.25% for savings and loans, trust companies, and federally chartered savings banks) on net income in excess of \$25,000.
- (m) The state franchise tax on financial institutions is either (1) the sum of 1% of the Maine net income of the financial institution for the taxable year, plus 8¢ per \$1,000 of the institution's Maine assets as of the end of its taxable year, or (2) 39¢ per \$1,000 of the institution's Maine assets as of the end of its taxable year.
- (n) Business and manufacturing corporations pay an additional tax of \$2.60 per \$1,000 on either taxable Massachusetts tangible property or taxable net worth allocable to the state (for intangible property corporations). The minimum tax for both corporations and financial institutions is \$456.
- (o) In addition, Minnesota levies a 5.8% tentative minimum tax on Alternative Minimum Taxable Income.
- (p) Montana levies a 7% tax on taxpayers using water's edge combination. The minimum tax per corporation is \$50; the \$50 minimum applies to each corporation included on a combined tax return. Taxpayers with gross sales in Montana of \$100,000 or less may pay an alternative tax of 0.5% on such sales, instead of the net income tax.
- (q) New Hampshire's 8.5% Business Profits Tax is imposed on both corporations and unincorporated associations with gross income over \$50,000. In addition, New Hampshire levies a Business Enterprise Tax of 0.75% on the enterprise base (total compensation, interest and dividends paid) for businesses with gross income over \$150,000 or base over \$75,000.
- (r) In New Jersey small businesses with annual entire net income under \$100,000 pay a tax rate of 7.5%; businesses with income under \$50,000 pay 6.5%. The minimum Corporation Business Tax is based on New Jersey gross receipts. It ranges from \$500 for a corporation with gross receipts less than \$100,000, to \$2,000 for a corporation with gross receipts of \$1 million or more.
- (s) New York's General business corporate rate shown. Corporations may also be subject to AMT tax at 1.5% (3% banks), or a capital stocks tax. A minimum tax ranges from \$25 to \$5,000, depending on receipts (\$250 minimum for banks). Certain qualified New York manufacturers pay 6.5%. Small business taxpayers in New York pay rates of 6.5%, 7.1%, and 4.35% on 3 brackets of entire net income up to \$390,000.
- (t) In North Carolina financial institutions are also subject to a tax equal to \$30 per one million in assets.
- (u) Ohio no longer levies a tax based on income (except for a particular subset of corporations), but instead imposes a Commercial Activity Tax (CAT) equal to \$150 for gross receipts situated to Ohio of between \$150,000 and \$1 million, plus 0.26% of gross receipts over \$1 million. Banks continue to pay a franchise tax of 1.3% of net worth. For those few corporations for whom the franchise tax on net worth or net income still applies, a litter tax also applies.
- (v) Oregon's minimum tax for C corporations depends on the Oregon sales of the filing group. The minimum tax ranges from \$150 for corporations with sales under \$500,000, up to \$100,000 for companies with sales of \$100 million or above.
- (w) South Carolina taxes savings and loans at a 6% rate.
- (x) Texas imposes a Franchise Tax, otherwise known as margin tax, imposed on entities with more than \$1,030,000 total revenues at rate of 1%, or 0.5% for entities primarily engaged in retail or wholesale trade, on lesser of 70% of total revenues or 100% of gross receipts after deductions for either compensation or cost of goods sold.
- (y) West Virginia's corporate rate is scheduled to decline to 6.5% after 2013.

February 11, 2013

The Honorable Cathy Giessel
Alaska State Senate
Capitol Room 427
Juneau, AK 99801

Re: Senate Bill 7

Dear Senator Giessel,

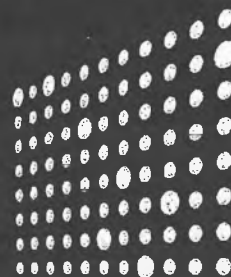
The Alaska State Chamber of Commerce (Alaska Chamber) is an organization dedicated to improving the business climate in Alaska. The Alaska Chamber represents hundreds of statewide businesses from Ketchikan to Barrow that share a common goal: to make Alaska a viable and competitive place to do business. Today, I write in support of Senate Bill (SB) 7 - Corporate income.

The Alaska Chamber supports legislation that updates and clarifies laws as they relate to doing business and generally improves Alaska's business climate. SB 7 updates Alaska's very outdated corporate tax code using the U.S. CPI inflation rate. SB 7 distributes the tax liability more evenly and may make Alaska's business climate friendlier to small and medium size businesses as well as more competitive with respective states. For these reasons, the Alaska Chamber supports HB 68.

Sincerely,



Rachael A. Petro
President/CEO



ALASKA STATE
CHAMBER
OF COMMERCE

*The Voice of
Alaska Business*

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UAS
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Wostmann and Associates

The Honorable Cathy Giessel
Senator, State of Alaska
State Capitol, Room 427
Juneau, AK 99801-1182

Re: SB 7 Corporate Income Tax

Dear Senator Giessel,

The Juneau Chamber of Commerce representing over 400 Alaskan businesses would like to add our support to the passage of Senate Bill 7.

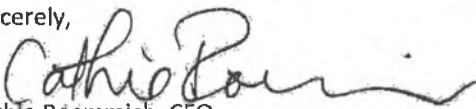
We agree that SB 7 will reduce tax liability for small to medium size corporations and by doing so attract commerce to Alaska, create additional jobs, and allow small to medium size businesses to keep more of their earnings.

Small businesses are the back bone of the communities in our region and each year it becomes harder and harder for many to keep their doors open due to tax burdens, insurance costs and payroll, so we also agree that by supporting this bill we are supporting Alaskan businesses.

Additionally, we feel confident that this is a step in the right direction to promote growth and development of business in our community as well as encourage young Alaskans to consider building their own business right here at home.

Thank you Senator Giessel for your work in bringing this bill before the Legislature!

Sincerely,


Cathie Roemmich, CEO

Seward.com
Alaska Starts Here.



**Seward Chamber of Commerce
Conference and Visitors Bureau**

The Honorable Cathy Giessel
Senator, State of Alaska
State Capitol, room 427
Juneau, AK 99801-1182

Re: SB 7 Corporate Income Tax

Dear Senator Giessel,

The Seward Chamber of Commerce, CVB would like to thank you for bringing this bill before the legislature. You continue to be a champion for business in Alaska!

Our local chamber represents 324 businesses and we would like to add our support to the passage of Senate Bill 7. We are encouraged to see that the outdated corporate tax code will be restructured to distribute the tax liability more evenly and will offer the opportunity for a friendlier small and medium business climate for Alaskans.

Again, we applaud your efforts and feel this is a critical step to promote growth and development of business in our community while encouraging our young entrepreneurs with their efforts to create a comfortable living for themselves and their families.

Sincerely,

Cindy

Cindy Clock, Executive Director



Chugiak-Eagle River Chamber of Commerce
PO Box 770353
Eagle River AK 99577

Physical address: 12001 Business Blvd. Ste 108
Eagle River Town Center
(907) 694-4702 FAX (907) 694-12-05
www.cer.org Email: Info@cer.org

Senator Cathy Giessel
Alaska State Senate
Capitol Room 427
Juneau AK 99801

Re: Senate Bill 7 – Corporate Income Tax

Dear Senator Giessel,

The Chugiak-Eagle River Chamber of Commerce represents approximately 370 members, most of whom are small business owners. Our Chamber would like to add our support to the passage of Senate Bill 7.

Our understanding is this measure will reduce the tax liability for small and medium sized corporations allowing for the creation of additional jobs; allowing business owners to keep more of their earnings; thereby attracting more business interest in Alaska.

Small business is the cornerstone of our community and we want to encourage and support any measure that allows these businesses to prosper and inspire others to pursue their entrepreneurial ambitions.

As the corporate income tax schedule has not been updated since 1981, we feel that a restructuring is long overdue.

Thank you for introducing this legislation and for your concern for the small business community of Alaska.

Sincerely,

Pete Mulcahy
President, Board of Directors



**Greater Wasilla Chamber of Commerce
2013 Position Statement
SB7 - Corporate Income Tax**

The Greater Wasilla Chamber of Commerce is an organization dedicated to promoting local business and improving the business climate in our community. The Wasilla Chamber of Commerce represents members who share a common goal: to make Alaska a viable and competitive place to do business. We write today in support of Senate Bill (SB7) 7 – Corporate income Tax.

The Greater Wasilla Chamber of Commerce supports legislation that updates and clarifies state laws as they relate to owning and operating a business here in Alaska. SB 7 Updates Alaska's outdated corporate tax code and distributes the tax liability in a more equitable manner that will work well for small to medium size businesses.

We agree that SB 7 will reduce tax liability for small to medium size corporations and by doing so we know that this change will attract new commerce to Alaska. This change will assist in creating more jobs and opportunity for Alaskans while allowing our existing businesses to keep more of their hard earned money.

As you are aware, small business is the back bone of our communities and each year it becomes harder and harder for many to keep their doors open due to excessive tax burdens, insurance costs and payroll. We feel confident that SB7 is a step in the right direction toward updating our tax laws which will in turn promote growth and development of business in our communities and throughout the state.

DATED this 19th day of February, 2013 at Wasilla, Alaska.

GREATER WASILLA CHAMBER OF COMMERCE

By: 

Paula Nance - President

By: 

Quentin Algood - Secretary



Interior Alaska – The “Place” To Do Business

100 Cushman St., Suite 102 | Fairbanks, Alaska 99701-4665
Phone (907) 452-1105 | fax (907) 456-6968 | www.FairbanksChamber.org

February 20, 2013

The Honorable Cathy Giessel
Senator, State of Alaska
State Capitol, Room 427
Juneau, AK 99801-1182

The Honorable Shelley Hughes
Representative, State of Alaska
State Capitol, Room 427
Juneau, AK 99801-1182

Re: Letter of Support for Senate Bill 7/House Bill 68

Dear Senator Giessel & Representative Hughes,

The Greater Fairbanks Chamber of Commerce represents over 700 businesses and organizations. Our mission is to advocate a healthy economic environment to ensure that Fairbanks and the Interior are an attractive place for both business and community. The Chamber supports Senate Bill 7 & House Bill 68 – Corporate Income Tax because many of our members are small to medium size businesses which could potentially benefit from a reduction in their tax liability.

In our community, the high costs of energy are crippling economic development and growth. The immediate benefits of SB7 & HB68, if passed, would free up some additional monies to help offset the staggering energy bills that many of the businesses in the Interior are faced with paying each month. The long term benefits of this bill would allow small and medium size businesses to keep more of their potential earnings, create new jobs in the community and enhance economic development.

The outdated code, last reviewed and updated in 1981, places additional burdens on businesses that are already struggling to make ends meet. To make Alaska a more attractive business environment and to allow our economy to flourish it is important that the tax code is updated to meet the current United States Consumer Price Index (CPI) inflation rate.

We would like to thank you both for your dedication to Alaskan businesses and your work to bring these bills before the legislature.

Sincerely,

Lisa Herbert
Executive Director

Terri Froese
Board of Directors, Chair

Anna Atchison
Government Relations, Chair

Cc: Governor Sean Parnell
Lieutenant Governor Mead Treadwell
Bryan Butcher, Commissioner of Revenue
Alaska State Legislature
Alaska Chambers of Commerce
Membership of the Greater Fairbanks Chamber of Commerce

INVESTORS

DIAMOND

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- ConocoPhillips
- ExxonMobil
- Fairbanks Daily News-Miner
- Fairbanks Memorial Hospital & Denali Center
- Flint Hills Resources Alaska
- Mt. McKinley Bank
- Santina's Flowers & Gifts

PLATINUM

- Alaska Pipeline Service Co. Doyon, Limited
- Fred Meyer Stores
- Golden Heart Utilities
- Wells Fargo Bank Alaska

GOLD

- Birchwood Homes
- Carlson Center
- Denali State Bank
- Design Alaska
- Doyon Utilities LLC
- First National Bank Alaska
- Kinross Fort Knox Mine
- Lynden
- MAC Federal Credit Union
- Northrim Bank
- Sumitomo Metal Mining Pogo LLC
- Usibelli Coal Mine

SILVER

- Alaska Communications
- Alaska Airlines
- Alaska Railroad
- Alaska USA
- Dr. Christopher Henry – Henry Orthodontics
- Everts Air Cargo, Everts Air AK
- Exclusive Paving/Univ. Redi-Mix
- Fairbanks Natural Gas
- Flowline Alaska
- GCI
- General Teamsters Local 959
- Golden Valley Electric Association
- Hale & Associates, Inc.
- JL Properties, Inc.
- Key Bank
- Personnel Plus
- Sam's Club
- Shell Exploration & Production Co.
- Spirit of Alaska FCU
- Tanana Valley Clinic
- TDL Staffing
- Totem Ocean Trailer Express, Inc.
- Tower Hill Mines-Livengood Gold Project
- University of Alaska Fairbanks
- Verizon Wireless
- WAL-MART Stores, Inc.



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907 265 4123 FAX

February 27, 2013

The Honorable Cathy Giessel
Alaska State Senate
Capital Room 427
Juneau, Alaska 99801

Re: Senate Bill 7 - Corporate Income Tax

Dear Senator Giessel,

NANA is pleased to offer our support for the passage of Senate Bill 7. In the context of the business community, a major reason our corporation exists is to create economic opportunities and stability for our shareholders.

Additionally, one way we support our shareholders is by supporting their small businesses. Whether it is a grocery store along the Kotzebue Sound, or an airline charter service on the north bank of the Kobuk River, our shareholders' businesses provide vital employment and economic benefits to our villages.

The State can help small business owners, like our shareholders, by passing Senate Bill 7. This bill will reduce tax liability for small to medium size businesses which will, in turn, attract commerce to Alaska, create additional jobs and allow the small business owners to keep more of their earnings.

Considering the corporate income tax schedule has not been reviewed or updated since 1981, we feel it is time to adjust the tax brackets to accurately reflect inflation. The financial challenges Alaskans face today are a lot different than the challenges faced over thirty years ago.

We applaud your commitment in supporting Alaskan small businesses!

Sincerely,

Helvi Sandvik
President, NANA Development Corporation

Cc: Senator Donny Olson, Representative Benjamin Nageak



Corporate tax relief bill held in Senate committee

Posted: February 21, 2013 - 1:28pm | Updated: February 22, 2013 - 12:08am

JUNEAU EMPIRE

By RUSSELL STIGALL

After its companion House bill passed easily through committee Wednesday, Senate Bill 7, Corporate Income Tax, waits in the Senate Finance Committee after a Thursday hearing. The tax restructuring and relief legislation won't be scheduled for a committee vote until at least Friday.

Senate Bill 7 and its companion, House Bill 68, restructure the 10 state tax brackets for type C corporations. If enacted, the legislation is predicted to save small- and medium-sized corporations that do business in Alaska \$3.8 million. Of these, 27 oil and gas companies would collect an estimated \$150,000 in savings. C corporations are taxed on net income.

The bills expand the current 10 tax brackets for C corporations.

Currently, the highest tax bracket for C corporations, taxed at 9.5 percent, is set at \$90,000 in net income. The bill would bump up this top tax bracket to incomes over \$222,000. The bottom tax bracket moves up from incomes of less than \$10,000 to incomes of less than \$25,000.

Under the new system, sponsors estimate that a small business with a net income of \$45,000 would pay little more than half the current tax liability of approximately \$1,250 annually. A company with \$550,000 could knock \$6,000 off of its \$47,000 tax liability.

Sen. Cathy Giessel, R-Anchorage, sponsored Senate Bill 7. She presented the bill to the Senate Finance Committee Thursday morning. Juneau Sen. Dennis Egan has added his name in support of the bill. The bill has also received written support from the Juneau Chamber of Commerce and the Alaska State Chamber of Commerce.

During the bill's hearing in the Senate Finance Committee, Sen. Donny Olson asked about the effects of reducing the number of tax brackets from 10 to five or fewer. During the House Committee on Labor and Commerce hearing for HB 68 on Wednesday, Rep. Charisse Millett asked if reducing the brackets to three would simplify tax time for businesses. Calling into the hearing from the Anchorage Legislative Information Office, Johanna Bales, deputy director for the Alaska Department of Revenue Tax Division said modern tax automation makes the existing tax structure easy enough.

"We're so used to administering this way that it doesn't cause us any concern," Bales said.

However, Bales said the division does not have a preference either way.

"It is up to legislators and voters," Bales said.

SB 7 could come up for a vote in Senate Finance Committee as early as Friday at 9 a.m. in Room 532.

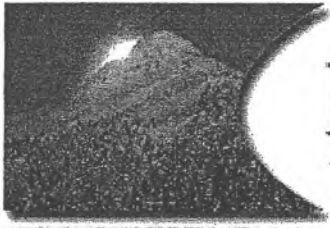
• Contact reporter Russell Stigall at 523-2276 or at russell.stigall@juneauempire.com.

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Our Opinion

2/27/2013

Breaking backlog

Gov. Sean Parnell's intent is to eliminate the backlog holding up business in Alaska.

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Way to go

This is what we want to see.

Two lawmakers — one in Juneau and one in Washington, D.C. — calling for financial efficiency and relief instead of spending taxpayer dollars.

Sen. Cathy Giessel, R-Turnagain Arm/North Kenai, has sponsored Senate Bill 7, which would provide tax relief for small and medium size Alaska businesses.

Giessel wrote the legislation after business owners talked with her about the current corporate income tax burden.

Giessel, in working with the state Department of Revenue, learned the 10 tax brackets used to calculate tax on corporate income had not been adjusted since 1981 — 32 years. Those brackets needed to be adjusted for inflation.

The proposed new brackets reflect an adjustment for inflation, moving the top bracket from \$90,000 to \$220,000. The current tax rate will remain.

This means a company with \$45,000 in taxable income will get a 50-percent reduction in taxes or about \$600. A company with a taxable income of \$550,000 will get a 6-percent decrease or \$6,000 tax break, according to Giessel.

The Senate Finance Committee has passed the bill, and a similar bill is moving through the House.

Meanwhile, Sen. Lisa Murkowski explained to a congressional committee this week that part of putting the nation on a fiscally responsible path should involve the Government Accounting Office checking to be sure the Energy Department's efficiency programs are indeed themselves efficient.

Murkowski called for a review of overlapping authorities and duplicative programs that can be combined or eliminated to improve DOE's operations.

"Given the constraints on federal finances and the failure of mandates to deliver the promised results, those of us in the federal government should put our own house in order," says Murkowski. She proposes GAO review current funding and past performance of residential, commercial and industrial energy efficiency programs at DOE.

Giessel's and Murkowski's efforts are in line with what the public expects. Giessel's bill, if passed by the Legislature and signed off on by the Parnell administration, will help the businesses that generate the power that drive Alaska's economy. Murkowski's suggestion will work toward saving federal dollars and improving government operation.

This is what legislating looks like these days.