

USB

7

<TARGET><BILL>SB 7</BILL><SUBJECT>SB
7</SUBJECT><COMM>SFIN28</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

First Committee of Referral

DATE: 1/16/13

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 7

SB 7-CORPORATE INCOME TAX

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

and recommends:

- be replaced with CS _____ (_____) Same Title New Title
- adopt previous CS _____ (_____) Same Title New Title
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
REV	X			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Hoffman	✓			
	Olson	✓		✓	
	FAIRCLOUGH	✓			
	Bishop	✓			
	Duane Kelly	✓			
CO-CHAIR:	Kelly				
CO-CHAIR:	Meyer	✓			

Fiscal Note

State of Alaska
2013 Legislative Session

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

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

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. SB 007

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.

SENATE BILL NO. 7

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - FIRST SESSION

BY SENATOR GIESSEL

Introduced: 1/16/13

Referred: Finance

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."

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

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

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

7	If the taxable income is:	Then the tax is:
8	Less than <u>\$25,000</u> [\$10,000]	1 percent of the taxable income
9	<u>\$25,000</u> [\$10,000] but less than	<u>\$250</u> [\$100] plus 2 percent of the
10	<u>\$49,000</u> [\$20,000]	taxable income over <u>\$25,000</u>
11		[\$10,000]
12	<u>\$49,000</u> [\$20,000] but less than	<u>\$730</u> [\$300] plus 3 percent of the
13	<u>\$74,000</u> [\$30,000]	taxable income over <u>\$49,000</u>
14		[\$20,000]

1	<u>\$74,000</u> [\$30,000] but less than	<u>\$1,480</u> [\$600] plus 4 percent of the
2	<u>\$99,000</u> [\$40,000]	taxable income over <u>\$74,000</u>
3		[\$30,000]
4	<u>\$99,000</u> [\$40,000] but less than	<u>\$2,480</u> [\$1,000] plus 5 percent of the
5	<u>\$124,000</u> [\$50,000]	taxable income over <u>\$99,000</u>
6		[\$40,000]
7	<u>\$124,000</u> [\$50,000] but less than	<u>\$3,730</u> [\$1,500] plus 6 percent of the
8	<u>\$148,000</u> [\$60,000]	taxable income over <u>\$124,000</u>
9		[\$50,000]
10	<u>\$148,000</u> [\$60,000] but less than	<u>\$5,170</u> [\$2,100] plus 7 percent of the
11	<u>\$173,000</u> [\$70,000]	taxable income over <u>\$148,000</u>
12		[\$60,000]
13	<u>\$173,000</u> [\$70,000] but less than	<u>\$6,920</u> [\$2,800] plus 8 percent of the
14	<u>\$198,000</u> [\$80,000]	taxable income over <u>\$173,000</u>
15		[\$70,000]
16	<u>\$198,000</u> [\$80,000] but less than	<u>\$8,920</u> [\$3,600] plus 9 percent of the
17	<u>\$222,000</u> [\$90,000]	taxable income over <u>\$198,000</u>
18		[\$80,000]
19	<u>\$222,000</u> [\$90,000] or more	<u>\$11,080</u> [\$4,500] plus 9.4 percent of
20		the taxable income over <u>\$222,000</u>
21		[\$90,000].

22 * Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to
 23 read:

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

ALASKA STATE LEGISLATURE

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



State Capitol, Room 427
Juneau AK 99801-1182
907-465-4843
Fax: 907-465-3871
800-892-4843

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.

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.



LEGISLATIVE RESEARCH SERVICES

Alaska State Legislature
Division of Legal and Research Services
State Capitol, Juneau, AK 99801

(907) 465-3991 phone
(907) 465-3908 fax
research@legis.state.ak.us

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: $\$4,500 + (\$460,000 \times .094) = \$47,740$. The company with taxable income of \$45,000 would pay at the 5 percent tax rate: $\$1,000 + (\$5,000 \times .05) = \$1,250$.

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.

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 $224.939 (2011 \text{ CPI}) / 90.9 (1981 \text{ CPI}) = 2.47$. 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.

Table 4: Tax Liability under Current and Proposed Tax Schedules, at Selected 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		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.



3100 Channel Drive, Suite 300 • Juneau AK 99801 • (907) 463-3488 • Fax (907) 463-3489
E-mail: iuneauchamber@zci.net • icc@alaska.com • Web site: <http://www.iuneauchamber.com>

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Wal-Mart
Wells Fargo Bank of Alaska
Westmann 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.

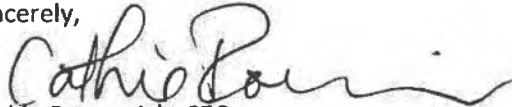
We agree that SB 7 will reduce tax liability for small to medium size corporations and by doing so attract commerce to Alaska, create additional jobs, and allow small to medium size businesses to keep more of their earnings.

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

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*

Headquarters

471 W 36th Ave
Suite 201
Anchorage
AK 99503
(907) 278-2722

Regional Office

3100 Channel Dr.
Suite 300
Juneau
AK 99801
(907) 586-2323

www.alaskachamber.com

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%



**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,

A handwritten signature in cursive script that reads "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