

LEG. FINANCE - BILLS 1977 - 1978 678

HB 171 cont., CSHB 182 182

1 that dispenses beverages when the vending machine is owned by another
2 person regularly in the vending machine business;

3 (4) "department" means the Department of Environmental Con-
4 servation;

5 (5) "distributor" means a person located in the state who
6 engages in the sale of beverages in beverage containers to a dealer in
7 this state, including a manufacturer who engages in sales to a dealer;

8 (6) "manufacturer" means a person bottling, canning, or
9 otherwise filling beverage containers for sale to distributors or
10 dealers;

11 (7) "place of business of a dealer" means the location at
12 which a dealer sells or offers for sale beverages in beverage containers
13 to consumers;

14 (8) "use or consumption" includes the exercise of a right or
15 power over a beverage incident to its ownership other than the sale or
16 the retention of a beverage for the purposes of sale.

17 * Sec. 2. This Act expires March 15, 1983.

18 * Sec. 3. This Act takes effect January 1, 1978.
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Original sponsors: Miller, Akers, Gruening,
Malone and Specking

Offered: 4/4/77
Referred: Rules

1 IN THE HOUSE

BY THE COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 171

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the sale of beverage containers;
7 and providing for an effective date."

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

9 * Section 1. AS 18 is amended by adding a new chapter to read:

10 CHAPTER 32. RETURNABLE BEVERAGE CONTAINERS.

11 Sec. 18.32.010. LEGISLATIVE INTENT. It is the intent of this
12 chapter to avoid the waste of nonrenewable resources, to decrease litter
13 in Alaska, to provide jobs for Alaskans in those business concerns
14 recycling beverage containers, and to avoid the increasing pollution of
15 our environment, by requiring the sale of refundable, reusable, biode-
16 gradable beverage containers and by authorizing redemption centers for
17 the convenient return of the containers.

18 Sec. 18.32.020. REFUND VALUE REQUIREMENTS OF BEVERAGE CONTAINERS.

19 (a) Every beverage container sold or offered for sale in this state
20 shall have a refund value of not less than 10 cents.

21 (b) The refund value as established by (a) of this section and
22 payable under sec. 40 of this chapter shall not be included in the price
23 of a beverage but shall be collected separately by the dealer or dis-
24 tributor at the time of sale, except that vending machines providing
25 beverages in beverage containers may include the refund value in the
26 price charged at the machine, but only if a sign is displayed upon the
27 vending machine informing the vendee of the price of the product and the
28 refund value.

29 Sec. 18.32.030. DEALER OR DISTRIBUTOR REFUSAL TO ACCEPT PROHIBITED

1 (a) Except as provided in sec. 40 of this chapter, no dealer may refuse
2 to accept from a person an empty beverage container of the kind, size
3 and brand sold by the dealer, or refuse to pay to that person the refund
4 value of a beverage container established under sec. 20 of this chapter.

5 (b) Except as provided in secs. 40 and 65(c) of this chapter, no
6 distributor may refuse to accept from a dealer an empty beverage con-
7 tainer of the kind, size and brand sold by the distributor, or refuse to
8 pay the dealer the refund value of a beverage container established
9 under sec. 20 of this chapter.

10 Sec. 18.32.040. DEALER AND DISTRIBUTOR REFUSALS TO ACCEPT CON-
11 TAINERS. (a) A dealer may refuse to accept from a person, and a distri-
12 butor or a container collection service may refuse to accept from a
13 dealer, an empty beverage container which does not state on it a refund
14 value as established by sec. 20 of this chapter.

15 (b) A dealer, distributor or container collection service may
16 refuse to accept an otherwise reusable beverage container which has been
17 damaged in a manner to preclude its reuse or which is in an unsanitary
18 condition. The department shall adopt regulations defining when a
19 beverage container is not reusable or is in an unsanitary condition.

20 (c) A dealer whose principal place of business is located in an
21 area of the state which does not have access throughout the year to
22 Anchorage, Ketchikan, Juneau, or Fairbanks by road, railroad or state
23 ferry system may refuse to accept, and to pay the refund value of, an
24 empty beverage container, and he shall not collect the refund value of
25 an empty beverage container from a person purchasing the beverage.

26 (d) A distributor who sells a beverage to a dealer covered by (c)
27 of this section may refuse to accept, and to pay the refund value of, an
28 empty beverage container sold to that dealer, and he shall not collect
29 the refund value of an empty beverage container at the time of sale.

1 from a dealer covered by (c) of this section.

2 (e) The local governing body of a municipality may provide, by
3 ordinance, that dealers located within its jurisdiction and exempted
4 from this chapter under (c) of this section, and distributors exempted
5 from this chapter under (d) of this section who sell beverages to a
6 dealer located within the municipality, shall be subject to this chapter
7 for beverages sold within the municipality.

8 Sec. 18.32.050. CONTAINER MARKING AND CONSTRUCTION. (a) No
9 beverage container may be sold or offered for sale in this state after
10 January 1, 1978 unless it is reusable, recyclable or biodegradable.

11 (b) Each beverage container sold or offered for sale in this state
12 by a dealer shall clearly indicate by embossing or by a stamp, or by a
13 label or other method securely affixed to the beverage container, the
14 refund value of the container.

15 (c) The requirement in (b) of this section does not apply to glass
16 beverage containers which were manufactured before the effective date of
17 this chapter and which have a brand name permanently marked on them, but
18 such containers shall have a refund value of not less than 10 cents.

19 (d) No person may sell or offer for sale at retail in this state a
20 non-glass beverage container so designed and constructed that the con-
21 tainer can be opened by detaching a part of the container.

22 Sec. 18.32.060. REDEMPTION CENTERS. (a) Any person may establish
23 a redemption center for the return of empty beverage containers and to
24 serve dealers of beverages, subject to the approval of the department.
25 The public may return empty beverage containers at the redemption center
26 and receive payment of the refund value for the beverage containers.
27 Dealers not served by a redemption center shall accept beverage con-
28 tainers for refund at their place of business.

29 (b) Application for approval of a redemption center shall be filed

1 with the department. The application shall state the name and address
2 of the person responsible for the establishment and operation of the
3 redemption center, the kind and brand names of the beverage containers
4 which will be accepted at the redemption center, and the names and
5 addresses of the dealers to be served by the redemption center. The
6 application shall include additional information as the department
7 requires.

8 (c) The department shall approve a redemption center if it finds
9 the redemption center will provide a convenient service to the public
10 for the return of empty beverage containers. The order of the depart-
11 ment approving a redemption center shall state the dealers to be served
12 by the redemption center and the kind and brand names of empty beverage
13 containers which the redemption center is required to accept. The order
14 may contain other provisions to insure that the redemption center will
15 provide a convenient service to the public as the department may deter-
16 mine.

17 (d) The department may review at any time approval of a redemption
18 center. After written notice to the person responsible for the estab-
19 lishment and operation of the redemption center, and to the dealers
20 served by the redemption center, the department may, after hearing,
21 withdraw approval of a redemption center if the department finds there
22 has not been compliance with its order approving the redemption center,
23 or if the redemption center no longer provides a convenient service to
24 the public.

25 (e) The department shall adopt regulations establishing procedures
26 for approval or withdrawal of approval under this section.

27 Sec. 18.32.065. CONTAINER COLLECTION SERVICE. (a) The department
28 may contract with a person, business concern, general law or home rule
29 municipality, or nonprofit organization to provide a container collec-

1 tion service within an area designated by the department. The agreement
2 between the contractor and the department shall provide for an exclusive
3 right to collect beverage containers from dealers within a designated
4 area and a requirement that a contractor make regular collections of
5 beverage containers from dealers.

6 (b) The department shall designate areas within which a container
7 collection service will perform duties under the contract. The procure-
8 ment of container collection services for the contract area shall be
9 advertised locally in the area where the service is to be rendered.
10 Selection of the contractor shall be accomplished by direct negotiation
11 with all parties responding with a proposal for the delivery of the
12 requested services. An award of a contract for container collection
13 services shall be made to the party submitting a proposal that is deter-
14 mined by the department to best serve the need for container collection
15 within the contract area.

16 (c) A distributor who sells beverages within an area covered by a
17 contract for container collection service under (b) of this section
18 shall monthly pay to the contractor for that area an amount equal to the
19 refund value of all beverage containers sold during the month by that
20 distributor in the contract area. The container collection service
21 shall assume the distributor's responsibility for paying the refund
22 value on and further disposition of beverage containers collected by or
23 delivered to it.

24 Sec. 18.32.070. PENALTY. A person who violates secs. 20 - 30 or
25 sec. 50 of this chapter, upon conviction, is punishable for a misde-
26 meanor.

27 Sec. 18.32.080. REPORT TO THE LEGISLATURE. (a) Before January 1,
28 1980, the department shall submit a report to the legislature to include
29 but not be limited to an analysis of

- 1 (1) the economic impact of this chapter on
2 (A) persons licensed under AS 04.10;
3 (B) persons who engage in the nonalcoholic beverage
4 manufacturing business; and
5 (C) persons engaged in the business of manufacturing
6 beer and other malt beverages;

7 (2) the problems, if any, incurred in the distribution, sale
8 and return of beverage containers subject to this chapter;

9 (3) the effectiveness of the provisions of this chapter in
10 the reduction of the incidence of littering of beverage containers in
11 the state, which shall be based upon an annual comprehensive litter
12 measurement program of selected roads, highways, parks, recreation areas
13 and working and living areas of the state, beginning July 1, 1977, and
14 ending before January 1, 1980;

15 (4) the costs incurred in the enforcement of the provisions
16 of this chapter.

17 (b) The department may recommend legislative changes based on the
18 analysis required under (a) of this section.

19 Sec. 18.32.090. DEFINITIONS. In this chapter

20 (1) "beverage" means beer or other malt beverages and mineral
21 waters, soda water and similar carbonated soft drinks in liquid form and
22 intended for human consumption;

23 (2) "beverage container" means the individual, separate,
24 sealed glass, metal or plastic bottle, can or jar containing a beverage;

25 (3) "dealer" means a person in this state who engages in the
26 sale of beverages in beverage containers to a consumer, or a redemption
27 center approved under sec. 60 of this chapter, but does not include a
28 person who allows the placement upon his premises of a vending machine
29 that dispenses beverages when the vending machine is owned by another

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person regularly in the vending machine business;

(4) "department" means the Department of Environmental Conservation;

(5) "distributor" means a person located in the state who engages in the sale of beverages in beverage containers to a dealer in this state, including a manufacturer who engages in sales to a dealer;

(6) "manufacturer" means a person bottling, canning, or otherwise filling beverage containers for sale to distributors or dealers;

(7) "place of business of a dealer" means the location at which a dealer sells or offers for sale beverages in beverage containers to consumers;

(8) "use or consumption" includes the exercise of a right or power over a beverage incident to its ownership other than the sale or the retention of a beverage for the purposes of sale.

* Sec. 2. This Act expires March 15, 1983.

* Sec. 3. This Act takes effect January 1, 1978.

#

Introduced: 2/4/77
Referred: Commerce

BY MILLER, AKERS, GRUENING,
MALONE AND SPECKING

1 IN THE HOUSE

2 HOUSE BILL NO. 171

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

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7 and providing for an effective date."

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

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10 CHAPTER 32. RETURNABLE BEVERAGE CONTAINERS.

11 Sec. 18.32.010. LEGISLATIVE INTENT. It is the intent of this
12 chapter to avoid the waste of nonrenewable resources, to decrease litter
13 in Alaska, to provide jobs for Alaskans in those business concerns
14 recycling beverage containers, and to avoid the increasing pollution of
15 our environment, by requiring the sale of refundable, reusable, biode-
16 gradable beverage containers and by authorizing redemption centers for
17 the convenient return of the containers.

18 Sec. 18.32.020. REFUND VALUE REQUIREMENTS OF BEVERAGE CONTAINERS.

19 (a) Every beverage container sold or offered for sale in this state
20 shall have a refund value of not less than five cents.

21 (b) The refund value as established by (a) of this section and
22 payable under sec. 40 of this chapter shall not be included in the price
23 of a beverage but shall be collected separately by the dealer or dis-
24 tributor at the time of sale.

25 Sec. 18.32.030. DEALER OR DISTRIBUTOR REFUSAL TO ACCEPT PROHIBITED.

26 (a) Except as provided in sec. 40 of this chapter, no dealer may refuse
27 to accept from a person an empty beverage container of the kind, size
28 and brand sold by the dealer, or refuse to pay to that person the refund
29 value of a beverage container established under sec. 20 of this chapter.

1 (b) Except as provided in sec. 40 of this chapter, no distributor
2 may refuse to accept from a dealer an empty beverage container of the
3 kind, size and brand sold by the distributor, or refuse to pay the
4 dealer the refund value of a beverage container established under sec.
5 20 of this chapter.

6 Sec. 18.32.040. DEALER AND DISTRIBUTOR REFUSALS TO ACCEPT CON-
7 TAINERS. (a) A dealer may refuse to accept from a person, and a distri-
8 butor may refuse to accept from a dealer, an empty beverage container
9 which does not state on it a refund value as established by sec. 20 of
10 this chapter.

11 (b) A dealer whose principal place of business is located in an
12 area of the state which does not have access to Anchorage, Ketchikan,
13 Juneau, Kodiak, or Fairbanks by road, railroad or state ferry system may
14 refuse to accept and to pay the refund value of an empty beverage
15 container, and he shall not collect the refund value of an empty beverage
16 container from a person purchasing the beverage.

17 (c) A distributor who sells a beverage to a dealer covered by (b)
18 of this section may refuse to accept and to pay the refund value of an
19 empty beverage container sold to that dealer, and he shall not collect
20 the refund value of an empty beverage container at the time of sale from
21 a dealer covered by (b) of this section.

22 Sec. 18.32.050. CONTAINER MARKING AND CONSTRUCTION. (a) No
23 beverage container may be sold or offered for sale in this state after
24 July 1, 1978 unless it is reusable, recyclable or biodegradable.

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26 by a dealer shall clearly indicate by embossing or by a stamp, or by a
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28 refund value of the container.

29 (c) The requirement in (b) of this section does not apply to glass

1 beverage containers designed for beverages having a brand name perma-
2 nently marked on them which, on the effective date of this act, has a
3 refund value of not less than five cents.

4 (d) No person may sell or offer for sale at retail in this state a
5 non-glass beverage container so designed and constructed that the con-
6 tainer can be opened by detaching a part of the container.

7 (e) The department may by regulation provide for the standardiza-
8 tion of size and shape of beverage containers sold or offered for sale
9 in this state. The department shall, whenever possible, adopt regula-
10 tions that are consistent with standards effective in neighboring states
11 or Canadian provinces.

12 Sec. 18.32.060. REDEMPTION CENTERS. (a) Any person may establish
13 a redemption center for the return of empty beverage containers and to
14 serve dealers of beverages, subject to the approval of the department.
15 The public may return empty beverage containers at the redemption center
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10 served by the redemption center, the department may, after hearing,
11 withdraw approval of a redemption center if the department finds there
12 has not been compliance with its order approving the redemption center,
13 or if the redemption center no longer provides a convenient service to
14 the public.

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16 for approval or withdrawal of approval under this section.

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18 or sec. 50 of this chapter, upon conviction, is punishable for a misde-
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21 ary 1, 1979, the department shall submit a report to the legislature to
22 include but not be limited to an analysis of

23 (1) the economic impact of this chapter on

24 (A) persons licensed under AS 04.10;

25 (B) persons who engage in the nonalcoholic beverage
26 manufacturing business;

27 (C) persons engaged in the business of manufacturing
28 beer and other malt beverages; and

29 (D) persons engaged in the business of manufacturing

1 beverage containers;

2 (2) the problems, if any, incurred in the distribution, sale
3 and return of beverage containers subject to this chapter;

4 (3) the effectiveness of the provisions of this chapter in
5 the reduction of the incidence of littering of beverage containers in
6 the state;

7 (4) the costs incurred in the enforcement of the provisions
8 of this chapter.

9 (b) The department may recommend legislative changes based on the
10 analysis required under (a) of this section.

11 Sec. 18.32.090. DEFINITIONS. In this chapter

12 (1) "beverage" means beer or other malt beverages and mineral
13 waters, soda water and soft drinks in liquid form and intended for human
14 consumption;

15 (2) "beverage container" means the individual, separate,
16 sealed glass, metal or plastic bottle, can, jar or carton containing a
17 beverage;

18 (3) "dealer" means a person in this state who engages in the
19 sale of beverages in beverage containers to a consumer, or a redemption
20 center approved under sec. 60 of this chapter;

21 (4) "department" means the Department of Environmental Con-
22 servation;

23 (5) "distributor" means a person who engages in the sale of
24 beverages in beverage containers to a dealer in this state, including a
25 manufacturer who engages in sales to a dealer;

26 (6) "manufacturer" means a person bottling, canning, or
27 otherwise filling beverage containers for sale to distributors or
28 dealers;

29 (7) "place of business of a dealer" means the location at

1 which a dealer sells or offers for sale beverages in beverage containers
2 to consumers;

3 (8) "use or consumption" includes the exercise of a right or
4 power over a beverage incident to its ownership other than the sale or
5 the retention of a beverage for the purposes of sale.

6 * Sec. 2. This Act takes effect January 1, 1978.
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Fiscal Analysis - House Bill 171

House Bill 171 requires beverage dealers and distributors to collect a deposit on all beverage containers sold in the state, except in remote areas, and redeem them when returned empty. The bill also prohibits the sale of beverages in containers where part must be detached and the sale of beverages in non-recyclable, reusable or biodegradable containers. Other provisions include the standardization of beverage containers and establishment of redemption centers.

The bill calls for reports to the legislature on the economic impact of the bill, problems and effectiveness of the bill, and costs incurred in enforcement.

The following fiscal impacts on the Department's budget are apparent.

1. The report on the economic impact of the bill, costs and the problems incurred in the distribution, sale, and return of beverage containers is estimated to require about one man-year of a professional person as follows:

<u>Object Code</u>	<u>Requirements</u>	<u>Cost</u>
100	12 man-months @ Range (19)	\$30,510
200	travel costs	3,000
300	contractual support costs	5,000
400	commodities	400
500	office equipment	500
		<u>\$39,410</u>

2. The bill also calls for a report on its effectiveness in reducing the incidence of littering of beverage containers in the state. This implies statewide inventories, development of a monitoring scheme, etc. This is also estimated to require one man-year of effort as follows:

<u>Object Code</u>	<u>Requirements</u>	<u>Cost</u>
100	12 man-months @ Range (19)	\$30,510
200	travel costs	6,000
300	contractual support costs	5,000
400	commodities	200
500	office equipment	500
		<u>\$42,210</u>

3. The permit and enforcement requirements of the bill are estimated to require about two additional man-months of effort. However, these can probably be absorbed by existing staff. Therefore, no increased costs will be incurred.

4. There will probably be some impact on the Departments of Revenue, in connection with the collection of taxes, and Commerce, in connection with business license requirements. However, these costs are not included in this Fiscal Note.
5. Benefits and costs savings to other agencies and private industry which might result from passage of this bill include:
 - a. cost avoidance to Division of Parks and the Department of Highways in cleanup of littered beverage containers.
 - b. revenue to transportation industry due to backhaul costs.
 - c. revenue and additional jobs created for distributors in establishing and operating recycling centers and from retention of uncollected refunds.
 - d. reduction in injury and aesthetic blight from littered beverage containers should have a salutary effect on the tourism industry and save on medical expenses for the general public.

Because no firm dollar costs or revenues and savings can be accurately estimated for items 4 and 5 above, they are not included in this analysis.

FISCAL ANALYSIS

*Bill 315
163*

DEPARTMENT Dept. of Environmental Conservation	SPONSOR (PRINCIPAL) Miller	BILL NO. HB 171
DIVISION POSITION Support with amendments	CO-SPONSORS OR COMMITTEE SPONSORS Akers, Gruening Malone and Specking	DATE LAST AMENDED n/a
DIVISION DIRECTOR Kale Wallington	DATE 03/02/77	COMMISSIONER Ernst W. Mueller
		DATE 03/02/77

FISCAL EFFECTS OF BILL

- 1) CHANGES IN PERSONNEL
This bill would require about two additional man-years of effort as detailed in the attached analytic statement.

- 2) CHANGES IN GOVERNOR'S PROPOSED BUDGET
Addition of \$82,410.00 to the FY 78 budget only.

- 3) CAN COSTS BE ABSORBED
Only partially as detailed in the attached analytic statement.

- 4) REVENUE/EXPENDITURE CLASSIFICATION AND FUND -- SOURCE (GENERAL FUND/BUDGET, FEDERAL FUNDS, BONDS, SPECIAL APPROPRIATIONS)
General Fund

COMMENTS:

COMMITTEE REPORT

SENATE

4/28/77

_____ Date

Mr. President:

The Committee on FINANCE has had RB 179
special appropriation to Dept. of Education for community schools
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
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

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

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

_____ Chairman

STATE OF ALASKA

DEPARTMENT OF EDUCATION

DIVISION OF ADMINISTRATIVE SERVICES

650 INTERNATIONAL AIRPORT
ANCHORAGE, ALASKA 99502

*\$7 Bkly
Com. Schools
When it comes
up here*

JAY S. HAMMOND, GOVERNOR

March 10, 1977

The Honorable John C. Sackett
Pouch V
Juneau, Alaska 99811

Re: House Bill No. 179- "An Act making
special appropriation to the
Department of Education for
Community Schools, and
providing for an effective date."

Community Education Conference

Dear Senator Sackett:

As you may know House Bill No. 179 passed the House unanimously, Section I appropriates the sum of \$1,225,000 from the general fund to support districts operating an approved community schools program as provided in AS 14.36.030. Section 2 stating that "the unexpended and unobligated portion of this appropriation lapses into the general fund June 30, 1978," and Section 3 states that "this act takes effect July 1, 1977."

When this Bill comes before the Senate, you will need information, therefore, enclosed is a copy of my projections for funds needed in FY'78 by all school districts. As you can see the passage of this Bill will enable the Department of Education to continue its work with all Alaskan communities, to act constructively towards community self-improvement as well as individual, and personal development.

I would like to call your attention to the 14th Annual Alaska Community Education Conference, Visions '77, March 18th and 19th at the Anchorage Community College.

Visions '77 will look to the future role of Community Education in the lives of all Alaskans. Three topics of special interest will be:

1. Citizen Participation in Government - David Rose
2. Sense of Community - Bill Stewart
3. "Empowerment" - Dr. Bobby Fried

It is my pleasure to invite you to share and add to our Visions '77. Attached is an agenda for your perusal, if you plan to attend I suggest that you fill out the pre-registration form.

I look forward to seeing you at Visions '77 Conference if you are in Anchorage during that time.

Sincerely,



Carl Pohjola
Community Education Director

CP/haj

PROJECTED STATE SUPPORT NEEDED UNDER THE COMMUNITY SCHOOL ACT OF 1975.

February 17, 1977

SCHOOL DISTRICT	Final ADM 1975-76	Revised ADM End of 1st Qtr.	Instr. Units	Revised Computation of Entitlement	1.5% of Entitlement	As of 2/77, per- cent or portion of District that is operated as a Community School. ¹	Projected (as of 9/77) percent or portion of Districts that will be operated as a Community School. ¹	State Support Needed under the Community School Act of 1975, 9/77.
Anchorage	35,535	35,622	2,050	48,882,096	733,231.44	40%	50	366,615.72
*Ft. Rich. & Elmendorf	2,891	2,876	176	4,400,000	66,000.00	66%	66	43,560.00
*Contract Schools, Other	247	244	44	1,100,000	16,500.00	0	0	-0-
Bristol Bay	249	258	26	821,437	12,321.55	100	100	12,321.55
Cordova	550	527	48	1,342,046	20,130.69	0	100	20,130.69
Craig	151	160	17	451,173	6,767.59	100	100	6,767.59
Dillingham	402	426	39	1,275,209	19,128.14	100	100	19,128.14
Fairbanks	9,133	9,387	607	16,080,573	241,208.59	33%	40	96,483.43
*Mainwright & Eielson	2,596	2,475	153	4,255,389	63,830.84	0	0	-0-
Galena	141	135	15	523,489	7,852.33	0	100	7,852.33
Haines	474	444	41	1,059,879	15,898.19	100	100	15,898.19
Heonah	260	280	29	774,854	11,622.81	0	100	11,622.81
Hydaburg	113	105	14	373,919	5,608.79	0	100	5,608.79
Juneau	4,303	4,325	295	7,113,615	106,704.23	100	100	106,704.23
Nake	198	208	22	588,327	8,824.91	0	100	8,824.91
Kenai	5,022	5,248	381	9,727,406	145,911.10	100	100	145,911.10
Ketchikan	2,597	2,600	180	4,286,462	64,296.93	0	50	32,148.46
King Cove	116	124	14	460,601	6,909.02	0	100	6,909.02
Klawock	- 63	78	8	213,752	3,206.28	0	100	3,206.28
Kodiak	2,093	2,129	170	4,655,304	69,829.56	0	50	34,914.78
Matanuska-Susitna	3,130	3,474	244	6,047,687	90,715.31	100	100	90,715.31
Nenana	187	189	22	727,889	10,918.34	0	0	-0-
Nome	894	887	71	2,332,034	34,980.51	100	100	34,980.51
North Slope	1,074	1,136	116	3,869,122	58,036.83	100	100	58,036.83
Pelican	38	34	5	135,697	2,035.46	100	100	2,035.46
Petersburg	620	613	46	1,116,947	16,754.21	0	100	16,754.21
Selawik	199	197	20	700,282	10,504.23	100	100	10,504.23
Sitka	1,699	1,672	123	3,059,224	45,888.36	100	100	45,888.36
Skagway	217	215	20	511,212	7,668.18	0	0	-0-
St. Mary's	113	104	17	578,365	8,675.48	0	0	-0-
Unalaska	120	129	16	518,020	7,770.30	0	0	-0-
Valdez	862	958	76	2,075,750	31,136.25	100	100	31,136.25
Wrangell	567	538	45	1,140,172	17,102.58	0	100	17,102.58
Yakutat	148	162	17	476,594	7,148.91	0	0	-0-
TOTALS	77,002	77,959	5,167	131,674,526	1,975,117.94		TOTAL	1,251,761.76

FOOTNOTES: 1. To meet the concept as defined in the law and administration regulations.
 2. In planning-development process.
 3. In planning-development process, should be operational by 1/78.

PROJECTED STATE SUPPORT NEEDED UNDER THE COMMUNITY SCHOOL ACT OF 1975.

February 17, 1977

REGIONAL EDUCATION ATTENDANCE AREAS	Final ADM 1975-76	Revised ADM End of 1st Qtr.	Instr. Units	Revised Computation of Entitlement	1.5% of Entitlement	As of 2/77, per- cent or portion of District that is operated as a Community School. ¹	Projected (as of 9/77) percent or portion of Districts that will be operated as a Community School. ¹	State Support Needed under the Community School Act of 1975, 9/77.
1. Adak	606	623	44	1,816,429	27,246.44	100	100	27,246.44
2. Alaska Gateway	397	440	48	1,538,024	23,820.36	0	0	-0-
3. Aleutian	221	220	25	955,025	14,325.38	0	100 ³	14,325.38
4. Annette	392	400	34	1,122,500	16,837.50	100 ²	100	16,837.50
5. Bering Straits	187	322	41	1,543,931	23,158.97	0	100 ³	23,158.97
6. Chatham	110	155	20	633,825	9,507.38	100 ²	100	9,507.38
7. Chugach	51	72	10	343,280	5,149.20	0	0	-0-
3. Copper River	743	740	68	2,380,500	35,707.50	0	0	-0-
9. Delta/Greely	823	835	64	2,260,157	33,902.36	100	100	33,902.36
10. Iditarod	279	305	38	1,509,555	22,643.33	100	100	22,643.33
11. Kuspuk	262	366	42	1,685,070	25,276.05	100	100	25,276.05
12. Lake & Peninsula	354	346	47	1,756,577	26,348.66	100	100	26,348.66
13. Lower Kuskokwim	1,300	1,457	108	4,523,275	67,849.13	100 ²	100	67,849.13
14. Lower Yukon	234	729	72	2,876,175	43,140.15	0	0	-0-
15. Northwest Arctic	596	1,310	116	4,826,010	72,390.15	0	100 ³	72,390.15
16. Pribilof	181	185	22	835,477	12,532.16	0	0	-0-
17. Southeast Island	423	396	46	1,435,200	21,528.00	100 ²	100	21,528.00
18. Southwest	525	520	60	2,287,460	34,311.90	100	100	34,311.90
19. Upper Railbelt	338	358	41	1,576,808	23,652.12	0	100 ³	23,652.12
20. Yukon Flats	291	292	32	1,291,420	19,371.30	100 ²	100	19,371.30
21. Yukon Koyukuk	672	699	84	3,351,165	50,267.48	0	0	-0-
<u>TOTALS</u>	8,985	10,770	1,062	40,597,863	608,965.22		<u>TOTAL</u>	<u>438,348.69</u>

FOOTNOTES: 1. To meet the concept as defined in the law and administration regulations.

2. In planning-development process.

3. In planning-development process, should be operational by 1/78.

Introduced: 2/7/77
Referred: Health, Education &
Social Services and Finance

BY DUNCAN, BEIRNE, BENNETT,
BROWN, BUCHHOLDT, COTTEN,
ELIASON, FREEMAN, GARDINER,
GRUENING, MCKINNON, MALONE,
MEEKINS, MILLER, NAKAK, OSE,
OSTERBACK, PARR, RHODE, RUDD,
SMITH, SPECKING AND URION

1 IN THE HOUSE

2 HOUSE BILL NO. 179

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Education for community schools; and providing
8 for an effective date."

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

10 * Section 1. The sum of \$1,225,000 is appropriated from the general fund
11 to the Department of Education for support to districts operating an approved
12 community schools program as provided in AS 14.36.030.

13 * Sec. 2. The unexpended and unobligated portion of this appropriation
14 lapses into the general fund June 30, 1978.

15 * Sec. 3. This Act takes effect July 1, 1977.

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PROJECTED STATE SUPPORT NEEDED UNDER THE COMMUNITY SCHOOL ACT OF 1975.

February 17, 1977

SCHOOL DISTRICT	Final ADM 1975-76	Revised ADM End of 1st Oct.	Instr. Units	Revised Computation of Entitlement	1.5% of Entitlement	As of 2/77, per- cent or portion of District that is operated in a Community School. ¹	Projected (as of 9/77) percent or portion of Districts that will be operated as a Community School. ¹	State Support Needed under the Community School Act of 1975, 9/77.
Anchorage	35,535	35,622	2,050	48,882,096	733,231.44	40%	50	364,615.72
*Ft. Rich. & Elmendorf	2,891	2,876	176	4,400,000	66,000.00	66%	66	43,510.00
*Contract Schools, Other	247	244	44	1,100,000	16,500.00	0	0	-0-
Bristol Bay	249	258	26	821,437	12,321.55	100	100	12,321.55
Cordova	550	527	48	1,342,046	20,130.69	0	100	20,130.69
Craig	151	160	17	451,173	6,767.59	100	100	6,767.59
Dillingham	402	426	39	1,275,209	19,128.14	100	100	19,128.14
Fairbanks	9,133	9,387	607	16,060,573	241,203.59	33%	40	93,483.43
*Fairwright & Eielson	2,596	2,475	153	4,255,389	63,830.84	0	0	-0-
Galena	141	135	15	523,489	7,852.33	0	100	7,852.33
Haines	474	444	41	1,059,879	15,898.19	100	100	15,898.19
Heenah	260	280	29	774,854	11,622.81	0	100	11,622.81
Hydaburg	113	105	14	373,919	5,608.79	0	100	5,608.79
Juneau	4,503	4,325	295	7,113,615	106,704.23	100	100	106,704.23
Kake	198	208	22	588,327	8,824.91	0	100	8,824.91
Kenai	5,022	5,248	351	9,727,403	145,911.10	100	100	145,911.10
Ketchikan	2,597	2,600	130	4,286,462	64,296.93	0	50	32,148.46
King Cove	116	124	4	460,601	6,909.02	0	100	6,909.02
Klawock	63	78	8	213,752	3,206.28	0	100	3,206.28
Krask	2,093	2,129	170	4,655,304	69,829.56	0	50	34,914.78
Kotanuska-Susitna	3,130	3,474	244	6,047,637	90,713.31	100	100	90,713.31
Nenana	187	189	22	727,689	10,918.34	0	0	-0-
Nome	884	857	71	2,332,034	34,980.51	100	100	34,980.51
North Slope	1,074	1,136	116	3,869,122	58,036.83	100	100	58,036.83
Pollock	38	34	5	135,697	2,035.46	100	100	2,035.46
Petersburg	620	613	46	1,116,947	16,754.21	0	100	16,754.21
Selawik	199	197	20	760,282	10,504.23	100	100	10,504.23
Sitka	1,699	1,672	123	3,059,224	45,893.36	100	100	45,893.36
Skagway	217	215	20	511,212	7,668.18	0	0	-0-
St. Mary's	115	104	17	578,365	8,675.48	0	0	-0-
Unalaska	120	129	16	518,020	7,770.30	0	0	-0-
Valdez	862	958	76	2,075,750	31,136.25	100	100	31,136.25
Wrangell	567	538	45	1,140,172	17,102.58	0	100	17,102.58
Yakutat	148	162	17	476,594	7,148.91	0	0	-0-
TOTALS	77,002	77,959	5,167	131,674,526	1,975,117.94		TOTAL	1,251,761.76

- FOOTNOTES: 1. To meet the concept as defined in the law and administration regulations.
2. In planning-development process.
3. In planning-development process, should be operational by 1/78.

PROJECTED STATE SUPPORT NEEDED UNDER THE COMMUNITY SCHOOL ACT OF 1975.

February 17, 1977

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1. Adak	666	623	44	1,816,429	27,246.44	100	100	27,246.44
2. Alaska Gateway	397	440	48	1,588,024	23,820.36	0	0	-0-
3. Aleutian	221	220	25	955,025	14,325.38	0	100 ³	14,325.38
4. Annette	392	400	34	1,122,500	16,837.50	100 ²	100	16,837.50
5. Bering Straits	187	322	41	1,543,931	23,158.97	0	100 ³	23,158.97
6. Chatham	110	155	20	633,825	9,507.38	100 ²	100	9,507.38
7. Chugach	51	72	10	343,250	5,149.20	0	0	-0-
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9. Delta/Greely	823	835	64	2,260,157	33,902.36	100	100	33,902.36
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11. Kuspuk	262	366	42	1,685,070	25,276.05	100	100	25,276.05
12. Lake & Peninsula	354	346	47	1,756,577	26,348.66	100	100	26,348.66
13. Lower Kuskokwim	1,300	1,457	105	4,523,275	67,849.13	100 ²	100	67,849.13
14. Lower Yukon	234	729	72	2,876,175	43,140.15	0	0	-0-
15. Northwest Arctic	596	1,310	116	4,826,010	72,390.15	0	100 ³	72,390.15
16. Pribilof	181	155	22	835,477	12,532.16	0	0	-0-
17. Southeast Island	423	396	46	1,435,200	21,528.00	100 ²	100	21,528.00
18. Southwest	525	520	60	2,287,460	34,311.90	100	100	34,311.90
19. Upper Railbelt	338	338	41	1,576,808	23,652.12	0	100 ³	23,652.12
20. Yukon Flats	291	292	32	1,291,420	19,371.30	100 ²	100	19,371.30
21. Yukon Koyukuk	672	699	84	3,351,165	50,267.48	0	0	-0-
<u>TOTALS</u>	8,985	10,770	1,062	40,597,863	608,965.22		<u>TOTAL</u>	<u>438,348.69</u>

- FOOTNOTES:
1. To meet the concept as defined in the law and administration regulations.
 2. In planning-development process.
 3. In planning-development process, should be operational by 1/78.



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

2/14/90
Date

"An Act making a special appropriation to the Department of Education for community schools; and providing for an effective date."

COMMITTEE REPORT

2/16/77

HOUSE

Mr. Speaker:

Date 2/16/77

The Committee on FINANCE has had HB 179

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:

<u>Ferguson</u>	<u>Wagner</u>	_____
<u>Haugen</u>	<u>Carroll</u>	_____
<u>Stinson</u>	<u>Johnson</u>	_____
<u>Buckley</u>	<u>_____</u>	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

Don O'Connell Chairman

Introduced: 2/7/77
Referred: Health, Education &
Social Services and Finance

BY DUNCAN, BEIRNE, BENNETT,
BROWN, BUCHHOLDT, COTTEN,
ELIASON, FREEMAN, GARDINER,
GRUENING, MCKINNON, MALONE,
MEEKINS, MILLER, NAKAK, OSE,
OSTERBACK, PARR, RHODE, RUDD,
SMITH, SPECKING AND URION

1 IN THE HOUSE

2 HOUSE BILL NO. 179

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

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7 ment of Education for community schools; and providing
8 for an effective date."

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

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12 community schools program as provided in AS 14.36.030.

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14 lapses into the general fund June 30, 1978.

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February 17, 1977

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*Contract Schools, Other	247	244	44	1,100,000	16,500.00	0	0	-0-
Bristol Bay	249	258	26	821,437	12,321.55	100	100	12,321.55
Cordova	550	527	48	1,342,046	20,130.69	0	100	20,130.69
Craig	151	160	17	451,173	6,767.59	100	100	6,767.59
Dillingham	402	426	39	1,275,209	19,128.14	100	100	19,128.14
Fairbanks	9,133	9,387	607	16,080,573	241,208.59	33%	40	96,483.43
*Wainwright & Eielson	2,596	2,475	153	4,255,389	63,830.84	0	0	-0-
Galena	141	135	15	523,489	7,852.33	0	100	7,852.33
Haines	474	444	41	1,059,879	15,898.19	100	100	15,898.19
Koonah	260	280	29	774,854	11,622.81	0	100	11,622.81
Nydauburg	113	105	14	373,919	5,608.79	0	100	5,608.79
Juneau	4,303	4,325	295	7,113,615	106,704.23	100	100	106,704.23
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Wrangell	567	538	45	1,140,172	17,102.58	0	100	17,102.58
Yakutat	148	162	17	476,594	7,148.91	0	0	-0-
TOTALS	77,002	77,959	5,167	131,674,526	1,975,117.94		TOTAL	1,251,761.76

FOOTNOTES: 1. To meet the concept as defined in the law and administration regulations.
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PROJECTED STATE SUPPORT NEEDED UNDER THE COMMUNITY SCHOOL ACT OF 1975.

February 17, 1977

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3. Aleutian	221	220	25	955,025	14,325.38	0	100 ³	14,325.38
4. Annette	392	400	34	1,122,500	16,837.50	100 ²	100	16,837.50
5. Bering Straits	187	322	41	1,543,931	23,158.97	0	100 ³	23,158.97
6. Chatham	110	155	20	633,825	9,507.38	100 ²	100	9,507.38
7. Chugach	51	72	10	343,280	5,149.20	0	0	-0-
8. Copper River	743	740	68	2,380,500	35,707.50	0	0	-0-
9. Delta/Greely	823	835	64	2,260,157	33,902.36	100	100	33,902.36
10. Iditarod	279	305	38	1,509,555	22,643.33	100	100	22,643.33
11. Kuspuk	262	366	42	1,685,070	25,276.05	100	100	25,276.05
12. Lake & Peninsula	354	346	47	1,756,577	26,348.66	100	100	26,348.66
13. Lower Kuskokwim	1,300	1,457	108	4,523,275	67,849.13	100 ²	100	67,849.13
14. Lower Yukon	234	729	72	2,876,175	43,140.15	0	0	-0-
15. Northwest Arctic	596	1,310	116	4,826,010	72,390.15	0	100 ³	72,390.15
16. Pribilof	181	185	22	835,477	12,532.16	0	0	-0-
17. Southeast Island	423	396	46	1,435,200	21,528.00	100 ²	100	21,528.00
18. Southwest	525	520	60	2,287,460	34,311.90	100	100	34,311.90
19. Upper Railbelt	338	358	41	1,576,808	23,652.12	0	100 ³	23,652.12
20. Yukon Flats	291	292	32	1,291,420	19,371.30	100 ²	100	19,371.30
21. Yukon Koyukuk	672	699	84	3,351,165	50,267.48	0	0	-0-
<u>TOTALS</u>	8,985	10,770	1,062	40,597,863	608,965.22		<u>TOTAL</u>	<u>438,348.69</u>

- FOOTNOTES:
1. To meet the concept as defined in the law and administration regulations.
 2. In planning-development process.
 3. In planning-development process, should be operational by 1/78.



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James A. Smith
Signature of Camera Operator

2/14/90
Date

2-7-77

COMMITTEE REPORT

HOUSE

_____ 11 1976 _____ Date

Mr. Speaker:

The Committee on FINANCE has had HB 182 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
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

Chairman

Original sponsors: Parr, Duncan,
Miller, et al

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 182

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to tax credits 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. Notwithstanding the language of AS 43.20.021 providing for
0 delayed adoption by reference of provisions of the Internal Revenue Code
1 which change or modify exemptions from tax or credits against tax, sec. 44A
2 (26 U.S.C. sec. 44A) and the 1976 amendments to sec. 37 (26 U.S.C. sec. 37)
3 of the Internal Revenue Code are immediately adopted by reference as part of
4 AS 43.20 and are retroactive to taxable years beginning after December 31,
5 1975.

6 * Sec. 2. The only effect of this Act is to accelerate the date of adop-
7 tion of sec. 44A (26 U.S.C. sec. 44A) and the 1976 amendments to sec. 37 (26
8 U.S.C. sec. 37) of the Internal Revenue Code as part of AS 43.20. In all
9 other respects, sec. 44A (26 U.S.C. sec. 44A) and the 1976 amendments to sec.
0 37 (26 U.S.C. sec. 37) of the Internal Revenue Code shall be treated in the
1 same manner as though adopted under the provisions of AS 43.20.021.

2 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
3 070(c) and terminates on the date that sec. 44A (26 U.S.C. sec. 44A) and the
4 1976 amendments to sec. 37 (26 U.S.C. sec. 37) of the Internal Revenue Code
5 would otherwise be adopted by reference under the provisions of AS 43.20.-
6 021(a).
7
8
9

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill 182
 Title An Act relating to tax credits under the Alaska Net Income Tax Act
 Requested by House Finance Committee Date 2-8-77

II. FISCAL DETAIL

Agency Affected Revenue
 Program Category Affected Fiscal Services
 Budget Request Unit(s) Affected Audit

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
FULL TIME						
PART TIME						
TEMPORARY						

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

If this Bill is passed within the next month, there will be minimal effect on the Department. There will be an increasing impact with the passage of time after the one month period.

This Bill will result in approximately \$1,000,000 loss of revenue to the General Fund.

IV. DATE 2-8-77

PREPARED BY *Ray Clark*
 AGENCY Revenue Audit Division
 PHONE 465-2370

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

February 21, 1977

M E M O R A N D U M

TO: The Honorable John Sackett
Chairman, Senate Finance Committee

FROM: Milton B. Barker
Fiscal Analyst
Legislative Finance Division

SUBJECT: SB 140 and CSHB 182

Both SB 140 and CSHB 182 would incorporate the federal provisions for tax credits for child care expenses and the elderly into the State income tax code. Speediest enactment of these changes would occur with the Senate's passage of CSHB 182 which has already passed the House and is in Senate Finance.

Without this legislation, these tax credits will not be available on State income tax returns until tax year 1978. SB 140 and CSHB 182, which are the same except for minor wording differences, both make these credits available for tax years 1976 and 1977.

If these bills were amended to only pick up the tax credits for tax year 1977, there would be no need to expedite their passage. But as long as the retroactive availability of the credits for tax year 1976 is retained, their passage should be expedited if they are to be enacted at all. This will avoid the administrative costs to the State and the hassle to the taxpayer of filing amended returns for tax year 1976.

This situation has come about because Ch. 125, SLA 1976 provided that newly enacted provisions of the Internal Revenue Code which change or modify exemptions from tax or credits against tax would not become incorporated by reference into Alaska law until the second January following their enactment by Congress. Thus the Alaska Legislature would have two years in which to decide whether changes or modifications in federal exemptions or credits should apply for Alaska purposes. In 1976 Congress made two major changes in the tax credit area which were not incorporated into Alaska law. These two credits are as follows:

1. Congress repealed the child care itemized deduction and substituted in its place a credit equal to 20% of child care expenses up to a ceiling amount. The ceiling is \$2000 in child care expenses for 1 dependent (\$400 credit) or \$4,000 in child care expenses for 2 or more dependents (\$800 credit). In addition to making it a credit rather than a deduction, Congress eliminated the previous income limitation. Since the previous itemized deduction was repealed and its replacement is a credit, Alaska has neither the deduction or the credit until the 1978 tax year when the credit will become incorporated. Specific legislative action will be necessary to eliminate the credit permanently or to make it apply sooner.

2. Another tax credit change is the change made to the retirement income credit (IRC Section 37). This credit has been renamed a credit for the elderly since the credit is no longer restricted to retirement income. The new change broadens the base from just retirement income to all income from which the 15% credit is calculated. In addition the maximum amount of income against which the credit can apply has also been increased to \$3,750 for married couples filing jointly, both of whom are over 65 and \$2,500 for single persons. The ceiling was previously \$1,524 per person. Unless the legislature takes specific action the old credit rules will apply until the 1978 tax year. The department recommends that the new changes be adopted for Alaska purposes.

Appended are the details of the new credits and the old deduction and credit they would replace. The credit on an Alaska return would be 16% of the federal one.

The fiscal note for either of these bills is \$1,000,000, which is a loss of revenue due almost solely to the child care credit. The revenue loss from enacting the tax credit for the elderly is miniscule. This is because Alaska has fewer aged persons than average, few of these persons file income tax returns, most that do report little income, and any elderly tax credits in excess of tax liability are not refundable.

At first some Revenue officials thought the cost might be \$5,000,000 to \$7,000,000 assuming one-third of the returns claimed a child care credit. This was reported in the Juneau Empire of February 1, 1977. However, this was a wild guess because most taxpayers don't itemize deductions on their State returns; and, since child care expenses were formerly a deduction, Revenue had no data from which to estimate.

After checking with the Federal government, on whose tax returns more persons itemize because State taxes count as a deduction, Revenue now feels only 5% of the returns may claim a child care credit. This would be about 12,000 returns with an

average credit of \$83, a total of \$1,000,000 annually, or \$2,000,000 total for the legislation.

One factor which would tend to limit the revenue loss for child care expenses is the State program for day care assistance in Community & Regional Affairs which funds day care for middle income families on a sliding scale as well as AFDC families. Appended is my memo detailing this program.

Revenue indicates that for the average middle income family the tax credit will offer less relief than the former deduction. This is because these families are in tax brackets greater than 20%, the rate for the tax credit. The higher the tax bracket the greater the relief they had under the deduction. At an \$8,000 taxable income where the bracket is roughly 20%, the deduction would have equal value to the credit. Families with incomes below \$8,000 would benefit more from the credit and would in fact often have received no benefit at all from the deduction because they didn't itemize. However, in light of the State's day care assistance program the situation would be as follows:

1. Families with incomes below \$6,000 would receive no benefit since day care assistance pays all their expenses.
2. Families with incomes between \$6,000 and \$8,000 will receive up to 80% of their child care costs through the State program, 4% from a Federal tax credit (20% of the remaining 20%), and only an additional .64% of their costs (16% of the federal credit of 4%) if this legislation is passed. These tax credits are a betterment of their position from prior years because even if they itemized, the tax break would have been less than 20% because of their tax bracket.
3. Families with incomes between \$8,000 and \$15,000 will receive some State child care assistance with 20% of the remaining expenses recouped on their Federal return and 3.2% on their State return if this legislation passes. If they itemized in the past they will be worse off; however, again it should be remembered that very few State returns were itemized at all.
4. Families with incomes above \$15,000 will receive Federal relief of 20% of child care costs and 3.2% of those costs from the State if this legislation passes. Again, this will be revenue loss to the State and a gain to the family except for those who itemized in the past.
5. At some level, perhaps above \$35,000, families would in general have itemized in the past and will on the average receive less relief for child care than they did and State revenues will increase.

Thus, on the whole, passage of SB 140 or CSHB 182 will mean a loss of revenue to the State because most people don't itemize but will take the credit. The bill provides additional relief to middle and high incomes with low incomes unaffected, and high incomes suffering a loss relative to what they had before 1976.

This relief is small in relation to that available on the Federal return and will thus have a marginal effect on family decisions to utilize child care. The effect of the changes at the Federal level on families using day care may be neutral because many more families itemize, and for them there is less incentive than in the past.

STATE
of ALASKA

MEMORANDUM

TO: Honorable John Sackett
Chairman, Senate Finance Committee

DATE : February 10, 1977

FROM: Milt Barker, Fiscal Analyst
Legislative Finance Division

SUBJECT: SB 140 and HB 182

Both SB140 and HB182 would incorporate the federal provisions for a tax credit based on child care expenses into State law, while SB140 would incorporate the tax credit for the elderly as well.

The fiscal note on the two bills is the same (a loss of \$1,000,000 in revenue) because the revenue loss from enacting the tax credit for the elderly is miniscule. This is because Alaska has fewer aged persons than average, few of these persons file income tax returns, those that do report very little income, and any elderly tax credits in excess of tax liability are not refundable. A description of the tax credit for the elderly, which is reduced both by pension or annuity income and earned income in excess of given levels, is appended along with a description of the former retirement income credit.

The \$1,000,000 revenue loss which relates almost entirely to the child care tax credit is just Revenue's wild guess; they have no basis for estimating because few Alaskans itemize deductions -- child care expenses were formerly an allowable deduction. As a credit, more people will claim such expenses and they will claim more dollars since the provisions have been liberalized in several ways. A description of the old deduction and new credit is appended.

Revenue estimates maybe 12,000 returns which would mean \$83 credits on average. However, an initial Revenue guess quoted in the papers was perhaps as much as \$5,000,000 or \$6,000,000.

One factor which would tend to limit the revenue loss for child care expenses is the State program for day care assistance in Community & Regional Affairs which funds day care for middle income families on a sliding scale as well as AFDC families. Thus, enactment of this credit would tend to offer greater relief to higher income families. These families, who are permitted a 20% credit of child care expenses at the federal level, would be subsidized an additional 16% of this amount at the state level, a total of 23.2% of child care expenses. However, total

February 10, 1977

relief combining day care assistance with tax credits would still exhibit a somewhat progressive structure. If a more progressive structure is desired, it could be achieved by augmenting the day care assistance program rather than enacting the tax credit.

Until the State develops a tax expenditure budget which shows the amounts of revenue lost each year due to special tax provisions, greater accountability is retained by augmenting day care assistance rather than enacting a tax credit. Control is also more flexible in that program regulations and levels of funding are more easily adjusted than statutory tax provisions. On the other hand, the administrative costs of this accountability and control are largely obviated through the use of a tax credit.

If it is desired that the tax credit be available for the 1976 tax year, legislation should be enacted at once to avoid the administrative costs of amended returns. On the other hand, the necessity of filing amended returns would probably limit such claims for 1976. If the credit were not to be made effective until the 1977 tax year, there need be no rush.

MB:al

STATE OF ALASKA
Inter-Department Route Slip

TO:
MAIL STATION NUMBER _____

DEPARTMENT Legislative Finance

ATTENTION Jay Hogan, Director

- | | |
|---|--|
| <input type="checkbox"/> Approval | <input type="checkbox"/> Note & Return |
| <input type="checkbox"/> Signature | <input type="checkbox"/> Initial & Return |
| <input type="checkbox"/> Comment | <input type="checkbox"/> Return As Requested |
| <input type="checkbox"/> Contact Me | <input type="checkbox"/> Return For Approval |
| <input type="checkbox"/> Prepare Reply | <input type="checkbox"/> Necessary Action |
| <input checked="" type="checkbox"/> For Your File | <input checked="" type="checkbox"/> Your Information |

Remarks:

Fiscal Note on FCCS CSHB 182

FROM:
MAIL STATION NUMBER _____

DEPARTMENT Revenue

BY R.D. Stevenson DATE 5-2-77

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

FCC HB 182 am 5

I. REQUEST

Bill/Resolution No. FCC HB No. 182 am 5
 Title An Act relating to tax credits under the Alaska Net Income Tax Act
 Requested by Free Conference Committee Date 4/4/77

II. FISCAL DETAIL

Agency Affected Revenue
 Program Category Affected Fiscal Services
 Budget Request Unit(s) Affected Audit Division

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		15.1	15.1	15.1	15.1	15.1
200 TRAVEL						
300 CONTRACTUAL		2.5	2.5	2.5	2.5	2.5
400 COMMODITIES		.4	.4	.4	.4	.4
500 EQUIPMENT		.6	.6	.6	.6	.6
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		18.6	18.6	18.6	18.6	18.6

FUNDING (Thousands of Dollars)

GENERAL FUND		18.6	18.6	18.6	18.6	18.6
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		1	1	1	1	1
PART TIME						
TEMPORARY						

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

The above position will be required to handle the paper work connected with the failure to refund penalty which was the Senate amendment to the bill.

IV. DATE 4/4/77

PREPARED BY *[Signature]*
 AGENCY Department of Revenue, Audit Division
 PHONE 465-2320

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

Original sponsors: Parr, Duncan,
Miller, et al

Offered: 4/19/77

1 IN THE HOUSE

BY THE FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR CS FOR HOUSE BILL NO. 182

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

10 * Section 1. Notwithstanding the language of AS 43.20.021 providing for
11 delayed adoption by reference of provisions of the Internal Revenue Code
12 which change or modify exemptions from tax or credits against tax, sec. 44A
13 (26 U.S.C. sec. 44A) and the 1976 amendments to sec. 37 (26 U.S.C. sec. 37)
14 of the Internal Revenue Code are immediately adopted by reference as part of
15 AS 43.20 and are retroactive to taxable years beginning after December 31,
16 1975.

17 * Sec. 2. The only effect of sec. 1 of this Act is to accelerate the date
18 of adoption of sec. 44A (26 U.S.C. sec. 44A) and the 1976 amendments to sec.
19 37 (26 U.S.C. sec. 37) of the Internal Revenue Code as part of AS 43.20. In
20 all other respects, sec. 44A (26 U.S.C. sec. 44A) and the 1976 amendments to
21 sec. 37 (26 U.S.C. sec. 37) of the Internal Revenue Code shall be treated in
22 the same manner as though adopted under the provisions of AS 43.20.021.

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

24 Sec. 43.20.215. PENALTY FOR LATE PAYMENT OF REFUND. Five per cent
25 shall be added to a tax refund due an individual taxpayer for each
26 30-day period or fraction of a period during which the department fails
27 to issue a refund to which a taxpayer is entitled under this chapter,
28 unless it is shown that the failure is due to a reasonable cause and not
29 wilful neglect. The first refund period begins 45 days after the later

1 of the due date or the date of filing of the return by the taxpayer.

2 The additional amount payable to a taxpayer under this section may not
3 exceed 15 per cent of the refund due.

4 * Sec. 4. Sections 1 and 2 of this Act take effect immediately in accor-
5 dance with AS 01.10.070(c) and terminate on the date that sec. 44A (26 U.S.C.
6 sec. 44A) and the 1976 amendments to sec. 37 (26 U.S.C. sec. 37) of the
7 Internal Revenue Code would otherwise be adopted by reference under the
8 provisions of AS 43.20.021(a).

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THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST An Act relating to tax credits
and refunds under the Alaska Net
 Bill/Resolution No. CS HB 182
 Title Income Tax Act; and providing for an effective date.
 Requested by Finance Free Commiteee Date _____

II. FISCAL DETAIL
 Agency Affected _____ Revenue _____
 Program Category Affected General Government
 Budget Request Unit(s) Affected Audit

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND		100.0				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

Funding of the 5% penalty for late payment of refund will require a \$100,000 appropriation for FY 78.

IV. DATE May 13, 1977 PREPARED BY Gary Jenkins
 AGENCY Revenue
 Original: Legislative Finance PHONE 465-2320
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Introduced: 2/7/77
Referred: Finance

BY PARR, DUNCAN, MILLER, BRADLEY
COTTEN, GARDINER, GRUENING, GUY,
MCKINNON, NAKAK, RUDD, SNIDER
AND SWANSON

1 IN THE HOUSE

2 HOUSE BILL NO. 182

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to tax credits 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. Notwithstanding the language of AS 43.20.021 providing for
10 delayed adoption by reference of provisions of the Internal Revenue Code
11 which change or modify exemptions from tax or credits against tax, sec. 44A
12 of the Internal Revenue Code (26 U.S.C. sec. 44A) is immediately adopted by
13 reference as part of AS 43.20 and is retroactive to taxable years beginning
14 after December 31, 1975.

15 * Sec. 2. The only effect of this Act is to accelerate the date of adop-
16 tion of sec. 44A of the Internal Revenue Code (26 U.S.C. sec. 44A) as part
17 of AS 43.20. In all other respects, sec. 44A of the Internal Revenue Code
18 (26 U.S.C. sec. 44A) shall be treated in the same manner as though adopted
19 under the provisions of AS 43.20.021.

20 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
21 070(c) and terminates on the date that sec. 44A of the Internal Revenue Code
22 (26 U.S.C. sec. 44A) would otherwise be adopted by reference under the pro-
23 visions of AS 43.20.021(a).

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Introduced: 2/7/77
Referred: Finance

BY PARR, DUNCAN, MILLER, BRADLEY
COTTEN, GARDINER, GRUENING, GUY,
MCKINNON, NAKAK, RUDD, SNIDER
AND SWANSON

1 IN THE HOUSE

2 HOUSE BILL NO. 182

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to tax credits 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. Notwithstanding the language of AS 43.20.021 providing for
10 delayed adoption by reference of provisions of the Internal Revenue Code
11 which change or modify exemptions from tax or credits against tax, sec. 44A
12 of the Internal Revenue Code (26 U.S.C. sec. 44A) is immediately adopted by
13 reference as part of AS 43.20 and is retroactive to taxable years beginning
14 after December 31, 1975.

15 * Sec. 2. The only effect of this Act is to accelerate the date of adop-
16 tion of sec. 44A of the Internal Revenue Code (26 U.S.C. sec. 44A) as part
17 of AS 43.20. In all other respects, sec. 44A of the Internal Revenue Code
18 (26 U.S.C. sec. 44A) shall be treated in the same manner as though adopted
19 under the provisions of AS 43.20.021.

20 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
21 070(c) and terminates on the date that sec. 44A of the Internal Revenue Code
22 (26 U.S.C. sec. 44A) would otherwise be adopted by reference under the pro-
23 visions of AS 43.20.021(a).

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THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill 182
 Title An Act relating to tax credits under the Alaska Net Income Tax Act
 Requested by House Finance Committee Date 2-8-77

II. FISCAL DETAIL

Agency Affected Revenue
 Program Category Affected Fiscal Services
 Budget Request Unit(s) Affected Audit

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

If this Bill is passed within the next month, there will be minimal effect on the Department. There will be an increasing impact with the passage of time after the one month period.

This Bill will result in approximately \$1,000,000 loss of revenue to the General Fund.

IV. DATE 2-8-77

PREPARED BY [Signature]
 AGENCY Revenue / Audit Division
 PHONE 465-2370

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

HB 182

Rec'd
FEB 08 1977

STATE OF ALASKA

DEPARTMENT OF REVENUE

JAY S. HAMMOND, GOVERNOR

STATE OFFICE BUILDING / POUCH SA - JUNEAU 99811

February 8, 1977

The Honorable Hugh Malone
Speaker of the House of Representatives
State of Alaska
Pouch 5
Juneau, AK 99811

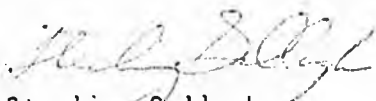
Dear Mr. Malone:

It has just come to my attention that House Bill 182 has been introduced which would make the child care credit provision of the Internal Revenue Code effective for Alaska purposes retroactive to January 1, 1976. Please be advised that the Administration supports this Bill and urges its quick passage. Failure to pass the Bill quickly would result in a large number of taxpayers having to go through the added effort of filing an amended tax return to claim the credit.

Further, I recommend that the Bill be amended to incorporate the amendments to Internal Revenue Code Section 37 which were also included in the Tax Reform Act of 1976. This amendment made some minor changes in the retirement income credit available to the elderly.

If any of my staff can provide you with additional information on this subject, please feel free to contact me.

Sincerely,


Sterling Gallagher
Commissioner

SG:GLJ:mh

Whitlock & Vasak C.P.A.'s

HS182

Certified Public
Accountants

A PROFESSIONAL CORPORATION

727 N Street - Suite 3

Anchorage, Alaska 99501

(907) 276-2444

Joseph E. Whitlock
Victor A. Vasak, Jr.
Richard M. Carlson

February 7, 1977

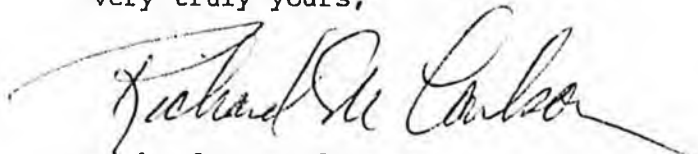
The Honorable Steve Cowper
Alaska State House of Representatives
Pouch V State Capitol Building
Juneau, AK 99811

Dear Legislator:

There is a current uproar in the accounting profession and public over the press release by the Department of Revenue regarding the child care deduction or credit. According to the article, the 1976 amendments to the law adopt the federal provisions with the exception of exemptions and credits which are adopted the second January 1 following the effective date of the federal law. The department is interpreting this to mean that the portion of the Federal Reform Act of 1976 which repeals the child care deduction is adopted but the allowance of the child care credit is not adopted until January 1, 1978. Alaska probably has the highest percentage of working spouses in the nation. This means that all these returns will have a federal and state tax difference which has not been anticipated or condoned by the legislature. I'm sure that this difference will be corrected by the current legislature but time is of the essence. Every return claiming a deduction or credit filed before the passage of the legislation will have to be recomputed by Department of Revenue personnel. Then after passage, a claim for refund will have to be filed to correct the initial return. A claim will also have to be filed on each return not claiming a deduction or credit. Although this will not double the paperwork of the department, it will cause a significant increase. This can only result in requests for additional personnel and the pyramiding of our state payroll for no reason.

Please take positive or negative action as soon as possible to limit the taxpayers' and the States' over reaction to an unintended problem.

Very truly yours,



Richard M. Carlson
Certified Public Accountant

kdm

STATE
of ALASKA

MEMORANDUM

TO: Honorable John Sackett
Chairman, Senate Finance Committee

DATE : February 10, 1977

FROM: Milt Barker, Fiscal Analyst *MB*
Legislative Finance Division

SUBJECT: SB 140 and HB 182

Both SB140 and HB182 would incorporate the federal provisions for a tax credit based on child care expenses into State law, while SB140 would incorporate the tax credit for the elderly as well.

The fiscal note on the two bills is the same (a loss of \$1,000,000 in revenue) because the revenue loss from enacting the tax credit for the elderly is miniscule. This is because Alaska has fewer aged persons than average, few of these persons file income tax returns, those that do report very little income, and any elderly tax credits in excess of tax liability are not refundable. A description of the tax credit for the elderly, which is reduced both by pension or annuity income and earned income in excess of given levels, is appended along with a description of the former retirement income credit.

The \$1,000,000 revenue loss which relates almost entirely to the child care tax credit is just Revenue's wild guess; they have no basis for estimating because few Alaskans itemize deductions -- child care expenses were formerly an allowable deduction. As a credit, more people will claim such expenses and they will claim more dollars since the provisions have been liberalized in several ways. A description of the old deduction and new credit is appended.

Revenue estimates maybe 12,000 returns which would mean \$83 credits on average. However, an initial Revenue guess quoted in the papers was perhaps as much as \$5,000,000 or \$6,000,000.

One factor which would tend to limit the revenue loss for child care expenses is the State program for day care assistance in Community & Regional Affairs which funds day care for middle income families on a sliding scale as well as AFDC families. Thus, enactment of this credit would tend to offer greater relief to higher income families. These families, who are permitted a 20% credit of child care expenses at the federal level, would be subsidized an additional 16% of this amount at the state level, a total of 23.2% of child care expenses. However, total

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relief combining day care assistance with tax credits would still exhibit a somewhat progressive structure. If a more progressive structure is desired, it could be achieved by augmenting the day care assistance program rather than enacting the tax credit.

Until the State develops a tax expenditure budget which shows the amounts of revenue lost each year due to special tax provisions, greater accountability is retained by augmenting day care assistance rather than enacting a tax credit. Control is also more flexible in that program regulations and levels of funding are more easily adjusted than statutory tax provisions. On the other hand, the administrative costs of this accountability and control are largely obviated through the use of a tax credit.

If it is desired that the tax credit be available for the 1976 tax year, legislation should be enacted at once to avoid the administrative costs of amended returns. On the other hand, the necessity of filing amended returns would probably limit such claims for 1976. If the credit were not to be made effective until the 1977 tax year, there need be no rush.

MB:al

[Code Sec. 37]

"SEC. 37. CREDIT FOR THE ELDERLY.

"(a) **GENERAL RULE.**—In the case of an individual who has attained age 65 before the close of the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 15 percent of such individual's section 37 amount for such taxable year.

"(b) **SECTION 37 AMOUNT.**—For purposes of subsection (a)—

"(1) **IN GENERAL.**—An individual's section 37 amount for the taxable year is the applicable initial amount determined under paragraph (2), reduced as provided in paragraph (3) and in subsection (c).

"(2) **INITIAL AMOUNT.**—The initial amount is—

- "(A) \$2,500 in the case of a single individual,
- "(B) \$2,500 in the case of a joint return where only one spouse is eligible for the credit under subsection (a),
- "(C) \$3,750 in the case of a joint return where both spouses are eligible for the credit under subsection (a), or
- "(D) \$1,875 in the case of a married individual filing a separate return.

"(3) **REDUCTION.**—The reduction under this paragraph is an amount equal to the sum of the amounts received by the individual (or, in the case of a joint return, by either spouse) as a pension or annuity—

- "(A) under title II of the Social Security Act,
- "(B) under the Railroad Retirement Act of 1935 or 1937, or
- "(C) otherwise excluded from gross income.

Act Sec. 503(a) ¶ 1188

No reduction shall be made under this paragraph for any amount excluded from gross income under section 72 (relating to annuities), 101 (relating to life insurance proceeds), 104 (relating to compensation for injuries or sickness), 105 (relating to amounts received under accident and health plans), 120 (relating to amounts received under qualified group legal services plans), 402 (relating to taxability of beneficiary of employees' trust), 403 (relating to taxation of employee annuities), or 405 (relating to qualified bond purchase plans).

"(c) LIMITATIONS.—

"(1) ADJUSTED GROSS INCOME LIMITATION.—If the adjusted gross income of the taxpayer exceeds—

"(A) \$7,500 in the case of a single individual,

"(B) \$10,000 in the case of a joint return, or

"(C) \$5,000 in the case of a married individual filing a separate return,

the section 37 amount shall be reduced by one-half of the excess of the adjusted gross income over \$7,500, \$10,000, or \$5,000, as the case may be.

"(2) LIMITATION BASED ON AMOUNT OF TAX.—The amount of the credit allowed by this section for the taxable year shall not exceed the amount of the tax imposed by this chapter for such taxable year.

"(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) MARRIED COUPLE MUST FILE JOINT RETURN.—Except in the case of a husband and wife who live apart at all times during the taxable year, if the taxpayer is married at the close of the taxable year, the credit provided by this section shall be allowed only if the taxpayer and his spouse file a joint return for the taxable year.

"(2) MARITAL STATUS.—Marital status shall be determined under section 143.

"(3) JOINT RETURN.—The term 'joint return' means the joint return of a husband and wife made under section 6013.

"(e) ELECTION OF PRIOR LAW WITH RESPECT TO PUBLIC RETIREMENT SYSTEM INCOME.—

"(1) IN GENERAL.—In the case of a taxpayer who has not attained age 65 before the close of the taxable year (other than a married individual whose spouse has attained age 65 before the close of the taxable year), his credit (if any) under this section shall be determined under this subsection.

"(2) ONE SPOUSE AGE 65 OR OVER.—In the case of a married individual who has not attained age 65 before the close of the taxable year but whose spouse has attained such age, this paragraph shall apply for the taxable year only if both spouses elect, at such time and in such manner as the Secretary shall by regulations prescribe, to have this paragraph apply. If this paragraph applies for the taxable year, the credit (if any) of each spouse under this section shall be determined under this subsection.

"(3) COMPUTATION OF CREDIT.—In the case of an individual whose credit under this section for the taxable year is determined under this subsection, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 15 percent of the amount received by such individual as retirement income (as defined in paragraph (4) and as limited by paragraph (5)).

"(4) RETIREMENT INCOME.—For purposes of this subsection, the term 'retirement income' means—

"(A) in the case of an individual who has attained age 65 before the close of the taxable year, income from—

"(i) pensions and annuities (including, in the case of an individual who is or has been, an employee within the meaning of section 401(c)(1), distributions by a trust described in section 401(a) which is exempt from tax under section 501(a)),

"(ii) interest,

aph for any amount excluded from gross
 es), 101 (relating to life insurance pro-
 injuries or sickness), 105 (relating to
 plans), 120 (relating to amounts received
 12 (relating to taxability of beneficiary of
 employee annuities), or 405 (relating to

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half of the excess of the adjusted gross
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The amount of the credit allowed by
 exceed the amount of the tax imposed by

purposes of this section—

TURN.—Except in the case of a husband
 the taxable year, if the taxpayer is married
 provided by this section shall be allowed
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shall be determined under section 143.

turn' means the joint return of a husband

TO PUBLIC RETIREMENT SYSTEM INCOME.—

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cluding, in the case of an individual who is,
 the meaning of section 401(c)(1), distribu-
 n 401(a) which is exempt from tax under

"(iii) rents,

"(iv) dividends,

"(v) bonds described in section 405(b)(1) which are received under a
 qualified bond purchase plan described in section 405(a) or in a distribution
 from a trust described in section 401(a) which is exempt from tax under
 section 501(a), or retirement bonds described in section 409, and

"(vi) an individual retirement account described in section 408(a), or an
 individual retirement annuity described in section 408(b); or

"(B) in the case of an individual who has not attained age 65 before the close
 of the taxable year, income from pensions and annuities under a public retirement
 system (as defined in paragraph (8)(A)),

to the extent included in gross income without reference to this subsection, but only
 to the extent such income does not represent compensation for personal services
 rendered during the taxable year.

"(5) LIMITATION ON RETIREMENT INCOME.—For purposes of this subsection, the amount
 of retirement income shall not exceed \$2,500 less—

"(A) the reduction provided by subsection (b)(3), and

"(B) in the case of any individual who has not attained age 72 before the
 close of the taxable year—

"(i) if such individual has not attained age 62 before the close of the
 taxable year, any amount of earned income (as defined in paragraph (8)(B))
 in excess of \$900 received by such individual in the taxable year, or

"(ii) if such individual has attained age 62 before the close of the taxable
 year, the sum of one-half the amount of earned income received by such
 individual in the taxable year in excess of \$1,200 but not in excess of \$1,700,
 and the amount of earned income so received in excess of \$1,700.

"(6) LIMITATION IN CASE OF MARRIED INDIVIDUALS.—In the case of a joint return,
 paragraph (5) shall be applied by substituting '\$3,750' for '\$2,500'. The \$3,750 provided
 by the preceding sentence shall be divided between the spouses in such amounts as may
 be agreed on by them, except that not more than \$2,500 may be assigned to either
 spouse.

"(7) LIMITATION IN THE CASE OF SEPARATE RETURNS.—In the case of a married
 individual filing a separate return, paragraph (5) shall be applied by substituting
 '\$1,875' for '\$2,500'.

"(8) DEFINITIONS.—For purposes of this subsection—

"(A) PUBLIC RETIREMENT SYSTEM DEFINED.—The term 'public retirement system'
 means a pension, annuity, retirement, or similar fund or system established by the
 United States, a State, a possession of the United States, any political subdivision
 of any of the foregoing, or the District of Columbia.

"(B) EARNED INCOME.—The term 'earned income' has the meaning assigned to
 such term by section 911(b), except that such term does not include any
 amount received as a pension or annuity.

"(f) NONRESIDENT ALIEN INELIGIBLE FOR CREDIT.—No credit shall be allowed under this
 section to any nonresident alien."

• • **Prior Law**

Code Sec. 37 before amendment:

SEC. 37. RETIREMENT INCOME.

(a) **GENERAL RULE.**—In the case of an individual who has received earned
 income before the beginning of the taxable year, there shall be allowed as a
 credit against the tax imposed by this chapter for the taxable year an amount

• • *Prior Law*

equal to 17 percent, in the case of a taxable year beginning in 1964, or 15 percent, in the case of a taxable year beginning after December 31, 1964, of the amount received by such individual as retirement income (as defined in subsection (c) and as limited by subsection (d)); but this credit shall not exceed such tax reduced by the credits allowable under section 32(2) (relating to tax withheld at source on tax-free covenant bonds), section 33 (relating to foreign tax credit), and section 35 (relating to partially tax-exempt interest).

(b) **INDIVIDUAL WHO HAS RECEIVED EARNED INCOME.**—For purposes of subsection (a), an individual shall be considered to have received earned income if he has received, in each of any 10 calendar years before the taxable year, earned income (as defined in subsection (g)) in excess of \$600. A widow or widower whose spouse had received such earned income shall be considered to have received earned income.

(c) **RETIREMENT INCOME.**—For purposes of subsection (a), the term "retirement income" means—

(1) in the case of an individual who has attained the age of 65 before the close of the taxable year, income from—

(A) pensions and annuities (including, in the case of an individual who is, or has been, an employee within the meaning of section 401(c)(1), distributions by a trust described in section 401(a) which is exempt from tax under section 501(a)),

(B) interest,

(C) rents,

(D) dividends,

(E) bonds described in section 405(b)(1) which are received under a qualified bond purchase plan described in section 405(a) or in a distribution from a trust described in section 401(a) which is exempt from tax under section 501(a), or retirement bonds described in section 407, and

(F) an individual retirement account described in section 408(a) or an individual retirement annuity described in section 408(b), or

(2) in the case of an individual who has not attained the age of 65 before the close of the taxable year, income from pensions and annuities under a public retirement system (as defined in subsection (f)),

to the extent included in gross income without reference to this section, but only to the extent such income does not represent compensation for personal services rendered during the taxable year.

(d) **LIMITATION ON RETIREMENT INCOME.**—For purposes of subsection (a), the amount of retirement income shall not exceed \$1,524 less—

(1) in the case of any individual, any amount received by the individual as a pension or annuity—

(A) under title II of the Social Security Act,

(B) under the Railroad Retirement Acts of 1935 or 1937, or

(C) otherwise excluded from gross income, and

(2) in the case of any individual who has not attained age 72 before the close of the taxable year—

(A) if such individual has not attained age 62 before the close of the taxable year, any amount of earned income (as defined in subsection (g)) in excess of \$900 received by such individual in the taxable year, or

(B) if such individual has attained age 62 before the close of the taxable year, the sum of (i) one-half the amount of earned income received by such individual in the taxable year in excess of \$1,200 but not in excess of \$1,700, and (ii) the amount of earned income so received in excess of \$1,700.

• • Prior Law

(e) **RULE FOR APPLICATION OF SUBSECTION (d) (1).**—Subsection (d) (1) shall not apply to any amount excluded from gross income under section 72 (relating to annuities), 101 (relating to life insurance proceeds), 104 (relating to compensation for injuries or sickness), 105 (relating to amounts received under accident and health plans), 402 (relating to taxability of beneficiary of employees' trust), or 403 (relating to taxation of employee annuities).

(f) **PUBLIC RETIREMENT SYSTEM DEFINED.**—For purposes of subsection (c) (2), the term "public retirement system" means a pension, annuity, retirement, or similar fund or system established by the United States, a State, a Territory, a possession of the United States, any political subdivision of any of the foregoing, or the District of Columbia.

(g) **EARNED INCOME DEFINED.**—For purposes of subsections (b) and (d) (2), the term "earned income" has the meaning assigned to such term in section 911 (b), except that such term does not include any amount received as a pension or annuity.

(h) **NONRESIDENT ALIEN INELIGIBLE FOR CREDIT.**—No credit shall be allowed under subsection (a) to any nonresident alien.

(i) **SPECIAL RULES FOR CERTAIN MARRIED COUPLES.**—

(1) **ELECTION.**—A husband and wife who make a joint return for the taxable year and both of whom have attained the age of 65 before the close of the taxable year may elect (at such time and in such manner as the Secretary or his delegate by regulations prescribes) to determine the amount of the credit allowed by subsection (a) by applying the provisions of paragraph (2).

(2) **SPECIAL RULES.**—If an election is made under paragraph (1) for the taxable year, for purposes of subsection (a)—

(A) if either spouse is an individual who has received earned income within the meaning of subsection (b), the other spouse shall be considered to be an individual who has received earned income within the meaning of such subsection; and

(B) subsection (d) shall be considered as providing that the amount of the combined retirement income of both spouses shall not exceed \$2,286, less the sum of the amounts specified in paragraphs (1) and (2) of subsection (d) for each spouse.

(j) **CROSS REFERENCE.**—

For disallowance of credit where tax is computed by Secretary or his delegate, see section 6014 (a).

ACT SEC. 504. CREDIT FOR CHILD CARE EXPENSES.

Act Sec. 504 (a) ALLOWANCES OF CREDIT FOR CHILD CARE EXPENSES.—

(1) **IN GENERAL.**—Subpart A of part IV of subchapter A of chapter 1 (relating to credits allowable) is amended by inserting before section 45 the following new section:

[Code Sec. 44A]

SEC. 44A. EXPENSES FOR HOUSEHOLD AND DEPENDENT CARE SERVICES NECESSARY FOR GAINFUL EMPLOYMENT.

"(a) **ALLOWANCE OF CREDIT.**—In the case of an individual who maintains a household which includes as a member one or more qualifying individuals (as defined in subsection (c)(1)), there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 20 percent of the employment-related expenses as defined in subsection (c)(2) paid by such individual during the taxable year.

"(b) **APPLICATION WITH OTHER CREDITS.**—The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by this chapter for the taxable year reduced by the amount of the credits allowable under—

- "(1) section 33 (relating to foreign tax credit),
- "(2) section 37 (relating to credit for the elderly),
- "(3) section 38 (relating to investment in certain depreciable property),
- "(4) section 40 (relating to expenses of work incentive programs),
- "(5) section 41 (relating to contributions to candidates for public office),
- "(6) section 42 (relating to general tax credit), and
- "(7) section 44 (relating to purchase of new principal residence).

"(c) **DEFINITIONS OF QUALIFYING INDIVIDUAL AND EMPLOYMENT-RELATED EXPENSES.**—The terms of this section—

"(1) **QUALIFYING INDIVIDUAL.**—The term 'qualifying individual' means—

"(A) a dependent of the taxpayer who is under the age of 15 and with respect to whom the taxpayer is entitled to a deduction under section 151(c),

Act Sec. 504(a) § 1190

"(B) a dependent of the taxpayer who is physically or mentally incapable of caring for himself, or

"(C) the spouse of the taxpayer, if he is physically or mentally incapable of caring for himself.

"(2) EMPLOYMENT-RELATED EXPENSES.—

"(A) IN GENERAL.—The term 'employment-related expenses' means amounts paid for the following expenses, but only if such expenses are incurred to enable the taxpayer to be gainfully employed for any period for which there are 1 or more qualifying individuals with respect to the taxpayer:

"(i) expenses for household services, and

"(ii) expenses for the care of a qualifying individual.

"(B) EXCEPTION.—Employment-related expenses described in subparagraph (A) which are incurred for services outside the taxpayer's household shall be taken into account only if incurred for the care of a qualifying individual described in paragraph (1)(A).

"(d) DOLLAR LIMIT ON AMOUNT CREDITABLE.—The amount of the employment-related expenses incurred during any taxable year which may be taken into account under subsection (a) shall not exceed—

"(1) \$2,000 if there is 1 qualifying individual with respect to the taxpayer for such taxable year, or

"(2) \$4,000 if there are 2 or more qualifying individuals with respect to the taxpayer for such taxable year.

"(e) EARNED INCOME LIMITATION.—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, the amount of the employment-related expenses incurred during any taxable year which may be taken into account under subsection (a) shall not exceed—

"(A) in the case of an individual who is not married at the close of such year, such individual's earned income for such year, or

"(B) in the case of an individual who is married at the close of such year, the lesser of such individual's earned income or the earned income of his spouse for such year.

"(2) SPECIAL RULE FOR SPOUSE WHO IS A STUDENT INCAPABLE OF CARING FOR HIMSELF.—In the case of a spouse who is a student or a qualified individual described in subsection (c)(1)(C), for purposes of paragraph (1), such spouse shall be deemed for each month during which such spouse is a full-time student at an educational institution, or is such a qualifying individual, to be gainfully employed and to have earned income of not less than—

"(A) \$166 if subsection (d)(1) applies for the taxable year, or

"(B) \$333 if subsection (d)(2) applies for the taxable year.

In the case of any husband and wife, this paragraph shall apply with respect to only one spouse for any one month.

"(f) SPECIAL RULES.—For purposes of this section—

"(1) MAINTAINING HOUSEHOLD.—An individual shall be treated as maintaining a household for any period only if over half the cost of maintaining the household for such period is furnished by such individual (or, if such individual is married during such period, is furnished by such individual and his spouse).

"(2) MARRIED COUPLES MUST FILE JOINT RETURN.—If the taxpayer is married at the close of the taxable year, the credit shall be allowed under subsection (a) only if the taxpayer and his spouse file a joint return for the taxable year.

"(3) MARITAL STATUS.—An individual legally separated from his spouse under a decree of divorce or of separate maintenance shall not be considered as married.

(4) CERTAIN MARRIED INDIVIDUALS LIVING APART.—If—

(A) an individual who is married and who files a separate return—

(i) maintains as his home a household which constitutes for more than one-half of the taxable year the principal place of abode of a qualifying individual, and

(ii) furnishes over half of the cost of maintaining such household during the taxable year, and

(B) during the last 6 months of such taxable year such individual's spouse is not a member of such household,

such individual shall not be considered as married.

(5) SPECIAL DEPENDENCY TEST IN CASE OF DIVORCED PARENTS, ETC.—If—

(A) a child (as defined in section 151(c)(3)) who is under the age of 15 or who is physically or mentally incapable of caring for himself receives over half of his support during the calendar year from his parents who are divorced or legally separated under a decree of divorce or separate maintenance or who are separated under a written separation agreement, and

(B) such child is in the custody of one or both of his parents for more than one-half of the calendar year,

in the case of any taxable year beginning in such calendar year such child shall be treated as being a qualifying individual described in subparagraph (A) or (B) of subsection (c)(1), as the case may be, with respect to that parent who has custody for a longer period during such calendar year than the other parent, and shall not be treated as being a qualifying individual with respect to such other parent.

(6) PAYMENTS TO RELATED INDIVIDUALS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), no credit shall be allowed under subsection (a) for any amount paid by the taxpayer to an individual bearing a relationship to the taxpayer described in paragraphs (1) through (8) of section 152(a) (relating to definition of dependent) or to a dependent described in paragraph (9) of such section.

(B) EXCEPTION.—Subparagraph (A) shall not apply to any amount paid by the taxpayer to an individual with respect to whom, for the taxable year of the taxpayer in which the service is performed, neither the taxpayer nor his spouse is entitled to a deduction under section 151(e) (relating to deduction for personal exemptions for dependents), but only if the service with respect to which such amount is paid constitutes employment within the meaning of section 3121(b).

(7) STUDENT.—The term 'student' means an individual who during each of 5 calendar months during the taxable year is a full-time student at an educational organization.

(8) EDUCATIONAL ORGANIZATION.—The term 'educational organization' means an educational organization described in section 170(b)(1)(A)(ii).

(9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section."

(J) CLERICAL AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting before the item relating to section 214 the following new item:

Sec. 41A. Expenses for household and dependent care services necessary for gainful employment."

[§ 1191]

AM Sec. 504 (b) REPEAL OF DEDUCTION FOR CHILD CARE EXPENSES.—

(1) IN GENERAL.—Section 214 (relating to expenses for household and dependent care services necessary for gainful employment) is hereby repealed.

Act Sec. 504(b) § 1191

• • *Prior Law*

Code Sec. 214 before repeal:

SEC. 214. EXPENSES FOR HOUSEHOLD AND DEPENDENT CARE SERVICES NECESSARY FOR GAINFUL EMPLOYMENT.

(a) **ALLOWANCE OF DEDUCTION.**—In the case of an individual who maintains a household which includes as a member one or more qualifying individuals (as defined in subsection (b)(1)), there shall be allowed as a deduction the employment-related expenses (as defined in subsection (b)(2)) paid by him during the taxable year.

(b) **DEFINITIONS, ETC.**—For purposes of this section—

(1) **QUALIFYING INDIVIDUAL.**—The term "qualifying individual" means—

(A) a dependent of the taxpayer who is under the age of 15 and with respect to whom the taxpayer is entitled to a deduction under section 151(e),

(B) a dependent of the taxpayer who is physically or mentally incapable of caring for himself, or

(C) the spouse of the taxpayer, if he is physically or mentally incapable of caring for himself.

(2) **EMPLOYMENT-RELATED EXPENSES.**—The term "employment-related expenses" means amount paid for the following expenses, but only if such expenses are incurred to enable the taxpayer to be gainfully employed:

(A) expenses for household services, and

(B) expenses for the care of a qualifying individual.

(3) **MAINTAINING A HOUSEHOLD.**—An individual shall be treated as maintaining a household for any period only if over half of the cost of maintaining the household during such period is furnished by such individual (or if such individual is married during such period, is furnished by such individual and his spouse).

(c) **LIMITATIONS ON AMOUNTS DEDUCTIBLE.**—

(1) **IN GENERAL.**—A deduction shall be allowed under subsection (a) for employment-related expenses incurred during any month only to the extent such expenses do not exceed \$400.

(2) **EXPENSES MUST BE FOR SERVICES IN THE HOUSEHOLD.**—

(A) **IN GENERAL.**—Except as provided in subparagraph (B), a deduction shall be allowed under subsection (a) for employment-related expenses only if they are incurred for services in the taxpayer's household.

(B) **EXCEPTION.**—Employment-related expenses described in subsection (b)(2)(B) which are incurred for services outside the taxpayer's household shall be taken into account only if incurred for the care of a qualifying individual described in subsection (b)(1)(A) and only to the extent such expenses incurred during any month do not exceed—

(i) \$200, in the case of one such individual,

(ii) \$300, in the case of two such individuals, and

(iii) \$400, in the case of three or more such individuals.

(d) **INCOME LIMITATION.**—If the adjusted gross income of the taxpayer exceeds \$35,000 for the taxable year during which the expenses are incurred, the amount of the employment-related expenses incurred during any month of such year which may be taken into account under this section shall (after the application of subsections (c)(5) and (c)) be further reduced by that portion of one-half of the excess of the adjusted gross income over \$35,000 which is properly allocable to such month. For purposes of the preceding sentence, if the taxpayer

Prior Law

is married during any period of the taxable year, there shall be taken into account the combined adjusted gross income of the taxpayer and his spouse for such period.

(c) **SPECIAL RULES.**—For purposes of this section—

(1) **MARRIED COUPLES MUST FILE JOINT RETURN.**—If the taxpayer is married at the close of the taxable year, the deduction provided by subsection (a) shall be allowed only if the taxpayer and his spouse file a single return jointly for the taxable year.

(2) **GAINFUL EMPLOYMENT REQUIREMENT.**—If the taxpayer is married for any period during the taxable year, there shall be taken into account employment-related expenses incurred during any month of such period only if—

(A) both spouses are gainfully employed on a substantially full-time basis, or

(B) the spouse is a qualifying individual described in subsection (b)(1)(C).

(3) **CERTAIN MARRIED INDIVIDUALS LIVING APART.**—An individual who for the taxable year would be treated as not married under section 143(b) if paragraph (1) of such section referred to any dependent, shall be treated as not married for such taxable year.

(4) **PAYMENTS TO RELATED INDIVIDUALS.**—No deduction shall be allowed under subsection (a) for any amount paid by the taxpayer to an individual bearing a relationship to the taxpayer described in paragraphs (1) through (8) of section 152(a) (relating to definition of dependent) or to a dependent described in paragraph (9) of such section.

(5) **REDUCTION FOR CERTAIN PAYMENTS.**—In the case of employment-related expenses incurred during any taxable year solely with respect to a qualifying individual (other than an individual who is also described in subsection (b)(1)(A)), the amount of such expenses which may be taken into account for purposes of this section shall (before the application of subsection (c)) be reduced—

(A) if such individual is described in subsection (b)(1)(B), by the amount by which the sum of—

(i) such individual's adjusted gross income for such taxable year, and

(ii) the disability payments received by such individual during such year,
exceeds \$750, or

(B) in the case of a qualifying individual described in subsection (b)(1)(C), by the amount of disability payments received by such individual during the taxable year.

For purposes of this paragraph, the term "disability payment" means a payment (other than a gift) which is made on account of the physical or mental condition of an individual and which is not included in gross income.

(f) **REGULATIONS.**—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section.

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5 - JUNEAU 99811

January 26, 1977

The Honorable John Sackett
Chairman, Senate Finance Committee
Alaska State Legislature

The Honorable Steve Cowper
Chairman House Finance Committee
Alaska State Legislature

Dear Senator Sackett and Representative Cowper:

I have included in this letter an itemization of changes in the federal income tax code which are not incorporated by reference into the Alaska income tax statutes (AS 43.20). I bring these items to your attention in order that the legislature may make policy determinations on their inclusion or continued exclusion.

In Section 1, Chapter 125 SLA 1976, the income tax statute was amended to provide that newly enacted provisions of the Internal Revenue Code which change or modify exemptions from tax or credits against tax would not become incorporated by reference into Alaska law until the second January following their enactment by Congress. Thus the Alaska Legislature would have two years in which to decide whether changes or modifications in federal exemptions or credits should apply for Alaska purposes. In 1976 Congress made two major changes in the tax credit area which were not incorporated into Alaska law. These two credits are as follows:

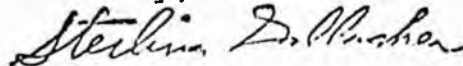
1. Congress repealed the child care itemized deduction and substituted in its place a credit equal to 20% of child care expenses up to a ceiling amount. The ceiling is \$2000 in child care expenses for 1 dependent (\$400 credit) or \$4,000 in child care expenses for 2 or more dependents (\$800 credit). In addition to making it a credit rather than a deduction, Congress eliminated the previous income limitation. Since the previous itemized deduction was repealed and its replacement is a credit, Alaska has neither the deduction or the credit until the 1978 tax year when the credit will become incorporated. Specific legislative action will be necessary to eliminate the credit permanently or to make it apply sooner.
2. Another tax credit change is the change made to the retirement income credit (IRC Section 37). This credit has been renamed a credit for the elderly since the credit

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In addition to federal credits and exemptions which are not automatically incorporated by reference, federal changes in federal tax rates and federal tax tables are not incorporated by reference since Alaska has adopted its own separate rate schedule. A change was made in the calculation of the 1976 federal tax tables. The new federal law replaced the optional tax tables based on adjusted gross income with new tables based on taxable income. Previously taxpayers who had under \$20,000 in adjusted gross income and did not itemize their deductions could go straight to the tax tables to find the amount of tax without further calculations to determine the dollar amount of exemptions or standard deduction. The tables automatically calculated the exemptions and standard deduction. With the change to taxable income the taxpayer will have to compute his or her standard deduction and exemptions prior to going to the tax table. Since Alaska law bases its tax tables on adjusted gross income the federal change will not apply. The department recommends that tax tables for Alaska income tax purposes remain based upon adjusted gross income rather than upon taxable income because it simplifies the tax calculation for the taxpayer.

If you, or your staff have any further questions about recent federal income tax changes please let me know.

Sincerely,



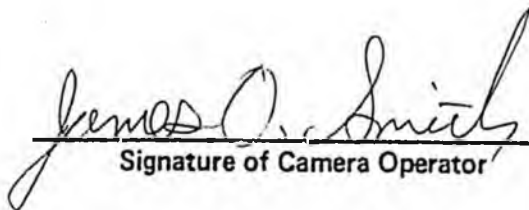
Sterling Gallagher
Commissioner

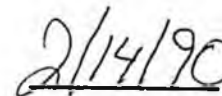


RECORDS CERTIFICATION



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

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST An Act relating to tax credits
and refunds under the Alaska Net
Bill/Resolution No. CS HB 182
Title Income Tax Act; and providing for an effective date.
Requested by Finance Free Committee Date _____

II. FISCAL DETAIL
Agency Affected _____ Revenue _____
Program Category Affected General Government
Budget Request Unit(s) Affected Audit

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUNJ)		100.0				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

Funding of the 5% penalty for late payment of refund will require a \$100,000 appropriation for FY 78.

IV. DATE May 13, 1977 PREPARED BY Gary Jenkins
AGENCY Revenue
PHONE 465-2320
Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

COMMITTEE REPORT

SENATE

2/13/77

March 1, 1977

Date

Mr. President:

The Committee on FINANCE has had CSHB 182 tax credit under the Alaska Net 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
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

[Signature] _____

[Signature] _____

[Signature] _____

[Signature] _____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

[Signature] recommends: Do Not

[Signature] recommends: Do not Pass

_____ recommends: _____

[Signature]
Chairman

Original sponsors: Parr, Duncan,
Miller, et al

Offered: 2/15/77
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 182

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to tax credits 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. Notwithstanding the language of AS 43.20.021 providing for
10 delayed adoption by reference of provisions of the Internal Revenue Code
11 which change or modify exemptions from tax or credits against tax, sec. 44A
12 (26 U.S.C. sec. 44A) and the 1976 amendments to sec. 37 (26 U.S.C. sec. 37)
13 of the Internal Revenue Code are immediately adopted by reference as part of
14 AS 43.20 and are retroactive to taxable years beginning after December 31,
15 1975.

16 * Sec. 2. The only effect of this Act is to accelerate the date of adop-
17 tion of sec. 44A (26 U.S.C. sec. 44A) and the 1976 amendments to sec. 37 (26
18 U.S.C. sec. 37) of the Internal Revenue Code as part of AS 43.20. In all
19 other respects, sec. 44A (26 U.S.C. sec. 44A) and the 1976 amendments to sec.
20 37 (26 U.S.C. sec. 37) of the Internal Revenue Code shall be treated in the
21 same manner as though adopted under the provisions of AS 43.20.021.

22 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
23 070(c) and terminates on the date that sec. 44A (26 U.S.C. sec. 44A) and the
24 1976 amendments to sec. 37 (26 U.S.C. sec. 37) of the Internal Revenue Code
25 would otherwise be adopted by reference under the provisions of AS 43.20.-
26 021(a).

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Introduced: 2/7/77
Referred: Finance

BY PARR, DUNCAN, MILLER, BRADLEY
COTTEN, GARDINER, GRUENING, GUY,
MCKINNON, NAKAK, RUDD, SNIDER
AND SWANSON

1 IN THE HOUSE

2 HOUSE BILL NO. 182

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

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SAME AS SB 170
duplicate file

SFC

Original sponsors: Parr, Duncan,
Miller, et al

Offered: 2/15/77
Referred: Rules

1 IN THE HOUSE BY THE FINANCE COMMITTEE
2 CS FOR HOUSE BILL NO. 182
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 TENTH LEGISLATURE - FIRST SESSION

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Introduced: 2/7/77
Referred: Finance

BY PARR, DUNCAN, MILLER, BRADLEY
COTTEN, GARDINER, GRUENING, GUY,
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3 IN THE LEGISLATURE OF THE STATE OF ALASKA

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FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill 182
 Title An Act relating to tax credits under the Alaska Net Income Tax Act
 Requested by House Finance Committee Date 2-8-77

II. FISCAL DETAIL

Agency Affected Revenue
 Program Category Affected Fiscal Services
 Budget Request Unit(s) Affected Audit

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
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700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

If this Bill is passed within the next month, there will be minimal effect on the Department. There will be an increasing impact with the passage of time after the one month period.

This Bill will result in approximately \$1,000,000 loss of revenue to the General Fund.

DATE 2-8-77

PREPARED BY [Signature]
 AGENCY Revenue Audit Division
 PHONE 465-2370

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

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH 5 - JUNEAU 99811

Revenue
JAY S. HAMMOND, GOVERNOR

January 26, 1977

HB182

The Honorable John Sackett
Chairman, Senate Finance Committee
Alaska State Legislature

The Honorable Steve Cowper
Chairman House Finance Committee
Alaska State Legislature

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Sincerely,



Sterling Gallagher
Commissioner