

REG. FINANCE - BILLS 1975 - 1976 569

SB 499 cont., thru SB 510 569

NON COVERED EMPLOYEES

Calculated Costs for 9% Increase and
Estimated Cost of Living Increase
(\$'s in 000's)

6 months actual salary costs July - December 1975:		\$6,569.8
	+	<u>6</u>
Assume Average Monthly salaries applicable to FY 76		\$1,095.0
Increase contained in salary schedule effective 1/1/76	x	<u>9%</u>
Monthly increased costs		\$ 98.6
	x	<u>6</u>
January 1 - June 30, 1976		\$ 591.6
Benefits at 21%		<u>124.2</u>
Cost of 9% increase for executive branch employees		\$ 715.8
Cost of assumed CPI increase in Anchorage of 14% which equates to a 5% adjustment for FY 76 (no adjustment make for terminations)		
Monthly salary July 1 - December 31		\$1,095.0
	x	<u>5%</u>
Monthly cost of adjustment		\$ 54.8
	x	<u>6</u>
Cost for period - salary		\$ 328.8
Benefits at 21%		<u>69.0</u>
Total cost July - December 31 (This is main item that would be adjusted because of terminations)		\$ 397.8
Monthly salary cost January - June (1,095.0 x 1.09)		\$1,193.6
	x	<u>5%</u>
Cost per month		\$ 59.7
	x	<u>6</u>
Cost for period salary		\$ 358.2
Benefits at 21%		<u>75.2</u>
Total cost January - June		\$ 433.4
Total cost of projected CPI adjustment		\$ 831.2
Total cost of 9% adjustment		<u>715.8</u>
Total FY 76 Cost		<u>\$1,547.0</u>

UNIVERSITY OF ALASKA

Cost of Non-Covered Employee Increase
General Fund Only
(\$'s in 000's)

FY 76 Authorization including benefits of salaries paid by the general fund (from U. of A.)	\$37,600.0
Increased base effective 1/1/76 to approximate 1/2 year for the employee	x $\frac{9\%}{2}$ \$ 3,384.0
Cost for period January - June, 1976	\div \$ 1,692.0
Assume CPI increase for Anchorage of 14% which equates a 5% increase for FY 76	
Base personal services	\$37,600.0
1/2 year cost	\div \$18,800.0
Cost of 5% for July - December, 1975	x $\frac{5\%}{2}$ \$ 940.0
Base personal services adjustment for 9% increase adjusted base	\$18,800.0
Cost of 5% January - June	x $\frac{1.09}{2}$ \$ 1,024.6
Total cost of CPI increase of 5%	\$ 1,964.6
Total Cost of Proposal	<u>\$ 3,656.6</u>

499

SB 499

JAN 14 1976

The Honorable Chancy Croft
President of the Senate
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. President:

In accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill relating to the method of compensating State officers and employees.

While the bill is relatively long, its entire thrust is the deletion of statutorily specified pay periods. At the present time, the Department of Administration pays some employees bi-weekly, some semi-monthly, and some monthly. Deletion of the references to monthly installments and monthly pay periods, and simply referring to annual salaries, will allow the Department to pay all employees at the same time; current plans are for bi-weekly pay, but the amendments would nevertheless provide flexibility permitting exceptions which might become necessary. Sections 10 and 11 of the bill amend the relevant leave provisions to coincide with the amendments in the pay provisions, and section 12 merely converts the monthly pay schedule to an annual one.

This simplification in the Department of Administration's payment schedule will result in greater efficiency and economy in State government.

Sincerely,

Jay S. Hammond
Governor

The Legislature of the State of Alaska
 FISCAL NOTE
 Second Session - Eighth Legislature

I. REQUEST

Bill Identification: 499 #499
 Title: Wages of Compensation State Employees and Request
 Requested by: F. M. (Name) Date: 12/15/75
 Return Date Requested: 1976
 Agency: ADMINISTRATION Program: FINANCE / PERSONNEL

II. FISCAL DETAIL

Budget Request Unit(s) Affected:
 A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 74	FY 75	FY 76	FY 77	FY 78	FY 79
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	<u>0</u>	<u>0</u>	<u>0</u>	<u>—</u>	<u>—</u>	<u>—</u>

B. FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

C. POSITIONS:

PERMANENT/TEMPORARY	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
MAN MONTHS (P./T.)	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The State is converting to a bi-weekly payroll system effective July 1, 1976. This will result in additional statutory employees to be paid on a bi-weekly basis as well as an additional cost involved to do so.

IV. ATTACHMENTS

V. DATE: 12/15/75 PREPARED BY: Bill Martin

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Introduced: 1/14/76
Referred: State Affairs and
Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 499

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the method of compensating state
7 officers and employees; and providing for an
8 effective date."

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

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21 during his term of office, unless by general law applying to all
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6 RANGE

7 NO.	STEP A	STEP B	STEP C	STEP D	STEP E	STEP F
8 5	-	-	-	-	-	10,020
9 6	-	-	-	10,020	10,332	10,656
10 7	-	10,020	10,332	10,656	10,992	11,340
11 8	10,332	10,656	10,992	11,340	11,688	12,084
12 9	10,992	11,340	11,688	12,084	12,468	12,852
13 10	11,688	12,084	12,468	12,852	13,284	13,704
14 11	12,468	12,852	13,284	13,704	14,160	14,628
15 12	13,284	13,704	14,160	14,628	15,180	15,744
16 13	14,160	14,628	15,180	15,744	16,332	16,956
17 14	15,180	15,744	16,332	16,956	17,592	18,264
18 15	16,332	16,956	17,592	18,264	18,936	19,656
19 16	17,592	18,264	18,936	19,656	20,388	21,156
20 17	18,936	19,656	20,388	21,156	21,948	22,764
21 18	20,388	21,156	21,948	22,764	23,604	24,504
22 19	21,948	22,764	23,604	24,504	25,428	26,388
23 20	23,604	24,504	25,428	26,388	27,348	28,380
24 21	25,428	26,388	27,348	28,380	29,460	30,552
25 22	27,348	28,380	29,460	30,552	31,704	32,892
26 23	29,460	30,552	31,704	32,892	34,116	35,412
27 24	31,704	32,892	34,116	35,412	36,732	38,112
28 25	34,116	35,412	36,732	38,112	39,540	41,028
29 26	35,412	36,732	38,112	39,540	41,028	42,552

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* Sec. 16. This Act takes effect July 16, 1976.

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13 * Sec. 6. AS 24.15.020 is amended to read:

14 Sec. 24.15.020. ANNUAL LEGISLATIVE SALARIES. The annual salary
15 for each member of the legislature is 33-1/3 per cent of Step E, Range
16 28 of the salary schedule established in AS 39.27.010 for Anchorage,
17 Alaska [, TO BE PAID IN APPROXIMATELY EQUAL MONTHLY PAYMENTS]. The
18 president of the senate and speaker of the house of representatives
19 are each entitled to an additional \$500 a year during tenure of office.

20 * Sec. 7. AS 39.20.010 is amended to read:

21 Sec. 39.20.010. ANNUAL SALARY OF GOVERNOR. The annual salary of
22 the governor is \$50,000. [THE SALARY SHALL BE PAID IN EQUAL MONTHLY
23 INSTALLMENTS.]

24 * Sec. 8. AS 39.20.030 is amended to read:

25 Sec. 39.20.030. ANNUAL SALARY OF LIEUTENANT GOVERNOR. The
26 annual salary of the lieutenant governor is \$44,000. [THE SALARY
27 SHALL BE PAID IN EQUAL MONTHLY INSTALLMENTS.]

28 * Sec. 9. AS 39.20.080(a) is amended to read:

29 (a) The annual salary of the head of each principal executive

1 department of the state upon appointment and confirmation is 10 per
2 cent above Step E, Range 28 of the salary schedule established in AS
3 39.27.010 for Anchorage, Alaska. [THIS SALARY SHALL BE PAID IN EQUAL
4 MONTHLY INSTALLMENTS.]

5 * Sec. 10. AS 39.20.200 is amended to read:

6 Sec. 39.20.200. COMPUTATION OF ANNUAL LEAVE. Officers and
7 employees of the state are entitled to annual leave with pay which is
8 credited at the conclusion of each pay period. Leave shall be apportioned
9 as an appropriate portion of the following annual accrual rates
10 [ACCURUES AS FOLLOWS]:

11 (1) 112.5 hours [ONE AND ONE-QUARTER DAYS FOR EACH FULL
12 MONTHLY PAY PERIOD] in the case of officers and employees with less
13 than two years of service;

14 (2) 135.0 hours [ONE AND THREE-QUARTERS DAYS FOR EACH FULL
15 MONTHLY PAY PERIOD] in the case of officers and employees with two or
16 less than five years of service;

17 (3) 180.0 hours [TWO DAYS FOR EACH FULL MONTHLY PAY PERIOD]
18 in the case of officers and employees with five but less than 10 years
19 of service;

20 (4) 225.0 hours [TWO AND ONE-HALF DAYS FOR EACH FULL
21 MONTHLY PAY PERIOD] in the case of officers and employees with 10
22 years or more of service.

23 * Sec. 11. AS 39.20.260(a) is amended to read:

24 (a) Officers and employees are entitled to medical leave with
25 pay which accrues at the equivalent [RATE] of 112.5 hours per year
26 [ONE AND ONE-QUARTER DAYS FOR EACH FULL MONTHLY PAY PERIOD]. Medical
27 leave which is not used during the 12-month period in which it accrues
28 accumulates and is available for use in succeeding 12-month periods.

29 * Sec. 12. AS 39.27.010 is repealed and re-enacted to read:

1 Sec. 39.27.010. BASIC SALARY SCHEDULE. The following annual
 2 basic salary schedule is approved as the pay plan for classified and
 3 partially exempt employees of the state unless otherwise provided for
 4 by a collective bargaining agreement negotiated under the authority of
 5 the Public Employment Relations Act:

6 RANGE

7 NO.	STEP A	STEP B	STEP C	STEP D	STEP E	STEP F
8 5	-	-	-	-	-	10,020
9 6	-	-	-	10,020	10,332	10,656
10 7	-	10,020	10,332	10,656	10,992	11,340
11 8	10,332	10,656	10,992	11,340	11,688	12,084
12 9	10,992	11,340	11,688	12,084	12,468	12,852
13 10	11,688	12,084	12,468	12,852	13,284	13,704
14 11	12,468	12,852	13,284	3,704	14,160	14,628
15 12	13,284	13,704	14,160	14,628	15,180	15,744
16 13	14,160	14,628	15,180	15,744	16,332	16,956
17 14	15,180	15,744	16,332	16,956	17,592	18,264
18 15	16,332	16,956	17,592	18,264	18,936	19,656
19 16	17,592	18,264	18,936	19,656	20,388	21,156
20 17	18,936	19,656	20,388	21,156	21,948	22,764
21 18	20,388	21,156	21,948	22,764	23,604	24,504
22 19	21,948	22,764	23,604	24,504	25,428	26,388
23 20	23,604	24,504	25,428	26,388	27,348	28,380
24 21	25,428	26,388	27,348	28,380	29,460	30,552
25 22	27,348	28,380	29,460	30,552	31,704	32,892
26 23	29,460	30,552	31,704	32,892	34,116	35,412
27 24	31,704	32,892	34,116	35,412	36,732	38,112
28 25	34,116	35,412	36,732	38,112	39,540	41,028
29 26	35,412	36,732	38,112	39,540	41,028	42,552

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RANGE

NO.	STEP A	STEP B	STEP C	STEP D	STEP E	STEP F
27	36,732	38,112	39,540	41,028	42,552	44,160
28	38,112	39,540	41,028	42,552	44,160	45,816
29	39,540	41,028	42,552	44,160	45,816	47,532
30	41,028	42,552	44,160	45,816	47,532	49,320

* Sec. 13. AS 42.05.091 is amended to read:

Sec. 42.05.091. COMPENSATION OF MEMBERS OF THE ALASKA PUBLIC UTILITIES COMMISSION. Members of the commission are in the exempt service and shall receive an annual salary equal to that of a district court judge [TO BE PAID IN EQUAL MONTHLY INSTALLMENTS].

* Sec. 14. AS 42.06.090 is amended to read:

Sec. 42.06.090. COMPENSATION OF MEMBERS OF THE ALASKA PIPELINE COMMISSION. Members of the commission are in the exempt service described in AS 39.25 and receive an annual salary equal to that of a district court judge [TO BE PAID IN EQUAL MONTHLY INSTALLMENTS].

* Sec. 15. AS 42.07.071 is amended to read:

Sec. 42.07.071. COMPENSATION OF MEMBERS OF THE ALASKA TRANSPORTATION COMMISSION. The commissioners are in the exempt service under AS 39.25 and shall receive an annual salary equal to that of a district court judge [PAYABLE IN EQUAL MONTHLY INSTALLMENTS].

* Sec. 16. This Act takes effect July 16, 1976.

Introduced: 1/14/76
Referred: State Affairs and
Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 499

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the method of compensating state
7 officers and employees; and providing for an
8 effective date."

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

10 * Section 1. AS 16.43.060 is amended to read:

11 Sec. 16.43.060. COMPENSATION OF MEMBERS OF THE ALASKA COMMERCIAL
12 FISHERIES ENTRY COMMISSION. Members of the commission are in the
13 exempt service and shall receive an annual salary equal to that of a
14 district court judge [, PAYABLE IN EQUAL MONTHLY INSTALLMENTS].

15 * Sec. 2. AS 22.05.140(a) is amended to read:

16 (a) The annual salary for the chief justice and each associate
17 justice is 20 per cent above Step E, Range 28 of the salary schedule
18 established in AS 39.27.010 for Anchorage, Alaska. [THE COMPENSATION
19 IS PAYABLE MONTHLY IN 12 EQUAL INSTALLMENTS.] Compensation of the
20 chief justice or of an associate justice shall not be diminished
21 during his term of office, unless by general law applying to all
22 salaried officers of the state.

23 * Sec. 3. AS 22.10.190(a) is amended to read:

24 (a) The annual salary for each superior court judge is 10 per
25 cent above Step E, Range 28 of the salary schedule established in AS
26 39.27.010 for Anchorage, Alaska [, PAYABLE MONTHLY IN 12 EQUAL INSTAL-
27 LMENTS]. The compensation of a judge shall not be diminished during
28 his term of office, unless by general law applying to all salaried
29 officers of the state.

1 * Sec. 4. AS 22.15.220(a) is amended to read:

2 (a) The annual salary for each district judge is 93 per cent of
3 Step E, Range 28 of the salary schedule established in AS 39.27.010
4 for Anchorage, Alaska [, PAYABLE MONTHLY IN 12 EQUAL INSTALLMENTS].

5 * Sec. 5. AS 22.15.220(b) is amended to read:

6 (b) Each magistrate shall receive annual compensation to be
7 determined by the supreme court. Salary increases shall be determined
8 on the basis of percentage of pay increase the legislature provides
9 for state employees in the classified service. [A MAGISTRATE'S ANNUAL
10 COMPENSATION MAY BE PAYABLE, AT THE OPTION OF THE MAGISTRATE, EITHER
11 MONTHLY IN 12 EQUAL INSTALLMENTS OR SEMI-MONTHLY IN 24 EQUAL INSTALL-
12 MENTS.]

13 * Sec. 6. AS 24.15.020 is amended to read:

14 Sec. 24.15.020. ANNUAL LEGISLATIVE SALARIES. The annual salary
15 for each member of the legislature is 33-1/3 per cent of Step E, Range
16 28 of the salary schedule established in AS 39.27.010 for Anchorage,
17 Alaska [TO BE PAID IN APPROXIMATELY EQUAL MONTHLY PAYMENTS]. The
18 president of the senate and speaker of the house of representatives
19 are each entitled to an additional \$500 a year during tenure of office.

20 * Sec. 7. AS 39.20.010 is amended to read:

21 Sec. 39.20.010. ANNUAL SALARY OF GOVERNOR. The annual salary of
22 the governor is \$50,000. [THE SALARY SHALL BE PAID IN EQUAL MONTHLY
23 INSTALLMENTS.]

24 * Sec. 8. AS 39.20.030 is amended to read:

25 Sec. 39.20.030. ANNUAL SALARY OF LIEUTENANT GOVERNOR. The
26 annual salary of the lieutenant governor is \$44,000. [THE SALARY
27 SHALL BE PAID IN EQUAL MONTHLY INSTALLMENTS.]

28 * Sec. 9. AS 39.20.080(a) is amended to read:

29 (a) The annual salary of the head of each principal executive

1 department of the state upon appointment and confirmation is 10 per
2 cent above Step E, Range 28 of the salary schedule established in AC
3 39.27.010 for Anchorage, Alaska. [THIS SALARY SHALL BE PAID IN EQUAL
4 MONTHLY INSTALLMENTS.]

5 * Sec. 10. AS 39.20.200 is amended to read:

6 Sec. 39.20.200. COMPUTATION OF ANNUAL LEAVE. Officers and
7 employees of the state are entitled to annual leave with pay which is
8 credited at the conclusion of each pay period. Leave shall be credited
9 as an appropriate portion of the following annual accrual rates
10 [ACCRUES AS FOLLOWS]:

11 (1) 112.5 hours [ONE AND ONE-QUARTER DAYS FOR EACH FULL
12 MONTHLY PAY PERIOD] in the case of officers and employees with less
13 than two years of service;

14 (2) 135.0 hours [ONE AND THREE-QUARTERS DAYS FOR EACH FULL
15 MONTHLY PAY PERIOD] in the case of officers and employees with two but
16 less than five years of service;

17 (3) 180.0 hours [TWO DAYS FOR EACH FULL MONTHLY PAY PERIOD]
18 in the case of officers and employees with five but less than 10 years
19 of service;

20 (4) 225.0 hours [TWO AND ONE-HALF DAYS FOR EACH FULL
21 MONTHLY PAY PERIOD] in the case of officers and employees with 10
22 years or more of service.

23 * Sec. 11. AS 39.20.260(a) is amended to read:

24 (a) Officers and employees are entitled to medical leave with
25 pay which accrues at the equivalent [RATE] of 112.5 hours per year
26 [ONE AND ONE-QUARTER DAYS FOR EACH FULL MONTHLY PAY PERIOD]. Medical
27 leave which is not used during the 12-month period in which it accrues
28 accumulates and is available for use in succeeding 12-month periods.

29 * Sec. 12. AS 39.27.010 is repealed and re-enacted to read:

1 Sec. 39.27.010. BASIC SALARY SCHEDULE. The following annual
 2 basic salary schedule is approved as the pay plan for classified and
 3 partially exempt employees of the state unless otherwise provided for
 4 by a collective bargaining agreement negotiated under the authority of
 5 the Public Employment Relations Act:

6 RANGE

7 NO.	STEP A	STEP B	STEP C	STEP D	STEP E	STEP F
8 5	-	-	-	-	-	10,020
9 6	-	-	-	10,020	10,332	10,656
10 7	-	10,020	10,332	10,656	10,992	11,340
11 8	10,332	10,656	10,992	11,340	11,688	12,084
12 9	10,992	11,340	11,688	12,084	12,468	12,852
13 10	11,688	12,084	12,468	12,852	13,284	13,704
14 11	12,468	12,852	13,284	13,704	14,160	14,628
15 12	13,284	13,704	14,160	14,628	15,180	15,744
16 13	14,160	14,628	15,180	15,744	16,332	16,956
17 14	15,180	15,744	16,332	16,956	17,592	18,264
18 15	16,332	16,956	17,592	18,264	18,936	19,656
19 16	17,592	18,264	18,936	19,656	20,388	21,156
20 17	18,936	19,656	20,388	21,156	21,948	22,764
21 18	20,388	21,156	21,948	22,764	23,604	24,504
22 19	21,948	22,764	23,604	24,504	25,428	26,388
23 20	23,604	24,504	25,428	26,388	27,348	28,380
24 21	25,428	26,388	27,348	28,380	29,460	30,552
25 22	27,348	28,380	29,460	30,552	31,704	32,892
26 23	29,460	30,552	31,704	32,892	34,116	35,412
27 24	31,704	32,892	34,116	35,412	36,732	38,112
28 25	34,116	35,412	36,732	38,112	39,540	41,028
29 26	35,412	36,732	38,112	39,540	41,028	42,552

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RANGE

NO.	STEP A	STEP B	STEP C	STEP D	STEP E	STEP F
27	36,732	38,112	39,540	41,028	42,552	44,160
28	38,112	39,540	41,028	42,552	44,160	45,816
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* Sec. 13. AS 42.05.091 is amended to read:

Sec. 42.05.091. COMPENSATION OF MEMBERS OF THE ALASKA PUBLIC UTILITIES COMMISSION. Members of the commission are in the exempt service and shall receive an annual salary equal to that of a district court judge [TO BE PAID IN EQUAL MONTHLY INSTALLMENTS].

* Sec. 14. AS 42.06.090 is amended to read:

Sec. 42.06.090. COMPENSATION OF MEMBERS OF THE ALASKA PIPELINE COMMISSION. Members of the commission are in the exempt service described in AS 39.25 and receive an annual salary equal to that of a district court judge [TO BE PAID IN EQUAL MONTHLY INSTALLMENTS].

* Sec. 15. AS 42.07.071 is amended to read:

Sec. 42.07.071. COMPENSATION OF MEMBERS OF THE ALASKA TRANSPORTATION COMMISSION. The commissioners are in the exempt service under AS 39.25 and shall receive an annual salary equal to that of a district court judge [PAYABLE IN EQUAL MONTHLY INSTALLMENTS].

* Sec. 16. This Act takes effect July 16, 1976.

Original sponsor: Rules Committee by
request of the Governor

Offered: 2/11/76
Referred: Finance

1 IN THE SENATE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR SENATE BILL NO. 499

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the method of compensating state
7 officers and employees; and providing for an effective
8 date."

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

10 * Section 1. AS 16.43.060 is amended to read:

11 Sec. 16.43.060. COMPENSATION OF MEMBERS OF THE ALASKA COMMERCIAL
12 FISHERIES ENTRY COMMISSION. Members of the commission are in the
13 exempt service and shall receive an annual salary equal to that of a
14 district court judge [, PAYABLE IN EQUAL MONTHLY INSTALLMENTS].

15 * Sec. 2. AS 22.05.140(a) is repealed and re-enacted to read:

16 (a) The chief justice and each associate justice shall receive an
17 annual salary as established under AS 39.27.150. Until this salary
18 becomes effective the annual salary is \$52,992. Compensation of the
19 chief justice or of an associate justice shall not be diminished during
20 his term of office, unless by general law applying to all salaried
21 officers of the state.

22 * Sec. 3. AS 22.10.190(a) is repealed and re-enacted to read:

23 (a) Each superior court judge shall receive an annual salary as
24 established under AS 39.27.150. Until this salary becomes effective the
25 annual salary is \$48,576. The compensation of a judge shall not be
26 diminished during his term of office, unless by general law applying to
27 all salaried officers of the state.

28 * Sec. 4. AS 22.15.220(a) is repealed and re-enacted to read:

29 (a) Each district judge shall receive an annual salary as estab-

1 lished under AS 39.27.150. Until this salary becomes effective the
2 annual salary is \$41,068.80.

3 * Sec. 5. AS 22.15.220(b) is amended to read:

4 (b) Each magistrate shall receive annual compensation to be
5 determined by the supreme court. Salary increases shall be determined
6 on the basis of percentage of pay increase the legislature provides for
7 state employees in the classified service. [A MAGISTRATE'S ANNUAL
8 COMPENSATION MAY BE PAYABLE, AT THE OPTION OF THE MAGISTRATE, EITHER
9 MONTHLY IN 12 EQUAL INSTALLMENTS OR SEMI-MONTHLY IN 24 EQUAL INSTALL-
10 MENTS.]

11 * Sec. 6. AS 24.15.020 is repealed and re-enacted to read:

12 Sec. 24.15.020. ANNUAL LEGISLATIVE SALARIES. Each member of the
13 legislature shall receive an annual salary as established under AS 39.-
14 27.150. Until this salary becomes effective the annual salary is \$14,720
15 The president of the senate and speaker of the house of representatives
16 are each entitled to an additional \$500 a year during tenure of office.

17 * Sec. 7. AS 39.20.010 is amended to read:

18 Sec. 39.20.010. ANNUAL SALARY OF GOVERNOR. The annual salary of
19 the governor is \$50,000. [THE SALARY SHALL BE PAID IN EQUAL MONTHLY
20 INSTALLMENTS.]

21 * Sec. 8. AS 39.20.030 is amended to read:

22 Sec. 39.20.030. ANNUAL SALARY OF LIEUTENANT GOVERNOR. The annual
23 salary of the lieutenant governor is \$44,000. [THE SALARY SHALL BE PAID
24 IN EQUAL MONTHLY INSTALLMENTS.]

25 * Sec. 9. AS 39.20.080(a) is repealed and re-enacted to read:

26 (a) The head of each principal executive department of the state
27 upon appointment and confirmation shall receive an annual salary as
28 established under AS 39.27.150. Until this salary becomes effective the
29 annual salary is \$48,576.

1 * Sec. 10. AS 39.20.200 is amended to read:

2 Sec. 39.20.200. COMPUTATION OF ANNUAL LEAVE. Officers and em-
3 ployees of the state are entitled to annual leave with pay which is
4 credited at the conclusion of each pay period. Leave shall be credited
5 as an appropriate portion of the following annual accrual rates
6 [ACCRUES AS FOLLOWS]:

7 (1) 112.5 hours [ONE AND ONE-QUARTER DAYS FOR EACH FULL
8 MONTHLY PAY PERIOD] in the case of officers and employees with less
9 than two years of service;

10 (2) 157.5 hours [ONE AND THREE-QUARTERS DAYS FOR EACH FULL
11 MONTHLY PAY PERIOD] in the case of officers and employees with two but
12 less than five years of service;

13 (3) 180.0 hours [TWO DAYS FOR EACH FULL MONTHLY PAY PERIOD]
14 in the case of officers and employees with five but less than 10 years
15 of service;

16 (4) 225.0 hours [TWO AND ONE-HALF DAYS FOR EACH FULL MONTHLY
17 PAY PERIOD] in the case of officers and employees with 10 years or more
18 of service.

19 * Sec. 11. AS 39.20.260(a) is amended to read:

20 (a) Officers and employees are entitled to medical leave with
21 pay which accrues at the equivalent [RATE] of 112.5 hours per year
22 [ONE AND ONE-QUARTER DAYS FOR EACH FULL MONTHLY PAY PERIOD]. Medical
23 leave which is not used during the 12-month period in which it accrues
24 accumulates and is available for use in succeeding 12-month periods.

25 * Sec. 12. AS 39.27.010 is repealed and re-enacted to read:

26 Sec. 39.27.010. BASIC SALARY SCHEDULE. The following annual
27 basic salary schedule is approved as the pay plan for classified and
28 partially exempt employees of the state unless otherwise provided for
29 by a collective bargaining agreement negotiated under the authority of

the Public Employment Relations Act:

Range

No.	Step A	Step B	Step C	Step D	Step E	Step F
5	-	-	-	-	-	10,920
6	-	-	-	10,920	11,256	11,616
7	-	10,920	11,256	11,616	11,976	12,360
8	11,256	11,616	11,976	12,360	12,744	13,176
9	11,976	12,360	12,744	13,176	13,596	14,004
10	12,744	13,176	13,596	14,004	14,484	14,940
11	13,596	14,004	14,484	14,940	15,432	15,948
12	14,484	14,940	15,432	15,948	16,548	17,160
13	15,432	15,948	16,548	17,160	17,796	18,480
14	16,548	17,160	17,796	18,480	19,176	19,908
15	17,796	18,480	19,176	19,908	20,640	21,420
16	19,176	19,908	20,640	21,420	22,224	23,064
17	20,640	21,420	22,224	23,064	23,928	24,816
18	22,224	23,064	23,928	24,816	25,728	26,712
19	23,928	24,816	25,728	26,712	27,720	28,764
20	25,728	26,712	27,720	28,764	29,808	30,936
21	27,720	28,764	29,808	30,936	32,112	33,300
22	29,808	30,936	32,112	33,300	34,560	35,856
23	32,112	33,300	34,560	35,856	37,188	38,604
24	34,560	35,856	37,188	38,604	40,032	41,544
25	37,188	38,604	40,032	41,544	43,104	44,724
26	38,604	40,032	41,544	43,104	44,724	46,380
27	40,032	41,544	43,104	44,724	46,380	48,132
28	41,544	43,104	44,724	46,380	48,132	49,944
29	43,104	44,724	46,380	48,132	49,944	51,804
30	44,724	46,380	48,132	49,944	51,804	53,748

1 * Sec. 13. AS 42.05.091 is amended to read:

2 Sec. 42.05.091. COMPENSATION OF MEMBERS OF THE ALASKA PUBLIC
3 UTILITIES COMMISSION. Members of the commission are in the exempt
4 service and shall receive an annual salary equal to that of a district
5 court judge [TO BE PAID IN EQUAL MONTHLY INSTALLMENTS].

6 * Sec. 14. AS 42.06.090 is amended to read:

7 Sec. 42.06.090. COMPENSATION OF MEMBERS OF THE ALASKA PIPELINE
8 COMMISSION. Members of the commission are in the exempt service
9 described in AS 39.25 and receive an annual salary equal to that of a
10 district court judge [TO BE PAID IN EQUAL MONTHLY INSTALLMENTS].

11 * Sec. 15. AS 42.07.071 is amended to read:

12 Sec. 42.07.071. COMPENSATION OF MEMBERS OF THE ALASKA TRANSPORTA-
13 TION COMMISSION. The commissioners are in the exempt service under
14 AS 39.25 and shall receive an annual salary equal to that of a district
15 court judge [PAYABLE IN EQUAL MONTHLY INSTALLMENTS].

16 * Sec. 16. AS 39.20.080(b) is amended to read:

17 (b) The monthly salary of the deputy head of each principal execu-
18 tive department of the state, upon his appointment is not less than Step
19 A, Range 28, nor shall it exceed Step E, Range 28, of the salary sched-
20 ular set out in AS 39.27.010, during the term of his appointment.

21 AS 39.27.022 may not be applied to the salary of a deputy department
22 head in such a way that his salary would equal or exceed that of a
23 department head.

24 * Sec. 17. If the United States Department of Labor's Consumer Price
25 Index for Anchorage rose more than nine percentage points during calendar
26 year 1975, on February 16, 1976 or the beginning of the first pay period
27 beginning after the effective date of this Act, whichever occurs later, the
28 salary schedule in AS 39.27.010, as enacted in sec. 12 of this Act, shall be
29 adjusted based on the increase of full percentage points for the year, retro-

1 active to the beginning of the calendar quarter in which the rise exceeded
2 nine per cent.

3 * Sec. 18. It is the intent of the legislature that the permanent em-
4 ployees of the legislative branch and the permanent and temporary nonjudicial
5 employees of the judicial branch receive pay increases comparable to those
6 received by the classified and partially exempt employees under AS 39.27.-
7 010 - 39.27.020; it is also the intent that employees of the University of
8 Alaska receive pay increases comparable to those received by the classified
9 and partially exempt employees under AS 39.27.010.

10 * Sec. 19. Sections 12 and 18 of this Act are retroactive to January 1,
11 1976 for those employees on the state payroll as of the effective date of
12 this Act. Retroactive pay increases shall be applied as follows:

13 (1) for the pay period ending February 15, 1976, 13.5 per cent of
14 gross wages paid;

15 (2) for the pay period ending March 15, 1976, nine per cent of
16 gross wages paid;

17 (3) for the pay period ending April 15, 1976, nine per cent of
18 gross wages paid;

19 (4) for the pay period ending May 15, 1976, nine per cent of gross
20 wages paid.

21 * Sec. 20. AS 39.27 is amended by adding new sections to read:

22 ARTICLE 2. PUBLIC OFFICERS' COMPENSATION BOARD.

23 Sec. 39.27.100. BOARD ESTABLISHED. There is established within
24 the Department of Administration a Public Officers' Compensation Board.

25 Sec. 39.27.110. MEMBERSHIP OF THE BOARD. (a) The board is com-
26 posed of the commissioner of administration and four public members
27 appointed by the governor and confirmed by the legislature in joint
28 session. Initial appointments of two of the public members shall be
29 made for terms of three years and two for six years to assure staggered

1 terms. Subsequent appointments are for six-year terms. A vacancy shall
2 be filled by appointment by the governor for the remainder of the term.
3 The appointment is subject to confirmation in the same manner as a full-
4 term appointment.

5 (b) Public members of the board must be qualified electors of the
6 state who are not employees or officers of the state. Not more than two
7 public members may be of the same political party.

8 (c) A public member holds office at the pleasure of the governor
9 notwithstanding the member's term.

10 (d) A member of the board is entitled to the per diem allowance
11 established under AS 39.20.180 and transportation expenses incurred in
12 carrying out official duties.

13 (e) The commissioner of administration and two public members
14 constitute a quorum for the transaction of business. A majority con-
15 sisting of any three members is necessary in order to adopt a board
16 determination to be transmitted to the legislature.

17 Sec. 39.27.120. POLICY OF THE LEGISLATURE. It is the policy of
18 the legislature that the board determine the salary schedule for public
19 officers based upon the following principles:

20 (1) equitable relationships shall be maintained among state
21 positions;

22 (2) the public shall be encouraged to provide input into the
23 establishment of salaries for public officials.

24 Sec. 39.27.130. STUDIES; REPORTS. The board may request reports
25 or studies from any state department or agency concerning compensation
26 of public officers. A state department or agency from which that report
27 or study is requested shall furnish it within a period of time pre-
28 scribed by the board.

29 Sec. 39.27.140. PUBLIC COMMENT. Public officers and members of

1 the public may offer written or oral testimony to the board regarding
2 proposed determinations.

3 Sec. 39.27.150. DETERMINATIONS BY THE BOARD. (a) After con-
4 sideration of any studies or reports requested under sec. 130 of this
5 chapter, and other presentations as may be made to the board at public
6 hearings or in writing, the board shall

7 (1) make determinations as to appropriate adjustments in
8 salary schedules for public officers;

9 (2) make determinations as to appropriate adjustments in
10 benefits granted public officers.

11 (b) The board shall transmit its determination under this section
12 to the legislature no later than the 10th day of each regular session of
13 the legislature.

14 (c) Determinations become effective, retroactive to January 1,
15 only if approved by concurrent resolution before the end of a session.

16 Sec. 39.27.160. PUBLIC OFFICER DEFINED. As used in this chapter
17 "public officers" mean the governor, the lieutenant governor, justices
18 of the supreme court, judges of the superior and district courts, and
19 heads of principal departments of the state.

20 * Sec. 21. This Act takes effect immediately in accordance with AS 01.10.-

21 070(c).



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

2/8/90
Date

"An Act relating to the Alaska Net Income Tax Act; and providing for an effective date."

COMMITTEE REPORT

HOUSE

4/22/76

Mr. Speaker:

Date 4-27-76

The Committee on FINANCE has had CSFB 510 am

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS

"and" recommends it BE REFERRED TO THE _____
COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

Chairman

Original sponsor: Rules Committee
by request of the Governor

Offered: 4/19/76
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 510 am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Net Income Tax Act; and
7 providing for an effective date."

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

9 * Sec. 1. AS 43.20.021(a) is amended to read:

10 (a) Subtitle F and chapter 1 of subtitle A of the 1954 Internal
11 Revenue Code, Public Law 83-591, as amended, are adopted by reference as
12 a part of this chapter, except that those provisions of the Internal
13 Revenue Code adopted after December 31, 1975 which change or modify ex-
14 emptions from tax or credits against tax are not adopted by reference as
15 a part of this chapter until the second January 1 following the effec-
16 tive date of the federal law. These portions of the Internal Revenue
17 Code have full force and effect under this chapter unless excepted to
18 or modified by other provisions of this chapter.

19 * Sec. 2. AS 43.20.021 is amended by adding new subsections to read:

20 (e) For the purpose of calculating the maximum tax rate on earned
21 income as provided for in sec. 1348 of the Internal Revenue Code (26
22 U.S.C. sec. 1348), the rate is 9.5 per cent for individuals.

23 (f) For the purpose of calculating the minimum tax on tax prefer-
24 ences provided for in secs. 56-58 of the Internal Revenue Code (26
25 U.S.C. secs. 56-58), the rate is 16 per cent for individuals and 18 per
26 cent for corporations of the applicable minimum federal tax rate.

27 * Sec. 3. AS 43.20.031(b)(2) is repealed and re-enacted to read:

28 (2) pensions and annuities received from qualified plans
29 approved under secs. 401-415 of the Internal Revenue Code (26 U.S.C.

1 secs. 401-415) as amended;

2 * Sec. 4. AS 43.20.031(c) is amended to read:

3 (c) In computing the tax under this chapter, the taxpayer is not
4 entitled to deduct any taxes based on or measured by net income [FROM
5 THE ADJUSTED GROSS INCOME STATE INCOME TAXES].

6 * Sec. 5. Sections 1 and 3 of this Act are retroactive to January 1,
7 1976.

8 * Sec. 6. Sections 2 and 4 of this Act are retroactive to January 1, 1975
9 and apply to income earned or received after December 31, 1974.

10 * Sec. 7. This Act takes effect immediately in accordance with AS 01.10.-
11 070(c).

Introduced: 1/15/76
Referred: Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 510

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Net Income Tax Act; and
7 providing for an effective date."

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

9 * Section 1. AS 43.20.031(a) is amended by adding new paragraphs
10 to read:

11 (3) the benefits of nonrecognition of gain on the sale
12 or exchange of certain property under secs. 1031, 1033 and 1034
13 of the Internal Revenue Code (26 U.S.C. secs. 1031, 1033 and
14 1034) are allowed only to taxpayers who purchase or exchange the
15 property within the state.

16 (4) the exemption of interest on certain government
17 obligations under sec. 103 of the Internal Revenue Code (26
18 U.S.C. sec. 103) shall be allowed except that the interest on
19 obligations of other states and the political subdivisions of
20 those other states are not exempt from the tax imposed by this
21 chapter.

22 * Sec. 2. AS 43.20.021(a) is amended to read:

23 (a) Subtitle F and chapter 1 of subtitle A of the 1954
24 Internal Revenue Code, Public Law 83-591, as amended, are adopted
25 by reference as a part of this chapter, except that those provisions
26 of the Internal Revenue Code adopted after December 31, 1975
27 which change or modify exemptions from tax or credits against tax
28 are not adopted by reference as a part of this chapter. These
29 portions of the Internal Revenue Code have full force and effect

1 under this chapter unless excepted to or modified by other provisions
2 of this chapter.

3 * Sec. 3. AS 43.20.021 is amended by adding a new subsection to
4 read:

5 (e) For purposes of calculating the minimum tax on tax
6 preferences under sec. 56 of the Internal Revenue Code (26 U.S.C.
7 sec. 56), the rate is five per cent.

8 * Sec. 4. This Act is retroactive to January 1, 1976.

9 * Sec. 5. This Act takes effect immediately in accordance with AS
10 01.10.070(c).

Original sponsor: Rules Committee
by request of the Governor

Offered: 4/19/76
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 510

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Net Income Tax Act; and
7 providing for an effective date."

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

9 * Section 1. AS 43.20.031(a) is amended by adding a new paragraph to read:

10 (3) the exclusion from gross income of interest on certain
11 government obligations under sec. 103 of the Internal Revenue Code (26
12 U.S.C. sec. 103) shall be allowed except that the interest on obligations
13 of the District of Columbia, other states, territories, and possessions
14 of the United States, and the political subdivisions of those other
15 states, territories and possessions of the United States are not exempt
16 from the tax imposed by this chapter.

17 * Sec. 2. AS 43.20.021(a) is amended to read:

18 (a) Subtitle F and chapter 1 of subtitle A of the 1954 Internal
19 Revenue Code, Public Law 83-591, as amended, are adopted by reference as
20 a part of this chapter, except that those provisions of the Internal
21 Revenue Code adopted after December 31, 1975 which change or modify ex-
22 emptions from tax or credits against tax are not adopted by reference as
23 a part of this chapter until the second January 1 following the effec-
24 tive date of the federal law. These portions of the Internal Revenue
25 Code have full force and effect under this chapter unless excepted to
26 or modified by other provisions of this chapter.

27 * Sec. 3. AS 43.20.021 is amended by adding new subsections to read:

28 (e) For the purpose of calculating the maximum tax rate on earned
29 income as provided for in sec. 1348 of the Internal Revenue Code (26

1 U.S.C. sec. 1348), the rate is 9.5 per cent for individuals.

2 (f) For the purpose of calculating the minimum tax on tax prefer-
3 ences provided for in secs. 56-58 of the Internal Revenue Code (26
4 U.S.C. secs. 56-58), the rate is 16 per cent for individuals and 18 per
5 cent for corporations of the applicable minimum federal tax rate.

6 * Sec. 4. AS 43.20.031(b)(2) is repealed and re-enacted to read:

7 (2) pensions and annuities received from qualified plans
8 approved under secs. 401-415 of the Internal Revenue Code (26 U.S.C.
9 secs. 401-415) as amended;

10 * Sec. 5. AS 43.20.031(c) is amended to read:

11 (c) In computing the tax under this chapter, the taxpayer is not
12 entitled to deduct any taxes based on or measured by net income [FROM
13 THE ADJUSTED GROSS INCOME STATE INCOME TAXES].

14 * Sec. 6. Sections 1, 2 and 4 of this Act are retroactive to January 1,
15 1976.

16 * Sec. 7. Sections 3 and 5 of this Act are retroactive to January 1, 1975
17 and apply to income earned or received after December 31, 1974.

18 * Sec. 8. This Act takes effect immediately in accordance with AS 01.10.-
19 070(c).

MEMORANDUM

State of Alaska


TO: Senate Finance Committee
Alaska State Legislature
State Capitol Building

DATE: April 7, 1976

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins
Director
Audit Division



SUBJECT: Proposed Amended SB 510

In response to your request, attached is a schedule of the amount of tax billed for 1972, 1973 and 1974 because of our disallowance of the maximum tax rate. As you can see the total tax billed was \$252,500 plus interest of \$26,500. If Section 4 of the proposed amendment to SB 510 were enacted, then this amount of tax would have to be refunded.

I would suggest a further change in the bill in light of the committee's expressed concern of keeping our rates, whenever possible, at a consistent percentage of the federal. I suggest Section 3(f) be modified to read "the rate is 16 percent for individual and 18 percent for corporations of the current federal minimum tax rate." This way if Congress raises the federal minimum tax rate, our rate would automatically follow along with that change.

GLJ:Lc

STATISTICAL REPORT
MAXIMUM TAX DEFICIENCY ASSESSMENTS

For: Calendar Years 1972, 1973, 1974

		<u>DEFICIENCY ASSESSMENT</u>	<u>INTEREST</u>
	(Adj. Count)		
1972	(57)	\$ 72,792	\$ 10,787
1973	(53)	84,317	9,443
1974	(104)	<u>95,395</u>	<u>6,224</u>
	<u>(2147)</u>	<u>\$ 252,504</u>	<u>\$ 26,454</u>
1972	TOTAL	\$ 83,579	
1973	"	93,760	
1974	"	<u>101,619</u>	
		<u>\$ 278,958</u>	

Figures were rounded in columnar totals (attached) to nearest dollar.

13112 -
MEMORANDUM

State of Alaska

TO: Senator Bill Ray
Chairman, House Finance Committee
State of Alaska

DATE: March 24, 1976

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: Requested Addition
to SB 510

During a recent hearing on SB 510, I requested the committee to consider including in the bill as an additional section, an amendment to AS 43.20 which would clarify a wording error in HB 212 which was enacted last year. The requested change that I gave to the committee was in a very poor format, for which I apologize. The draft language should have read:

*Sec. 4 AS 43.20.031(c) is amended to read:

(c) In computing the tax under this chapter, the taxpayer is not entitled to deduct [FROM THE ADJUSTED GROSS INCOME STATE INCOME TAXES] any taxes based on or measured by net income.

If possible, it would be advantageous to have the above amendment effective January 1, 1975 so as to preclude any confusion on the part of taxpayers as to whether this is a change in the law which would be interpreted differently than the current language. Our interpretation will be the same, the amendment is merely to clarify the language, primarily for multi-state taxpayers.

If you have any further questions regarding this amendment or HB 510, feel free to contact me.

GLJ:lc

cc: R. D. Stevenson
Frederick P. Boetsch

JAN 15 1976

SB 510

The Honorable Chancy Croft
President of the Senate
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. President:

In accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill relating to the Alaska income tax.

The bill, in section 1, would amend current rules regarding nonrecognition of gains on certain sales and exchanges. For Alaska income tax purposes, an individual is allowed, through the incorporation of sec. 1034 of the Internal Revenue Code, to defer the gain on the sale of a principal residence if the taxpayer purchases a new residence at a price which exceeds the sales price of the old residence. The amount of the gain deferred results in a downward adjustment of the basis of the new residence and the gain will ultimately be taxable when the new residence is sold in the future. If a taxpayer moves out of the State and defers the gain on the sale of his residence in Alaska, it is unlikely that he will subsequently report the deferred gain at some time in the future when he sells the new residence outside the State. Therefore, the bill which I am submitting will limit the deferral of gains to situations where a new residence is purchased within the State.

Also for Alaska income tax purposes, a taxpayer is, through the incorporation of sec. 1031 of the Internal Revenue Code, able to defer the gain on the exchange of property held for use in a trade or business or for investment if the property is exchanged for property of a like kind. In addition, a taxpayer may, through the incorporation of sec. 1033 of the Internal Revenue Code, defer the gain on property which is involuntarily converted into other property similar in use because of theft or condemnation. In both situations the deferral of the gain results in an adjustment in the basis of the new property acquired and the gain may ultimately be taxable when the new property is sold in the future. If the new property acquired is outside the State it is again unlikely that the taxpayer will subsequently report the gain to Alaska when he sells the property outside the State. Accordingly, this bill will remedy the enforcement problem on the reporting of gains in these situations.

The bill also limits the tax exemption for interest on government obligations to only those obligations of the State and the political subdivisions of the State. This change would still retain the added State tax incentive for investment in bonds of the State and municipalities of this State without subsidizing the investment in bonds of other states and the municipalities of other states. There appears to be no reason to provide a State tax incentive for investment in the bonds of other states and municipalities of other states.

Section 2 of the bill amends AS 43.20.021 which currently incorporates the provisions of the Internal Revenue Code into AS 43.20 automatically. The bill provides that the legislature would have to specifically approve changes in federal tax exemptions and credits before they would become effective for Alaska income tax purposes. It is important that changes in the federal income tax structure which have major State revenue impact like tax exemptions and credits be evaluated by the legislature before they are made applicable in our State tax system.

In addition, section 3 of the bill sets a specific State tax rate for the federal minimum tax on tax preferences. Presently, the State incorporates the full federal tax rate of 10 per cent on tax preference items without any adjustment. The bill would set a specific rate for Alaska income tax purposes comparable to that of other states.

Sincerely,

Jay S. Hammond
Governor

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST
 Bill No. Senate Bill No. 510
 Title: Alaska Net Income Tax Act
 Requested by: Senate Finance Committee Date: 1/16/76
 Return Date Requested: 1/21/76
 Agency: Revenue Program: Audit

II. FISCAL DETAIL
 Budget Request Unit(s) Affected: _____

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	None	None	None	None	None	None

B. FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						

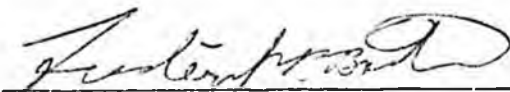
C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

IV. ATTACHMENTS

See memorandum dated January 12, 1976 from Frederick P. Boetsch,
 Deputy Commissioner to Sterling Gallagher, Commissioner of Revenue.

V. DATE: 1/26/76 PREPARED BY: 
 FREDERICK P. BOETSCH
 Deputy Commissioner

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

MEMORANDUM

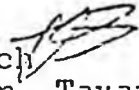
State of Alaska

TO: Sterling Gallagher
Commissioner
Department of Revenue

DATE: January 12, 1976

FILE NO:

TELEPHONE NO:

FROM: Frederick P. Boetsch 
Deputy Commissioner, Taxation
Department of Revenue

SUBJECT: Omnibus Income Tax Bill

This bill provides for several changes to the Alaska Net Income Tax (AS 43.20), none of which requires any additional operating expenditures. However, some of these provisions do have a modest effect on treasury. Some effects are positive, others are negative with the net effect being, perhaps, a slight gain.

However, it should be stressed that the purpose of the bill is more to promote equity, provide for greater control over what goes into the tax base and encourage more investment in Alaska rather than to increase revenues.

cc: Gary Jenkins, Director
Audit Division

MEMORANDUM

State of Alaska

TO: R. D. Stevenson
Special Assistant

DATE: April 22, 1976

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: CS for Senate Bill 510 am

The Committee Substitute for Senate Bill 510 amended deleted some of the provisions and added some additional provisions to the original bill. The provisions of the original bill which are retained have been explained in previous correspondence and the explanations will not be repeated.

Section 1 of the bill has had some minor wording changes however, these have not changed the original thrust of the provisions proposed.

Section 2(e) provides for a maximum tax rate of 9.5 percent for individual income tax payers. This is a new provision in the bill, the intent of which is to establish a maximum tax rate which an individual will pay on earned income. This is predicated on the maximum tax rate which is provided for in the Internal Revenue Code. The fiscal effect of this provision would be the loss of revenue in FY 76 of an estimated \$150,000. This revenue loss would increase at the rate of 20 percent per year in the future.

Section 2(f) of the bill has been modified to decrease the minimum tax rate from the flat rate of 5 percent as proposed, to 1.6 percent for individuals and 1.8 percent for corporations. Our original proposal was made due to the fact that the minimum tax, taxes income which is normally never subject to tax. Since individuals having this kind of income are usually in the higher tax brackets (i.e.) 9.5% for individuals or are corporations which pay a tax at the rate of 9.4%, we felt the rate of approximately 50 percent of their basic rate was not necessarily unfair. Reduction of the rate from 5 percent to the 1.6 and 1.8 percentage rates could result in a loss of revenue in the amount of at least \$500,000 per year and potentially as much as one million dollars per year. It must be remembered that 90-95 percent of the taxpayers impacted by the minimum tax on preference items are corporations.

Section 3 of the bill originally came out as SB 497 but has been incorporated into this bill since it also is related to income taxes. I believe our previous correspondence on SB 497 fully explains the justification for this provision.

Section 4 of the bill was added at the request of the administration to correct a technical error in the language of the income tax law. This law was a part of the House Bill 212 which was enacted by the 1975 Legislature. This section merely clarifies the error in the language and has no fiscal impact.

There will be no additional cost of administration of the above changes to the original bill.

GLJ:lc

AMENDMENT # 2

OFFERED IN THE HOUSE:

By: McKINNON

To: CS HOUSE BILL No. _____

SENATE BILL No. 510 am

PAGE: 2

LINE: 6

INSERT new SECTION 5

* Section ~~5~~ AS 43.20.031(a) is amended by adding new paragraphs to read:

(3) the benefits of nonrecognition of gain on the sale or exchange of certain property under secs. 1031, 1033 and 1034 of the Internal Revenue Code (26 U.S.C. secs. 1031, 1033 and 1034) are allowed only to taxpayers who purchase or exchange the property within the state.

(4) the exemption of interest on certain government obligations under sec. 103 of the Internal Revenue Code (26 U.S.C. sec. 103) shall be allowed except that the interest on obligations of other states and the political subdivisions of those other states are not exempt from the tax imposed by this chapter.

RENUMBER SECTIONS ACCORDINGLY

CHANGE NEW SECTION 6 TO READ

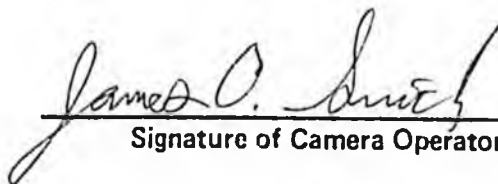
SECTION 6. SECTIONS 1, 3, and 5 OF THIS ACT
are retroactive To January 1, 1976.

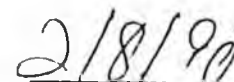


RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


Signature of Camera Operator


Date

COMMITTEE REPORT

SENATE

4/1/74

Mr. President:

Date

4/16/74

The Committee on FINANCE has had SB 509 special appropriation to Dept. of Administration for developing a new payroll system under consideration. A Majority of the members of the Committee

- () recommends it DO PASS
- () recommends it DO NOT PASS
- () recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- () recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS
- () "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- (X) reports it back ^{MINORIAL} WITHOUT RECOMMENDATION
- () "other"

Members signing the Majority report:

_____	_____	_____
<i>[Signature]</i>	<i>Do Pass</i>	
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

_____	recommends:	_____
_____	recommends:	_____
_____	recommends:	_____
_____	recommends:	_____
_____	recommends:	_____

_____ Chairman

Introduced: 4/1/74
Referred: Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 509

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the
7 Department of Administration; and providing for an
8 effective date."

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

10 * Section 1. The sum of \$518,900 is appropriated from the general fund
11 to the Department of Administration to pay the cost of developing and
12 installing a new payroll system for state employees.

13 * Sec. 2. The unexpended and unobligated balance of this appropriation
14 lapses into the general fund on June 30, 1975.

15 * Sec. 3. This Act takes effect on the day after its passage and
16 approval or on the day it becomes law without approval.

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RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

2/8/90
Date

Introduced: 4/1/74
Referred: Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 509

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

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The Legislature of the State of Alaska
FISCAL NOTE
First Session - Eighth Legislature

I. REQUEST SB 509

Bill Identification: _____
 Title: Special Appropriation to the Department of Administration
 Requested by: Kent Dawson Date: April 1974
 Return Date Requested: _____
 Agency: Administration Program: Accounting

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Accounting

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY ⁷⁴ 73	FY ⁷⁵ 74	FY ⁷⁶ 75	FY ⁷⁷ 76	FY ⁷⁸ 77	FY ⁷⁹ 78
100 PERSONAL SERVICES	23.5	91.2	86.3	90.6	95.2	99.9
200 TRAVEL						
300 CONTRACTUAL	400.0					
400 COMMODITIES						
500 EQUIPMENT	4.2					
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	427.7	91.2	86.3	90.6	95.2	99.9

B. FUNDING: (Thousands of dollars)

GENERAL FUND	427.7	91.2	86.3	90.6	95.2	99.9
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	7 / 1	7 / 1	7 /	7 /	7 /	7 /
MAN MONTHS (P./T.)	21 / 3	84 / 9	84 /	84 /	84 /	84 /

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

- 1 Accountant III - Administration
- 1 Accounting Clerk II - Administration
- 3 Accounting Clerk II - Highways
- 2 Accounting Clerk II - Public Works

12 Man months temp

IV. ATTACHMENTS

V. DATE: April 1974

PREPARED BY: Wayne E. Weeks

Wayne E. Weeks
Division of Budget and Management

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

PAYROLL SYSTEM

At the present time the payroll system uses four object codes to account for gross pay. These object codes are:

- 111. Regular Compensation
- 112. Overtime
- 113. Terminal Leave
- 114. Shift Differential

In the past, two agencies (ASOS and Marine Transportation) asked for additional object codes; but, we refused to establish them. As a consequence, Marine Transportation calculates gross pay on the employee's time sheet. The calculated time sheet is returned to the employee with his paycheck and is used to advise him how gross pay was determined. As far as we know, ASOS is doing nothing extra to advise its employees of gross pay calculations.

For the record, the following additional object codes were requested by these two agencies:

Marine Transportation

- 1. Annual Leave
- 2. Sick Leave
- 3. Holiday Pay
- 4. Penalty Time
- 5. Accumulated Days
- 6. Crew Shortage
- 7. Travel Time
- 8. Late Arrival
- 9. Minimum Guarantee

ASOS

- 1. Extra Duty Pay
- 2. Substitute Teacher Pay

The Tri-Trades contract makes it incumbent on us to establish additional object codes for employee compensation. Besides the four currently used, object codes for the following kinds of compensation are needed:

- 1. Temporary Differential
- 2. Annual Leave
- 3. Sick Leave
- 4. Holiday Pay
- 5. Administrative Leave

6. Travel Time
7. Wait Time
8. Military Leave
9. Subsistence Differential
10. Service Bonus

Perhaps a couple of these kinds of compensation could be consolidated; but, not all of them could. As a minimum, we have to establish at least three additional object codes. It would be far better, however, to establish object codes for each kind of compensation. If we do not, we may be faced with the situation where clerks are required to complete time sheets to be distributed with pay checks.

An expansion of object code information should be coordinated to meet the needs of ASOS and Marine Transportation if possible. Marine Transportation requirements fit in with some of the requirements of Tri-Trades. However, there are some differences and therefore the need for more object information.

We must expand the system to accommodate additional object codes.

We also need better information on the check stub. Under the Tri-Trades contract, regular compensation may be calculated using the employee's regular rate or the rate of a higher rated class. Whenever we write a check for an employee of the Tri-Trades unit, we should be able to identify whether the rate we are using is the regular rate or the rate of a higher rated class.

The same holds true with regard to overtime. Overtime may be at time and one-half or at double time. We must show correct overtime hours and the correct overtime rate on the check stub. This can be further complicated by the fact that the employee may be in a higher rated class when he is working overtime. Therefore, we will have a variety of rates being used to calculate pay for overtime.

Shift differential pay falls into the same category. Shift differential may be 3.75 or 7.5 percent of the employee's regular pay or it may be 3.75 or 7.5 percent of the pay for a higher rate class. Here again, we should identify the rate when calculating shift differential and this should be clearly indicated on the warrant stub.

The Tri-Trades contract provides for hourly rates to be paid semi-monthly. In order to accommodate this contract, we must have changes in the system to:

1. Permit a PERS deduction and contribution for an hourly payroll.
2. Permit a health insurance deduction and contribution for an hourly payroll preferably by calculating against the first check written during each month.
3. Permit shift differential pay for an hourly payroll.

4. Calculate a temporary differential--\$1.10 x hours worked for temporary employees.
5. Establish additional object codes outlined above.
6. Calculate a service bonus for employees at the "longevity step"--\$0.40 x hours paid (hours worked + paid holiday hours + hours of paid leave).
7. Provide a listing of Tri-Trades employees indicating any union dues deducted and the employee's classification.
8. Permit deductions for charitable contributions, savings bonds, credit unions and other miscellaneous purposes against an hourly payroll.
9. Provide for processing time card information by direct wire from Anchorage and Fairbanks to Juneau.
10. Calculate a subsistence differential--\$1.87 x steps-due district x calendar days.

We will also have to establish at least two additional miscellaneous deductions to handle union dues and the initiation fee.

Moreover, we must be ready in the near future to accumulate hours for various types of compensation and report them periodically such as quarterly, semi-annually or during some other period. We cannot ignore the possibility of this kind of requirement.

It is obvious that we are dealing with a new payroll type for the Tri-Trades unit. It should, therefore, be designated as such. The parameters pertaining to pay for employees working in this unit are different from pay for employees who are currently on our H type payroll. We need different input documents, different computer cross checks, different edit routines, additional information on the payroll warrant register, a new supplemental warrant action form, a new pre-pay check form, a new time card and possibly a new personnel action form and a new payroll warrant.

In addition to immediate changes to the M and H type payrolls for the general government unit, the supervisory unit, the confidential unit and employees who are not covered by any unit, we should plan to break these groups (M and H type payrolls) into different payroll types. This appears to be the only logical thing to do. For each group, or each payroll type there should be a set of salary schedules. Salary schedules will permit making the same kinds of cross checks that are currently made on the M type payroll. In effect, this means that the bargaining unit designation will become the payroll code.

Changes needed in M and H type payrolls to accommodate the general government bargaining unit are spelled out below:

1. We need separate salary schedules for the different bargaining units. Another way of putting this is to have a separate payroll type for each bargaining unit.

2. We need to retain the ability to make cross checks between class code, payroll code, range/step, salary schedule and pay rate.
3. We need a new object code for standby time and the ability to identify standby pay on the check stub.
4. We need a new miscellaneous deduction code for an agency fee.
5. We will either have to advise agencies to pay temporaries twice a month in all cases or take the APEA deduction from the first check processed during each month.
6. We need to prepare a list of employees by bargaining unit indicating whether or not an APEA deduction is being made.
7. We need to determine the impact of contract changes on such things as deferred compensation, the bank payment system and the leave accrual system.
8. We need to permit shift differential for temporary employees.

In total, we believe that the modifications needed are so extensive that when everything is considered, we are confronted with the need for a new payroll system.

There are other considerations that require a new system.

1. The existing system was built around the M type payroll. Practically all employees have been paid once a month on the basis of a statutory salary schedule. Now, however, payroll orientation must be the bargaining unit and payroll conditions that are unique to each unit.
2. To pay employees requires running the entire state payroll. We do not have the ability to run a payroll for teachers only or for ferry employees only. The system is somewhat inflexible.
3. If we make minimum alterations to permit payment under each new payroll requirement, within a year we will have a Rube Goldberg system that will face collapse--no one will be able to coordinate it.
4. Input to the system is slow. At the present time, Highways, Health and Social Services and Public Safety are using a full month lag to record exceptional time--overtime and shift differential. We must speed up the input.
5. The system does not provide for position control. Thus, neither Budget and Management nor personnel has the ability to prevent the appointment of a person to an unauthorized or a fictitious position.
6. The system does not prevent the over-expenditure of state funds. When an employee is on the payroll, he is paid regardless of the status of appropriations.
7. The logic of the current system is built around a month. A more logical system would be bi-weekly pay using hourly rates.

New Payroll Accounting Costs

Fiscal Year
1973-1974
April 1-June 30

Fiscal Year
1974-1975
July 1-June 30

New Positions:

Accountant III - Range 16 Step A

Personal Services:

Base	\$ 3,729	\$14,916
Benefits @ 16%	<u>597</u>	<u>2,386</u>
Total Personal Services	\$ 4,326	\$17,302

Equipment:

Printing Calculator	\$ 355
Desk	175
Chair	<u>68</u>
Total Equipment	\$ 598

Total for Accountant III	<u>\$ 4,924</u>	<u>\$17,302</u>
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Accounting Clerk II - Range 9 Step A

Personal Services:

Base	\$ 2,331	\$ 9,324
Benefits @ 16%	<u>373</u>	<u>1,492</u>
Total Personal Services	\$ 2,704	\$10,816

Equipment:

Printing Calculator	\$ 355
Desk	175
Chair	<u>68</u>
Total Equipment	\$ 598

Total for Acctg. Clerk II	<u>\$ 3,302</u>	<u>\$10,816</u>
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Temporary positions needed until new system has been implemented:

3 months @ \$1,000/mo	<u>\$ 3,000</u>	
9 months @ \$1,000/mo		<u>\$ 9,000</u>

Total New Positions & temporaries	<u>\$ 11,226</u>	<u>\$ 37,116</u>
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Cost of contracting the design and implementation of a new payroll system	<u>\$400,000</u>	
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Total Fiscal Year 1973-1974	\$411,226	
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Total Fiscal Year 1974-1975		\$ 37,116
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Highways 3 positions }
Public Works 2 positions }

16,500

54,100



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

2/8/90
Date

COMMITTEE REPORT

SENATE

Referred: 2/15/76

Mr. President:

Date 4/15/76

The Committee on Finance has had SB 510 Alaska New Income Tax Act

under consideration. A Majority of the members of the Committee

- () recommends it DO PASS
() recommends it DO NOT PASS
() recommends it DO PASS WITH ATTACHED AMENDMENT(S)
() recommends it BE REPLACED WITH CS FOR AND THAT CS FOR DO PASS

() "and" recommends it BE REFERRED TO THE COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

Four sets of horizontal lines for signature.

Members NOT concurring in the Majority report:

Five lines, each followed by the word 'recommends:'

Chairman

IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 510 (FINANCE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the Alaska Net Income Tax Act; and providing for an effective date."

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

* Section 1. AS 43.20.931(a) is amended by adding new paragraphs to read:

(3) the exemption of interest on certain government obligations under sec. 103 of the Internal Revenue Code (26 U.S.C. sec. 103) shall be allowed except that the interest on obligations of other states and the political subdivisions of those other states are not exempt from the tax imposed by this chapter.

* Sec. 2. AS 43.20.021(a) is amended to read:

(a) Subtitle F and chapter 1 of subtitle A of the 1954 Internal Revenue Code, Public Law 83-591, as amended, are adopted by reference as a part of this chapter, except that those provisions of the Internal Revenue Code adopted after December 31, 1975 which change or modify exemptions from tax or credits against tax are not adopted by reference as a part of this chapter until the second January 1 following their effective date under Federal law. These portions of the Internal Revenue Code have full force and effect under this chapter unless excepted to or modified by other provisions of this chapter.

* Sec. 3. AS 43.20.021 is amended by adding new subsections to read:

(e) For the purposes of calculating the maximum tax on earned income provided for in the provisions of Internal Revenue Code sec. 1348, the rate is 9.5 per cent for individuals.

(f) For the purposes of calculating the minimum tax on tax preferences provided for in Internal Revenue Code secs. 56 - 58, the rate is 1.6 per cent for individuals and 1.8 per cent for corporations.

* Sec. 4. The maximum tax on earned income provided for in the provisions of Internal Revenue Code sec. 1348 shall apply to taxable years beginning after December 31, 1970. For income earned or received after December 31, 1970 and before January 1, 1975, Internal Revenue Code sec. 1348 shall be applicable in determining, for purposes of AS 43.20.010 as in effect at that time, the total income tax that would be payable under federal income tax for computation of the Alaska net income tax.

* Sec. 5. AS 43.20.031(c) is amended to read:

(c) In computing the tax under this chapter, the taxpayer is not entitled to deduct (FROM THE ADJUSTED GROSS INCOME STATE INCOME TAXES) any taxes based on or measured by net income.

* Sec. 6. Sections 1 and 2 of this Act are retroactive to January 1, 1976.

* Sec. 7. Sections 3 and 5 of this Act are retroactive to January 1, 1974 and applies to income earned or received after December 31, 1974.

* Sec. 8. This Act takes effect immediately in accordance with AS 01.10.070(c).

1 IN THE SENATE

2 SENATE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to tax rates under the Alaska Net
7 Income Tax Act; and providing for an effective date."

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

9 * Section 1. AS 43.20.021 is amended by adding new subsections to read:

10 (e) For the purposes of calculating the maximum tax on earned
11 income provided for in the provisions of Internal Revenue Code sec.
12 1348, the rate is 8 per cent for individuals.

13 (f) For the purposes of calculating the minimum tax on tax prefer-
14 ences provided for in Internal Revenue Code secs. 56 - 58, the rate is
15 1.6 per cent for individuals and 1.8 per cent for corporations.

16 * Sec. 2. The maximum tax on earned income provided for in the provisions
17 of Internal Revenue Code sec. 1348 shall apply to taxable years beginning
18 after December 31, 1970. For income earned or received after December 31,
19 1970 and before January 1, 197~~4~~⁵, Internal Revenue Code sec. 1348 shall be
20 applicable in determining, for purposes of AS 43.20.010 as in effect at that
21 time, the total income tax that would be payable under federal income tax for
22 computation of the Alaska net income tax.

23 * Sec. 3. Section 1 of this Act is retroactive to January 1, 1975 and
24 applies to income earned or received after December 31, 197⁴.

25 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.
26 070(c).
27

= BILL -

MEMORANDUM

State of Alaska

TO: Senator Bill Ray
Chairman, House Finance Committee
State of Alaska

DATE: March 24, 1976

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenks
Director
Audit Division

SUBJECT: Requested Addition
to SB 510

During a recent hearing on SB 510, I requested the committee to consider including in the bill as an additional section, an amendment to AS 43.20 which would clarify a wording error in HB 212 which was enacted last year. The requested change that I gave to the committee was in a very poor format, for which I apologize. The draft language should have read:

*Sec. 4 AS 43.20.031(c) is amended to read:

(c) In computing the tax under this chapter, the taxpayer is not entitled to deduct [FROM THE ADJUSTED GROSS INCOME STATE INCOME TAXES] any taxes based on or measured by net income.

If possible, it would be advantageous to have the above amendment effective January 1, 1975 so as to preclude any confusion on the part of taxpayers as to whether this is a change in the law which would be interpreted differently than the current language. Our interpretation will be the same, the amendment is merely to clarify the language, primarily for multi-state taxpayers.

If you have any further questions regarding this amendment or HB 510, feel free to contact me.

GLJ:lc

cc: R. D. Stevenson
Frederick P. Boetsch

Original sponsor: Rules Committee
by request of the Governor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 510

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Net Income Tax Act; and
7 providing for an effective date."

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

9 * Section 1. AS 43.20.031(a) is amended by adding a new paragraph to read:

10 (3) the exc usion from gross income of interest on certain
11 government obligations under sec. 103 of the Internal Revenue Code (26
12 U.S.C. sec. 103) shall be allowed except that the interest on obligations
13 of the District of Columbia, other states, territories, and possessions
14 of the United States, and the political subdivisions of those other
15 states, territories and possessions of the United States are not exempt
16 from the tax imposed by this chapter.

17 * Sec. 2. AS 43.20.021(a) is amended to read:

18 (a) Subtitle F and chapter 1 of subtitle A of the 1954 Internal
19 Revenue Code, Public Law 83-591, as amended, are adopted by reference as
20 a part of this chapter, except that those provisions of the Internal
21 Revenue Code adopted after December 31 1975 which change or modify ex-
22 emptions from tax or credits against tax are not adopted by reference as
23 a part of this chapter until the second January 1 following the effec-
24 tive date of the federal law. These portions of the Internal Revenue
25 Code have full force and effect under this chapter unless excepted to
26 or modified by other provisions of this chapter.

27 * Sec. 3. AS 43.20.021 is amended by adding new subsections to read:

28 (e) For the purpose of calculating the maximum tax rate on earned
29 income as provided for in sec. 1348 of the Internal Revenue Code (26

1 U.S.C. sec. 1348), the rate is 9.5 per cent for individuals.

2 (f) For the purpose of calculating the minimum tax on tax prefer-
3 ences provided for in secs. 56-58 of the Internal Revenue Code (26
4 U.S.C. secs. 56-58), the rate is 16 per cent for individuals and 18 per
5 cent for corporations of the applicable minimum federal tax rate.

6 * Sec. 4. AS 43.20.031(b)(2) is repealed and re-enacted to read:

7 (2) pensions and annuities received from qualified plans
8 approved under secs. 401-415 of the Internal Revenue Code (26 U.S.C.
9 secs. 401-415) as amended;

10 * Sec. 5. AS 43.20.031(c) is amended to read:

11 (c) In computing the tax under this chapter, the taxpayer is not
12 entitled to deduct any taxes based on or measured by net income [FROM
13 THE ADJUSTED GROSS INCOME STATE INCOME TAXES].

14 * Sec. 6. Sections 1, 2 and 4 of this Act are retroactive to January 1,
15 1976.

16 * Sec. 7. Sections 3 and 5 of this Act are retroactive to January 1, 1975
17 and apply to income earned or received after December 31, 1974.

18 * Sec. 8. This Act takes effect immediately in accordance with AS 01.10.-
19 070(c).

MEMORANDUM

State of Alaska

TO: Senate Finance Committee
Alaska State Legislature
State Capitol Building

DATE: April 7, 1976

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: Proposed Amended SB 510

In response to your request, attached is a schedule of the amount of tax billed for 1972, 1973 and 1974 because of our disallowance of the maximum tax rate. As you can see the total tax billed was \$252,500 plus interest of \$26,500. If Section 4 of the proposed amendment to SB 510 were enacted, then this amount of tax would have to be refunded.

I would suggest a further change in the bill in light of the committee's expressed concern of keeping our rates, whenever possible, at a consistent percentage of the federal. I suggest Section 3(f) be modified to read "the rate is 16 percent for individual and 18 percent for corporations of the current federal minimum tax rate." This way if Congress raises the federal minimum tax rate, our rate would automatically follow along with that change.

GLJ:Lc

STATISTICAL REPORT
MAXIMUM TAX DEFICIENCY ASSESSMENTS

For: Calendar Years 1972, 1973, 1974

		<u>DEFICIENCY ASSESSMENT</u>	<u>INTEREST</u>
	(Adj. Cont)		
1972	(57)	\$ 72,792	\$ 10,787
1973	(53)	84,317	9,443
1974	(104)	<u>95,395</u>	<u>6,224</u>
	<u>(2147)</u>	<u>\$ 252,504</u>	<u>\$ 26,454</u>
1972	TOTAL	\$ 83,579	
1973	"	93,760	
1974	"	<u>101,619</u>	
		<u>\$ 278,958</u>	

Figures were rounded in columnar totals (attached) to nearest dollar.

MEMORANDUM

State of Alaska

TO: Senate Finance Committee
Alaska State Legislature
State Capitol Building

DATE: April 7, 1976

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: Proposed Amended SB 510

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I would suggest a further change in the bill in light of the committee's expressed concern of keeping our rates, whenever possible, at a consistent percentage of the federal. I suggest Section 3(f) be modified to read "the rate is 16 percent for individual and 18 percent for corporations of the current federal minimum tax rate." This way if Congress raises the federal minimum tax rate, our rate would automatically follow along with that change.

GLJ:Lc

STATISTICAL REPORT
MAXIMUM TAX DEFICIENCY ASSESSMENTS

For: Calendar Years 1972, 1973, 1974

		<u>DEFICIENCY ASSESSMENT</u>	<u>INTEREST</u>
	(Adj. Cont)		
1972	(57)	\$ 72,792	\$ 10,787
1973	(53)	84,317	9,443
1974	(104)	<u>95,395</u>	<u>6,224</u>
	<u>(214)</u>	<u>\$ 252,504</u>	<u>\$ 26,454</u>
1972	TOTAL	\$ 83,579	
1973	"	93,760	
1974	"	<u>101,619</u>	
		<u>\$ 278,958</u>	

Figures were rounded in column totals (attached) to nearest dollar.

Add TO S 13510

SEC 2

AS 43.20.031(c) is amended to read:

(c) In computing the tax under this chapter, the taxpayer is not entitled to deduct [from the adjusted gross income] ^{State income taxes} any taxes based on or measured by net income.

Introduced: 1/15/76
Referred: Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 510

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relat ng to the Alaska Net Income Tax Act; and
7 providing for an effective date."

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

9 * Section 1. AS 43.20.031(a) is amended by adding new paragraphs
10 to read:

11 (3) the benefits of nonrecognition of gain on the sale
12 or exchange of certain property under secs. 1031, 1033 and 1034
13 of the Internal Revenue Code (26 U.S.C. secs. 1031, 1033 and
14 1034) are allowed only to taxpayers who purchase or exchange the
15 property within the state.

16 (4) the exemption of interest on certain government
17 obligations under sec. 103 of the Internal Revenue Code (26
18 U.S.C. sec. 103) shall be allowed except that the interest on
19 obligations of other states and the political subdivisions of
20 those other states are not exempt from the tax imposed by this
21 chapter.

22 * Sec. 2. AS 43.20.021(a) is amended to read:

23 (a) Subtitle F and chapter 1 of subtitle A of the 1954
24 Internal Revenue Code, Public Law 83-591, as amended, are adopted
25 by reference as a part of this chapter, except that those provisions
26 of the Internal Revenue Code adopted after December 31, 1975
27 which change or modify exemptions from tax or credits against tax
28 are not adopted by reference as a part of this chapter. These
29 portions of the Internal Revenue Code have full force and effect

1 under this chapter unless excepted to or modified by other provisions
2 of this chapter.

3 * Sec. 3. AS 43.20.021 is amended by adding a new subsection to
4 read:

5 (e) For purposes of calculating the minimum tax on tax
6 preferences under sec. 56 of the Internal Revenue Code (26 U.S.C.
7 sec. 56), the rate is five per cent.

8 * Sec. 4. This Act is retroactive to January 1, 1976.

9 * Sec. 5. This Act takes effect immediately in accordance with AS
10 01.10.070(c).

JAN 15 1976

SB 510

The Honorable Chancy Croft
President of the Senate
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. President:

In accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill relating to the Alaska income tax.

The bill, in section 1, would amend current rules regarding nonrecognition of gains on certain sales and exchanges. For Alaska income tax purposes, an individual is allowed, through the incorporation of sec. 1034 of the Internal Revenue Code, to defer the gain on the sale of a principal residence if the taxpayer purchases a new residence at a price which exceeds the sales price of the old residence. The amount of the gain deferred results in a downward adjustment of the basis of the new residence and the gain will ultimately be taxable when the new residence is sold in the future. If a taxpayer moves out of the State and defers the gain on the sale of his residence in Alaska, it is unlikely that he will subsequently report the deferred gain at some time in the future when he sells the new residence outside the State. Therefore, the bill which I am submitting will limit the deferral of gains to situations where a new residence is purchased within the State.

Also for Alaska income tax purposes, a taxpayer is, through the incorporation of sec. 1031 of the Internal Revenue Code, able to defer the gain on the exchange of property held for use in a trade or business or for investment if the property is exchanged for property of a like kind. In addition, a taxpayer may, through the incorporation of sec. 1033 of the Internal Revenue Code, defer the gain on property which is involuntarily converted into other property similar in use because of theft or condemnation. In both situations the deferral of the gain results in an adjustment in the basis of the new property acquired and the gain may ultimately be taxable when the new property is sold in the future. If the new property acquired is outside the State it is again unlikely that the taxpayer will subsequently report the gain to Alaska when he sells the property outside the State. Accordingly, this bill will remedy the enforcement problem on the reporting of gains in these situations.