

LEG. FINANCE - BILLS 1977 - 1978 816

CASH 832 thru HB 832



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James O. Irish
Signature of Camera Operator

2/23/90
Date

Original sponsors: Freeman, Meekins,
Anderson, et al

Offered: 4/13/78
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 832

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for an individual income tax credit;
7 and providing for an effective date."

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

9 * Section 1. AS 43.20 is amended by adding a new section to read;

10 Sec. 43.20.015. INDIVIDUAL TAX CREDIT. (a) For tax years be-
11 ginning after December 31, 1977, each individual filing an Alaska net
12 income tax return is entitled to the credit provided for in this section.
13 For married taxpayers filing a joint return, the return may claim the
14 credit for each spouse.

15 (b) The amount of the annual individual tax credit shall be as
16 follows, but not exceeding the net tax liability of the taxpayer after
17 deduction of all other applicable credits:

18 (1) for tax years beginning during the period from January 1,
19 1978 to December 31, 1978 -- \$100;

20 (2) for tax years beginning during the period from January 1,
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22 (3) for tax years beginning after December 31, 1979 -- \$300.

23 (c) For part-year residents and nonresident individual taxpayers
24 the credit provided in this section shall be prorated according to the
25 number of months of residency in the state.

26 (d) The space for claiming the individual income tax credit shall
27 be given a prominent location on the form furnished by the department
28 for the filing of the individual income tax return.

29 * Sec. 2. This Act takes effect January 1, 1979.

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Referred: Finance

BY FREEMAN, MEEKINS, ANDERSON,
BRADLEY, COWPER, DANKWORTH,
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MEMORANDUM

TO: R. D. Stevenson
Special Assistant
Department of Revenue

DATE: April 14, 1978

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: CS for House Bill No. 832

Two changes were made in the Committee Substitute. First, the limits of the credit only to "adults" has been eliminated and thus, the credit would be only available to any taxpayer filing a return who has a tax liability. Secondly, the language was changed to limit the amount of credit to no more than the tax due after other credits. Therefore, it will no longer be a refundable credit. A very careful and detailed analysis was prepared by the staff of Legislative Affairs regarding the impact of the Committee Substitute on revenues, which I feel is quite accurate. They estimated the loss of revenue as follows:

FY 79	\$ 22.3 million
FY 80	44.5 "
FY 81	68.0 "

The credit is very clear and straight forward and would result in no additional costs in administration.

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS for HB 832
 Title An Act providing for an individual income tax rebate
 Requested by House Rules Committee Date 4/14/78

II. FISCAL DETAIL

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

EXPENDITURES (Thousands of Dollars) NONE

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars) NONE

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS NONE

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
FULL TIME						
PART TIME						
TEMPORARY						

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

See memorandum dated 4/14/78 to R. D. Stevenson.

IV. DATE April 14, 1978

PREPARED BY *Ray Benson*
 AGENCY Audit Division
 PHONE 465-2320

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

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FY 79	\$ 22.3 million
FY 80	44.5 "
FY 81	68.0 "

The credit is very clear and straight forward and would result in no additional costs in administration.

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS for HB 832
 Title an act providing for an individual income tax rebate
 Requested by House Rules Committee Date 4/14/78

II. FISCAL DETAIL

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

EXPENDITURES (Thousands of Dollars) NONE

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars) NONE

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						


POSITIONS NONE

FULL TIME						
PART TIME						
TEMPORARY						

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

See memorandum dated 4/14/78 to R. D. Stevenson.

IV. DATE April 14, 1978

PREPARED BY 
 AGENCY Audit Division
 PHONE 465-2320

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

MEMORANDUM

TO: R. D. Stevenson
Special Assistant
Department of Revenue

DATE: April 14, 1978

FILE NO:

TELEPHONE NO.

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: CS for House Bill No. 832

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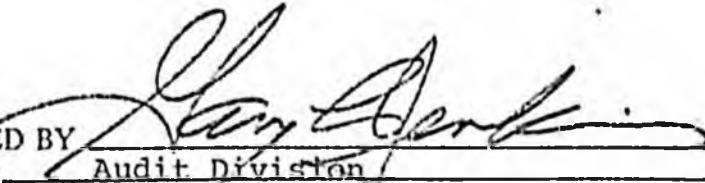
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IV. DATE April 14, 1978 PREPARED BY 
 AGENCY Audit Division
 PHONE 465-2320

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

COMMITTEE REPORT
SENATE

FURTHER: _____

4/21/78

Date: _____

Mr. President:

The Committee on FINANCE has had CSHB 832
individual income tax credit

under consideration and (a majority of the committee) (the committee reports it back as follows)

- 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 _____ new title same title
- AND attaches a Letter of Intent New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Chairman

4936
Berry

Original sponsors: Freeman, Meekins,
Anderson, et al

Offered: 4/13/78
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 832

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for an individual income tax credit;
7 and providing for an effective date."

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

9 * Section 1. AS 43.20 is amended by adding a new section to read;

10 Sec. 43.20.015. INDIVIDUAL TAX CREDIT. (a) For tax years be-
11 ginning after December 31, 1977, each individual filing an Alaska net
12 income tax return is entitled to the credit provided for in this section.
13 For married taxpayers filing a joint return, the return may claim the
14 credit for each spouse.

15 (b) The amount of the annual individual tax credit shall be as
16 follows, but not exceeding the net tax liability of the taxpayer after
17 deduction of all other applicable credits:

18 (1) for tax years beginning during the period from January 1,
19 1978 to December 31, 1978 -- \$100;

20 (2) for tax years beginning during the period from January 1,
21 1979 to December 31, 1979 -- \$200;

22 (3) for tax years beginning after December 31, 1979 -- \$300.

23 (c) For part-year residents and nonresident individual taxpayers
24 the credit provided in this section shall be prorated according to the
25 number of months of residency in the state.

26 (d) The space for claiming the individual income tax credit shall
27 be given a prominent location on the form furnished by the department
28 for the filing of the individual income tax return.

29 * Sec. 2. This Act takes effect January 1, 1979.

COMMITTEE COPY

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

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GENERAL FUND						
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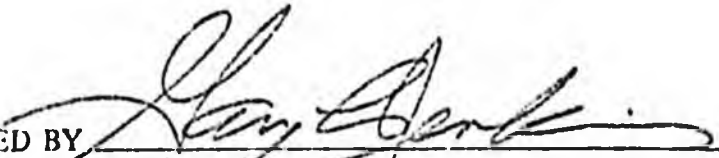
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ALASKA STATE LEGISLATURE

TENTH... Legislature SECOND... Session

HOUSE BILL NO. 832

By REELMAN, MEEKINS, ANDERSON,
BRADLEY, COWPER, DANKWORTH,
ELIASON, HAYES, KELLY, LEETHIN,
NAKAK, PHILLIPS, RHODE AND SNIDER

"An Act providing for an individual income tax rebate; and providing for an effective date."

Income tax rebate

Introduced in the House . 2/14/... 19.78

HISTORY IN THE HOUSE

19 78

Feb 14

Read first time and referred to Committee on Finance

Apr 13

Reported back with recommendation that

*Finance Report/CS
New title - dogan
to Rules*

Apr 20

Read second time and

CS adopted

Apr 30

Read third time and

Apr 20

PASS ²⁰
Yeas 36
Nays
Absent
Excused ¹¹
Effective Date
Yeas
Nays *same*
Absent
Excused

Reconsideration

PASS
Yeas
Nays
Absent
Excused
Effective Date
Yeas
Nays
Absent
Excused

Apr 20

Reported correctly engrossed

" 20

Signed by Speaker

Sent to Senate

James Chastain

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

1978

4 21

Read first time and referred to Committee on

Fin

Reported back with recommendation that

Read second time and

Read third time and

PASS
Yeas
Nays
Absent
Excused
Effective Date
Yeas
Nays
Absent
Excused

Reconsideration

PASS
Yeas
Nays
Absent
Excused
Effective Date
Yeas
Nays
Absent
Excused

Reported correctly engrossed

Signed by President

Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Concurred in Senate amendment thus adopting:

Failed to concur in Senate amendment; asked Sen. to recede

Senate receded from amendment

Senate failed to recede from amendment

FCC appointed by House

FCC appointed by Senate

FCC adopted

To enrolling

Reported correctly enrolled

Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No.

JAY S. HAMMOND
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

May 23, 1978

Copy in file

The Honorable John Sackett
Chairman
Senate Finance Committee
Alaska State Legislature
Juneau, Alaska 99811

Dear Senator Sackett:

CSHB832 (Cost of Living tax credit) has been referred to your committee for consideration. This bill provides for individual tax credits beginning this taxable year to persons filing tax returns with the State of Alaska. The tax credit would be \$100 for the first year, \$200 the second year, and \$300 for years thereafter.

I want to express to you my basic support for the concept envisioned in this bill. I support the idea of providing tax credits to individual taxpayers as a means of distributing a portion of our oil wealth to the people of Alaska. I believe that this is a preferable way of using surplus funds rather than increased state government.

I do, however, have two concerns with the bill in its present version, and I have specific recommendations to meet those concerns. First, I am concerned that the bill does not give recognition to Alaskan taxpayers who have made substantial contribution of income taxes to the State of Alaska in years past. The bill in its present form gives a flat credit to all taxpayers regardless of the number of years that they have paid taxes. However, I believe that the bill should be structured so that the amount of the credit is based upon the number of years that the individual has paid taxes to the State of Alaska. Of course some maximum number of years will have to be established because of record keeping problems for both the State and the taxpayers.

Secondly, I am concerned that the bill does not address a specific funding source to fund the reduction of revenues resulting from the tax credits. The bill in its present form would reduce individual income tax revenues by approximately \$22 million in FY 79, \$44 million in FY 80 and \$69 million in

May 23, 1978

FY 81. I am concerned that we may not be able to afford the amounts of these credits and feel that we should specifically tie the amount of the income tax credits to a specific funding source. It is my belief that the earnings from the permanent fund should provide the funding source for these tax credits and that we structure the tax credit bill to provide a tie between the amount of credit and the earnings of the permanent fund. Unfortunately, the earnings from the permanent fund will not be enough to allow credits of any substantial size for a few years to come. Therefore, I would propose that the limit of the credit be one-half of the earnings of the permanent fund or \$10 million, whichever is greater.

For your consideration, I have included my suggestions for changes in the bill as follows:

Sec. 43.20.015. INDIVIDUAL TAX CREDIT. (a) For tax years beginning after December 31, 1977, each individual filing an Alaska net income tax return is entitled to a cost of living credit provided for in this section. For married taxpayers filing a joint return, the return may claim the credit for each spouse.

(b) The amount of the cost of living tax credit shall not exceed the net tax liability of the taxpayer after applications of all other credits and shall be calculated as follows:

(1) an individual is entitled to a credit equal to the amount determined by the department under (2) or (3) of this subsection times the number of years, up to a maximum of five, that the taxpayer has filed a return under this chapter;

(2) until 50 percent of the earnings of the permanent fund as certified by the commissioner exceed \$10 million, the amount of the credit must be equal to the quotient of \$10 million divided by the total number of creditable years as determined in (c) of this section;

(3) when 50 percent of the earnings of the permanent fund as certified by the commissioner exceed \$10 million, the amount of the credit must be equal to the quotient of 50 percent of the earnings of the permanent fund during the previous fiscal year divided by the total number of creditable years as determined in (c) of this section.

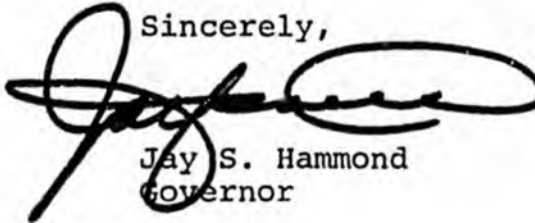
The Honorable John Sackett -3-

May 23, 1978

(c) The number of creditable years is the number of individual tax returns filed under this chapter in the current year multiplied by the number of years that the individuals filing those returns had previously filed returns up to a maximum of five years per individual.

(d) For part-year resident and non-resident individual taxpayers the credit provided in this section shall be prorated according to the number of months present in the State for those years in which the taxpayer is claiming credit.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay S. Hammond", written in a cursive style.

Jay S. Hammond
Governor

cc: The Honorable Oral Freeman



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

*Cathy
Put in Jim
file*

May 23, 1978

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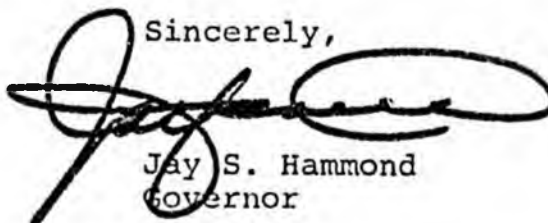
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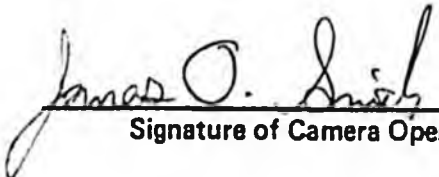
Jay S. Hammond
Governor

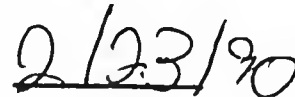
cc: The Honorable Oral Freeman



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

CS HB 832

I. REQUEST

Bill/Resolution No. CS for HB 832
 Title An Act providing for an individual income tax rebate
 Requested by House Rules Committee Date 4/14/78

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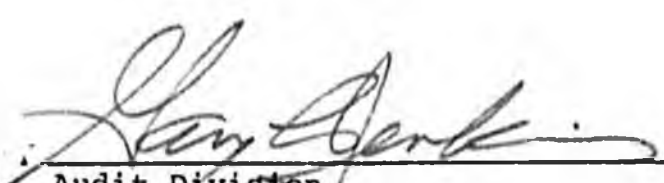
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FULL TIME						
PART TIME						
TEMPORARY						

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See memorandum dated 4/14/78 to R. D. Stevenson.

IV. DATE April 14, 1978 PREPARED BY 
 AGENCY Audit Division
 PHONE 465-2320
 Original: Legislative Finance
 cc: Budget and Management
Prime Sponsor (First Legislator Named)

STATE
of ALASKA

MEMORANDUM

TO: R. D. Stevenson
Special Assistant
Department of Revenue

DATE: April 14, 1978

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: CS for House Bill No. 832

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Original sponsors: Freeman, Meekins,
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Offered: 4/13/78
Referred: Rules

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29 * Sec. 2. This Act takes effect January 1, 1979.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDINGFINANCE DIVISION
POUCH WF—STATE CAPITOL

JUNEAU 99801

TO: Honorable Steve Cowper
Chairman
House Finance Committee

DATE: March 7, 1978

FROM: Milt Barker *MB*
Fiscal Analyst

SUBJECT: HB 832

As a check on the cost estimate for HB 832, the following is submitted:

Estimated 1978 population (Department of Labor, Research & Analysis)	410,978
Percentage of population over 19 (1970 census)	<u>59%</u>
Number of rebates for resident Alaska adults	242,477
Number of out-of-state income tax returns filed in 1976	56,500
Assumed average percent of income earned in Alaska	50%
Equivalent number of full \$100 tax credits	<u>28,250</u>
Total tax credits	270,727

This alternative approach produces an estimated number of full tax credits close to Revenue's estimate of 283,000 in their March 2 memo.

The approach used in this memo should in theory give the maximum number of credits to be granted. It assumes all persons over 19 file r-turns.

In Mr. Jenkins memo, he worked from the number of returns filed in 1976, namely 215,800, allowing an increase of 12.5% in the number of filings for persons not formerly filing. This is based on Oregon's experience with a property tax circuit breaker.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 17, 1978

SUBJECT: Revenue Impact of HB 832

TO: The Honorable Oral Freeman
The Honorable Russ Meekins

FROM: Ken Humphreys *J.K.H.*
Research Analyst

As requested, we have, in consultation with the Department of Revenue, prepared a revised estimate of the fiscal impact of the individual income tax rebate provided for in HB 832. Two cases are considered: 1) assuming no changes are made in HB 832; and 2) assuming HB 832 is amended to limit the rebate to the amount of the taxpayer's liability (if that is less than the current amount) and to remove the age restriction. The attached tables give cost estimates for these two cases through fiscal year 1985; the estimated rebate in fiscal 1979 is \$27.3 million without amendment and 22.3 million if amended as described above.

In the first case, we believe that a population-based estimate similar to the one contained in Milt Barker's memorandum of March 7 is as reliable as any. It would be extremely difficult to verify age and residency and there would be incentive for fraud, so, it seems likely that the theoretical maximum suggested in Mr. Barker's memorandum would be realized or exceeded. We have used the latest population estimates from the Division of Economic Enterprise (preliminary figures for the April quarterly report), applied the 59 percent factor to arrive at adult population, and then increased this figure by 13.1 percent to allow for part-year residents, and arrive at the number of full-year equivalent rebates. Population has been assumed to increase at a compound rate of three percent annually for 1980-85. The results are set out in Table 1.

In the second case, assuming HB 832 is amended to restrict the rebate or credit to the amount of tax liability and remove the age limit, we have made use of the recently available information on 1976 state returns and computed the potential impact as follows:

- 1) We computed the total tax liability for 1976 returns with an estimated liability less than \$100 (\$200 and \$300 for later

years) and subtracted the corresponding number of returns from the total of 199,263.

- 2) We multiplied the remaining number of returns by \$100 (or \$200 or \$300 where appropriate) to generate the rebates to those with a liability greater than the dollar maximum.
- 3) We increased the total estimated rebate by 50 percent to allow for a "spouse" or "joint return" factor.
- 4) We reduced the total by 13.1 percent to reflect the 26.2 percent part-year return factor (assuming an average of six months in the state).
- 5) We adjusted the total rebate figure by multiplying times the ratio of 1976 employment to estimated employment for the year in question.

A number of assumptions are relied on heavily in making this estimate. We have assumed that the relationships between total returns and joint returns, total returns and employment, total returns and part-year returns will remain constant. An estimate that employment will grow at six percent per year for 1980-85 is included.

In addition to other assumptions, there is an implicit assumption that the tax liability (to which the rebate is limited) is computed before other tax credits such as those for residential fuel and residential fuel conservation. It should be made clear in the bill which way this is to be computed; if the rebate under HB 832 is computed last, the fiscal impact would be reduced.

Table II gives our estimates of the amount of rebates under HB 832 if it is amended. The attached print-out shows impact on projected general fund balances.

Finally, for comparison purposes, we have included a revenue projection which assumes no rebate under HB 832.

We believe these estimates are reasonable; Mr. Jenkins has indicated that any differences between these figures and those which may be generated by the Department of Revenue should be slight.

Please let us know if you would like further research done on this subject.

KH:jm
Attachments

TABLE I

Income Tax Rebates Under HB 832 (without amendment)

Fiscal Year	Estimated Population (thousands)	Estimated Full-Year Equivalent Rebates (thousands)	Estimated Total Rebate (millions)
1979	409.3	273.1	\$ 27.3
1980	420.4	280.5	\$ 56.1
1981	434.4	297.4	\$ 89.2
1982	447.4	315.2	\$ 94.6
1983	460.9	334.1	\$100.2
1984	474.7	354.2	\$106.2
1985	488.9	375.4	\$112.6

Note: The attached print-out shows the effect of these rebates on general fund balances by reductions in "Other Income". The program which generated the figures does not allow general fund balances to fall below \$100 million; at that point, expenditures are automatically reduced to compensate.

Prepared by:
Legislative Affairs Agency
Research Division
17 March 1978

Attachment to Table I (Income Tax Rebates)
STATE FINANCIAL AND OPERATING OUTLOOK 1979 TO 1985 @ 25% PERM. FUND
 (FIGURES IN \$MILLIONS)

F/Y	NORTH SLOPE REVENUE	OTHER PETROLEUM REVENUE	OTHER INCOME	TOTAL REVENUE	EXPENDITURES	PERMANENT FUND CONTRIBUTION	PERMANENT FUND BALANCE	RRD FUND CONTRIBUTION	RRD FUND BALANCE	GENERAL FUND BALANCE
1979	\$625.9	\$47.4	\$328.3	\$1,001.7	\$928.5	\$75.3	\$130.3	\$15.1	\$15.1	\$522.8
1980	\$655.6	\$44.5	\$329.8	\$1,029.9	\$1,021.4	\$76.6	\$206.9	\$15.3	\$30.4	\$395.4
1981	\$857.9	\$42.0	\$304.6	\$1,204.5	\$1,123.5	\$96.3	\$303.2	\$19.3	\$49.6	\$303.9
1982	\$1,006.1	\$39.2	\$283.8	\$1,329.0	\$1,235.8	\$98.3	\$401.5	\$19.7	\$69.3	\$220.9
1983	\$1,018.4	\$69.8	\$280.6	\$1,368.8	\$1,303.8	\$105.1	\$506.6	\$21.0	\$90.3	\$100.0
1984	\$1,027.7	\$141.8	\$299.5	\$1,469.0	\$1,266.0	\$118.1	\$624.7	\$23.6	\$113.9	\$100.0
1985	\$1,006.9	\$144.5	\$328.8	\$1,540.3	\$1,332.3	\$121.0	\$745.7	\$24.2	\$138.1	\$100.0
TOTAL	\$6,258.7	\$529.2	\$2,155.4	\$8,943.3	\$8,211.3	NOT APPL.	\$745.7	NOT APPL.	\$138.1	\$100.0

KEY VARIABLES:

1. INITIAL FLOOR PRICE FOR SEVERANCE TAX PURPOSES IS \$ 6.53 PER BARREL AND ESCALATES 0 % ANNUALLY.
2. INITIAL WELLHEAD VALUE FOR ROYALTY PURPOSES IS \$ 5.03 PER BARREL AND ESCALATES 2.5 % ANNUALLY.
3. INITIAL WELLHEAD VALUE FOR SEVERANCE TAX PURPOSES IS \$ 5.72 PER BARREL AND ESCALATES 2.5 % ANNUALLY.
4. PRODUCTION AT THE ECONOMIC LIMIT IS ASSUMED TO BE 750 BARRELS PER DAY PER WELL.
5. STATE EXPENDITURES ESCALATE 10 % ANNUALLY.

Prepared by:
 Legislative Affairs Agency
 Research Division
 17 March 1973

TABLE II

Income Tax Rebates Under HB 832
(assuming amendments--see note)

Fiscal Year	Estimated Total Returns (thousands)	Estimated Total Rebate (millions)
1979	216.1	\$22.3
1980	233.9	\$44.5
1981	254.9	\$68.0
1982	270.2	\$72.1
1983	286.4	\$76.4
1984	303.6	\$81.0
1985	321.2	\$85.9

Note: The figures in this table are based on the assumption that HB 832 is amended to restrict the rebate or credit to the amount of the taxpayer's liability and that the age restriction is removed. The attached print-out shows the effect of these rebates on general fund balances by reductions in "Other Income". The program which generated the figures does not allow general fund balances to fall below \$100 million; at that point, expenditures are automatically reduced to compensate.

Prepared by:
Legislative Affairs Agency
Research Division
17 March 1978

STATE OF TEXAS (GENERAL TAX RELIEF)
 OIL AND GAS REVENUE - BUDGETS 1979 TO 1985 (FIGURES IN \$ MILLIONS)

YEAR	NON-FIELD REVENUE	FIELD REVENUE	OTHER INCOME	TOTAL REVENUE	EXPENDITURES	PERMANENT FUND CONTRIBUTION	PERMANENT FUND BALANCE	RRD FUND CONTRIBUTION	RRD FUND BALANCE	GENERAL FUND BALANCE
1979	\$625.9	\$47.4	\$333.5	\$1,006.8	\$928.5	\$75.3	\$130.3	\$15.1	\$15.1	\$522.0
1980	\$655.6	\$44.5	\$342.1	\$1,042.3	\$1,021.4	\$76.6	\$206.9	\$15.3	\$30.4	\$412.9
1981	\$857.9	\$42.0	\$327.7	\$1,227.6	\$1,123.5	\$96.3	\$303.2	\$19.3	\$49.6	\$344.6
1982	\$1,005.1	\$39.2	\$309.8	\$1,355.1	\$1,235.3	\$92.3	\$401.5	\$19.7	\$69.3	\$287.7
1983	\$1,018.4	\$69.8	\$309.3	\$1,397.4	\$1,359.4	\$105.1	\$506.6	\$21.0	\$90.3	\$139.2
1984	\$1,027.7	\$141.8	\$326.2	\$1,495.6	\$1,332.5	\$118.1	\$624.7	\$23.6	\$113.9	\$100.0
1985	\$1,066.9	\$144.5	\$355.6	\$1,567.0	\$1,359.0	\$121.0	\$745.7	\$24.2	\$133.1	\$100.0
TOTAL	\$6,258.7	\$529.2	\$2,304.1	\$9,092.0	\$8,360.1	NOT APPL.	\$745.7	NOT APPL.	\$138.1	\$100.0

KEY VARIABLES:

Prepared by:
 Legislative Affairs Agency
 Research Division
 17 March 1978

1. INITIAL FLOOR PRICE FOR SEVERANCE TAX PURPOSES IS \$ 6.53 PER BARREL AND ESCALATES 0 % ANNUALLY.
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3. INITIAL WELLHEAD VALUE FOR SEVERANCE TAX PURPOSES IS \$ 5.72 PER BARREL AND ESCALATES 2.5 % ANNUALLY.
4. PRODUCTION AT THE ECONOMIC LIMIT IS ASSUMED TO BE 750 BARRELS PER DAY PER WELL.
5. STATE EXPENDITURES ESCALATE 10 % ANNUALLY.

STATE FINANCIAL AND OPERATING OUTLOOK 1979 TO 1985 @ 25% PERM. FUND
(FIGURES IN \$MILLIONS)

F/Y	NORTH SLOPE REVENUE	OTHER PETROLEUM REVENUE	OTHER INCOME	TOTAL REVENUE	EXPENDITURES	PERMANENT FUND CONTRIBUTION	PERMANENT FUND BALANCE	RRD FUND CONTRIBUTION	RRD FUND BALANCE	GENERAL FUND BALANCE
1979	\$625.9	\$47.4	\$386.6	\$1,030.0	\$928.5	\$75.3	\$130.3	\$15.1	\$15.1	\$551.1
1980	\$655.6	\$44.5	\$389.8	\$1,090.0	\$1,021.4	\$76.6	\$206.9	\$15.3	\$30.4	\$423.7
1981	\$857.9	\$42.0	\$403.1	\$1,303.0	\$1,123.5	\$96.3	\$303.2	\$19.3	\$49.6	\$490.7
1982	\$1,006.1	\$39.2	\$394.7	\$1,440.0	\$1,235.3	\$98.3	\$401.5	\$19.7	\$69.3	\$512.7
1983	\$1,018.4	\$69.8	\$404.5	\$1,492.7	\$1,359.4	\$105.1	\$506.6	\$21.0	\$90.3	\$466.1
1984	\$1,027.7	\$141.8	\$423.5	\$1,597.9	\$1,495.4	\$118.1	\$624.7	\$23.6	\$113.9	\$365.7
1985	\$1,066.9	\$144.5	\$454.2	\$1,665.6	\$1,644.9	\$121.0	\$745.7	\$24.2	\$133.1	\$178.5
TOTAL	\$6,253.7	\$529.2	\$2,831.3	\$9,619.2	\$8,803.3	NOT APPL.	\$745.7	NOT APPL.	\$133.1	\$178.5

KEY VARIABLES:

Prepared by:
Legislative Affairs Agency
Research Division
17 March 1978

1. INITIAL FLOOR PRICE FOR SEVERANCE TAX PURPOSES IS \$ 6.53 PER BARREL AND ESCALATES 0 % ANNUALLY.
2. INITIAL WELLHEAD VALUE FOR ROYALTY PURPOSES IS \$ 5.08 PER BARREL AND ESCALATES 2.5 % ANNUALLY.
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4. PRODUCTION AT THE ECONOMIC LIMIT IS ASSUMED TO BE 750 BARRELS PER DAY PER WELL.
5. STATE EXPENDITURES ESCALATE 10 % ANNUALLY.

COMMITTEE REPORT

HOUSE

2/14/78

FURTHER:

Date: _____

Mr. Speaker:

The Committee on FINANCE has had HB 532
"An Act providing for an individual income tax rebate; eff. date."

under consideration and (a majority of the committee) (the committee reports it back as follows)

- recommends it do pass recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with ^{FINANCE} CS for HB 532 II R 332
~~FINANCE~~
- and _____ new title same title
- AND attaches a Letter of Intent New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

T. Freeman
Whitely - By all Means

T. Buchheit

John DeWitt

 Chairman

Berry

Original sponsors: Freeman, Heekins,
Anderson, et al

IN THE HOUSE

BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 832

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act providing for an individual income tax credit;
and providing for an effective date."

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

* Section 1. AS 43.20 is amended by adding a new section to read;

Sec. 43.20.015. INDIVIDUAL TAX CREDIT. (a) For tax years beginning after December 31, 1977, each individual filing an Alaska net income tax return is entitled to the credit provided for in this section. For married taxpayers filing a joint return, the return may claim the credit for each spouse.

(b) The amount of the annual individual tax credit shall be as follows, but not exceeding the net tax liability of the taxpayer after deduction of all other applicable credits:

(1) for tax years beginning during the period from January 1, 1978 to December 31, 1978 -- \$100;

(2) for tax years beginning during the period from January 1, 1979 to December 31, 1979 -- \$200;

(3) for tax years beginning after December 31, 1979 -- \$300.

(c) For part-year residents and nonresident individual taxpayers the credit provided in this section shall be prorated according to the number of months of residency in the state.

(d) The space for claiming the individual income tax credit shall be given a prominent location on the form furnished by the department for the filing of the individual income tax return.

* Sec. 2. This Act takes effect January 1, 1979.

Original sponsors: Freeman, Meekins,
Anderson, et al

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 832

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

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7 and providing for an effective date."

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10 Sec. 43.20.015. INDIVIDUAL TAX CREDIT. (a) For tax years be-
11 ginning after December 31, 1977, each individual filing an Alaska net
12 income tax return is entitled to the credit provided for in this section.
13 For married taxpayers filing a joint return, the return may claim the
14 credit for each spouse.

15 (b) The amount of the annual individual tax credit shall be as
16 follows, but not exceeding the net tax liability of the taxpayer after
17 deduction of all other applicable credits:

18 (1) for tax years beginning during the period from January 1,
19 1978 to December 31, 1978 -- \$100;

20 (2) for tax years beginning during the period from January 1,
21 1979 to December 31, 1979 -- \$200;

22 (3) for tax years beginning after December 31, 1979 -- \$300.

23 (c) For part-year residents and nonresident individual taxpayers
24 the credit provided in this section shall be prorated according to the
25 number of months of residency in the state.

26 (d) The space for claiming the individual income tax credit shall
27 be given a prominent location at the ~~bottom~~^{en} of the form furnished by the
28 department for the filing of the individual income tax return.

29 * Sec. 2. This Act takes effect January 1, 1979.

Introduced: 2/14/78
Referred: Finance

BY FREEMAN, MEEKINS, ANDERSON,
BRADLEY, COWPER, DANKWORTH,
ELIASON, HAYES, KELLY, LETHIN,
NAKAK, PHILLIPS, RHODE AND
SNIDER

1 IN THE HOUSE

2 HOUSE BILL NO. 832

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

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12 net income tax return is entitled to the rebate payment provided for in
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14 may claim the rebate for each spouse.

15 (b) The amount of the annual individual tax rebate shall be as
16 follows:

17 (1) for tax years beginning during the period from January 1,
18 1978 to December 31, 1978 -- \$100;

19 (2) for tax years beginning during the period from January 1,
20 1979 to December 31, 1979 -- \$200;

21 (3) for tax years beginning after December 31, 1979 -- \$300.

22 (c) If the rebate provided in this section exceeds the amount of
23 tax due and results in a balance being due to the individual filing the
24 return, that balance shall be paid to the individual in the same manner
25 as a refund of tax due to the individual.

26 (d) For part-year residents and nonresident individual taxpayers
27 the rebate provided in this section shall be prorated according to the
28 number of months of residency in the state.

29 (e) The space for claiming the individual income tax rebate shall

1 be given a prominent location at the bottom of the form furnished by the
2 department for the filing of the individual income tax return.

3 * Sec. 2. This Act takes effect January 1, 1979.
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THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 832
 Title Providing for an Individual Income Tax Rebate
 Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Revenue
 Program Category Affected General Government
 Budget Request Unit(s) Affected Administrative Services

EXPENDITURES (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES		20.5	13.9	14.6	15.3	16.1
200 TRAVEL						
300 CONTRACTUAL		2.6	2.9	3.6	4.0	4.5
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	23.1	16.8	18.2	19.3	20.6

FUNDING (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
GENERAL FUND		23.1	16.8	18.2	19.3	20.6
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
FULL TIME						
PART TIME						
TEMPORARY		3/13 mm	2/10 mm	2/10 mm	2/10 mm	2/10 mm

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

See attached memorandum to R. D. Stevenson.

IV. DATE March 28, 1978 PREPARED BY Philip A. Wall
 AGENCY Revenue
 PHONE 465-2313
 Original: Legislative Finance
 cc: Budget and Management
Prime Sponsor (First Legislator Named)

HB 832

STATE
of ALASKA

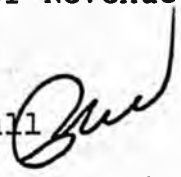
MEMORANDUM

TO: [Robert D. Stevenson
State Investment Officer
Department of Revenue

DATE: March 29, 1978

FILE NO.

TELEPHONE NO.

FROM: Philip A. Wall 
Director
Administrative Services Div.
Department of RevenueSUBJECT: HB 832 - Providing For An
Individual Income Tax
Rebate

The subject bill will require changes to the Alaska Tax forms and our processing procedures. The most costly effect will be to computer data capture and computer program functions.

Assumptions include that forms design requirements will not require additional budget as the requirements will be designed into the annual tax form specification. Also assumed is that the rebates will be accounted for on the present refund warrant volume. However, about 10,000 additional refunds will be issued the first year as the \$100 rebate changes tax owed to refund, about 15,000 the second year and about 20,000 the third year.

Administrative costs associated with this bill are:

1. Personal Services

- | | | |
|----|--|--------|
| a. | One time programming costs, 3mm @ \$1,934/mo.
plus .255 employer costs first year | = 7.3 |
| b. | Two temporary five month positions to handle
document pre-editing, 10mm @ \$1,055/mo. plus
.255 employer costs each year | = 13.2 |

2. Contractual Services

- | | | |
|----|--|-------|
| a. | Postage | |
| | 1) First year, .13¢ x 10,000 | = 1.3 |
| | 2) Second year, .13¢ x 15,000 | = 2.0 |
| | 3) Third year, .13¢ x 20,000 | = 2.6 |
| b. | Warrant Stock | |
| | 1) First year, \$25m x 10,000 | = .3 |
| | 2) Second year, \$25m x 15,000 | = .4 |
| | 3) Third year, \$25m x 20,000 | = .5 |
| c. | Insurance and position related contractual | |
| | 1) First year | = 1.0 |
| | 2) Second year | = .5 |

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF—STATE CAPITOL

JUNEAU 99801

MEMORANDUM

TO: Honorable Steve Cowper DATE: March 7, 1978
Chairman
House Finance Committee

FROM: Milt Barker SUBJECT: HB 832
Fiscal Analyst
Legislative Finance

At your request, I have developed the attached graph which indicates the per cent of individual income tax returns that are filed from out-of-state for each income bracket. For calendar 1975, a total of 180,227 returns were filed of which 70,348 were out-of-state. Pipeline construction in 1975 certainly accounts for a large portion of out-of-state returns. Calendar 1976 data should be available from the Department of Revenue shortly.

MB:vsw

Attachment

Introduced: 2/14/78
Referred: Finance

BY FREEMAN, MEEKINS, ANDERSON,
BRADLEY, COWPER, DANKWORTH,
ELIASON, HAYES, KELLY, LETHIN,
NAKAK, PHILLIPS, RHODE AND
SNIDER

1 IN THE HOUSE

2 HOUSE BILL NO. 832

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for an individual income tax rebate;
7 and providing for an effective date."

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

9 * Section 1. AS 43.20 is amended by adding a new section to read;

10 Sec. 43.20.015. INDIVIDUAL TAX REBATE. (a) For tax years be-
11 ginning after December 31, 1977, each adult individual filing an Alaska
12 net income tax return is entitled to the rebate payment provided for in
13 this section. For married taxpayers filing a joint return, the return
14 may claim the rebate for each spouse.

15 (b) The amount of the annual individual tax rebate shall be as
16 follows:

17 (1) for tax years beginning during the period from January 1,
18 1978 to December 31, 1978 -- \$100;

19 (2) for tax years beginning during the period from January 1,
20 1979 to December 31, 1979 -- \$200;

21 (3) for tax years beginning after December 31, 1979 -- \$300.

22 (c) If the rebate provided in this section exceeds the amount of
23 tax due and results in a balance being due to the individual filing the
24 return, that balance shall be paid to the individual in the same manner
25 as a refund of tax due to the individual.

26 (d) For part-year residents and nonresident individual taxpayers
27 the rebate provided in this section shall be prorated according to the
28 number of months of residency in the state.

29 (e) The space for claiming the individual income tax rebate shall

1 be given a prominent location at the bottom of the form furnished by the
2 department for the filing of the individual income tax return.

3 * Sec. 2. This Act takes effect January 1, 1979.
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Original sponsors: Freeman, Meekins,
Anderson, et al

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 832

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act providing for an individual income tax credit;
and providing for an effective date."

7

8

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

9

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12

13

For married taxpayers filing a joint return, the return may claim the
credit for each spouse.

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(b) The amount of the annual individual tax credit shall be as

16

follows, but not exceeding the net tax liability of the taxpayer after
deduction of all other applicable credits:

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(1) for tax years beginning during the period from January 1,
1978 to December 31, 1978 -- \$100;

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20

(2) for tax years beginning during the period from January 1,
1979 to December 31, 1979 -- \$200;

21

22

(3) for tax years beginning after December 31, 1979 -- \$300.

23

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(c) For part-year residents and nonresident individual taxpayers
the credit provided in this section shall be prorated according to the
number of months of residency in the state.

25

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(d) The space for claiming the individual income tax credit shall

27

be given a prominent location at the bottom of the form furnished by the
department for the filing of the individual income tax return.

28

29

* Sec. 2. This Act takes effect January 1, 1979.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y · STATE CAPITOL
JUNEAU, ALASKA 99811
907 455-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 17, 1978

SUBJECT: Revenue Impact of HB 832

TO: The Honorable Oral Freeman
The Honorable Russ Meekins

FROM: Ken Humphreys *J.K.H.*
Research Analyst

As requested, we have, in consultation with the Department of Revenue, prepared a revised estimate of the fiscal impact of the individual income tax rebate provided for in HB 832. Two cases are considered: 1) assuming no changes are made in HB 832; and 2) assuming HB 832 is amended to limit the rebate to the amount of the taxpayer's liability (if that is less than the current amount) and to remove the age restriction. The attached tables give cost estimates for these two cases through fiscal year 1985; the estimated rebate in fiscal 1979 is \$27.3 million without amendment and 22.3 million if amended as described above.

In the first case, we believe that a population-based estimate similar to the one contained in Milt Barker's memorandum of March 7 is as reliable as any. It would be extremely difficult to verify age and residency and there would be incentive for fraud, so, it seems likely that the theoretical maximum suggested in Mr. Barker's memorandum would be realized or exceeded. We have used the latest population estimates from the Division of Economic Enterprise (preliminary figures for the April quarterly report), applied the 59 percent factor to arrive at adult population, and then increased this figure by 13.1 percent to allow for part-year residents, and arrive at the number of full-year equivalent rebates. Population has been assumed to increase at a compound rate of three percent annually for 1980-85. The results are set out in Table 1.

In the second case, assuming HB 832 is amended to restrict the rebate or credit to the amount of tax liability and remove the age limit, we have made use of the recently available information on 1976 state returns and computed the potential impact as follows:

- 1) We computed the total tax liability for 1976 returns with an estimated liability less than \$100 (\$200 and \$300 for later

years) and subtracted the corresponding number of returns from the total of 199,263.

- 2) We multiplied the remaining number of returns by \$100 (or \$200 or \$300 where appropriate) to generate the rebates to those with a liability greater than the dollar maximum.
- 3) We increased the total estimated rebate by 50 percent to allow for a "spouse" or "joint return" factor.
- 4) We reduced the total by 13.1 percent to reflect the 26.2 percent part-year return factor (assuming an average of six months in the state).
- 5) We adjusted the total rebate figure by multiplying times the ratio of 1976 employment to estimated employment for the year in question.

A number of assumptions are relied on heavily in making this estimate. We have assumed that the relationships between total returns and joint returns, total returns and employment, total returns and part-year returns will remain constant. An estimate that employment will grow at six percent per year for 1980-85 is included.

In addition to other assumptions, there is an implicit assumption that the tax liability (to which the rebate is limited) is computed before other tax credits such as those for residential fuel and residential fuel conservation. It should be made clear in the bill which way this is to be computed; if the rebate under HB 832 is computed last, the fiscal impact would be reduced.

Table II gives our estimates of the amount of rebates under HB 832 if it is amended. The attached print-out shows impact on projected general fund balances.

Finally, for comparison purposes, we have included a revenue projection which assumes no rebate under HB 832.

We believe these estimates are reasonable; Mr. Jenkins has indicated that any differences between these figures and those which may be generated by the Department of Revenue should be slight.

Please let us know if you would like further research done on this subject.

KH:jm
Attachments

TABLE I

Income Tax Rebates Under HB 832 (without amendment)

Fiscal Year	Estimated Population (thousands)	Estimated Full-Year Equivalent Rebates (thousands)	Estimated Total Rebate (millions)
1979	409.3	273.1	\$ 27.3
1980	420.4	280.5	\$ 56.1
1981	434.4	297.4	\$ 89.2
1982	447.4	315.2	\$ 94.6
1983	460.9	334.1	\$100.2
1984	474.7	354.2	\$106.2
1985	488.9	375.4	\$112.6

Note: The attached print-out shows the effect of these rebates on general fund balances by reductions in "Other Income". The program which generated the figures does not allow general fund balances to fall below \$100 million; at that point, expenditures are automatically reduced to compensate.

Prepared by:
Legislative Affairs Agency
Research Division
17 March 1978

Attachment to Table I (Income Tax Rebates)
STATE FINANCIAL AND OPERATING OUTLOOK 1979 TO 1985 @ 25% PERM. FUND
 (FIGURES IN \$MILLIONS)

F/Y	NORTH SLOPE REVENUE	OTHER PETROLEUM REVENUE	OTHER INCOME	TOTAL REVENUE	EXPENDITURES	PERMANENT FUND CONTRIBUTION	PERMANENT FUND BALANCE	RRD FUND CONTRIBUTION	RRD FUND BALANCE	GENERAL FUND BALANCE
1979	\$625.9	\$47.4	\$328.3	\$1,001.7	\$928.5	\$75.3	\$130.3	\$15.1	\$15.1	\$522.8
1980	\$655.6	\$44.5	\$329.8	\$1,029.9	\$1,021.4	\$76.6	\$206.9	\$15.3	\$30.4	\$395.4
1981	\$857.9	\$42.0	\$304.6	\$1,204.5	\$1,123.5	\$86.3	\$303.2	\$19.3	\$49.6	\$303.9
1982	\$1,006.1	\$33.2	\$283.8	\$1,323.0	\$1,235.8	\$88.3	\$401.5	\$19.7	\$69.3	\$220.9
1983	\$1,018.4	\$69.2	\$280.6	\$1,368.2	\$1,303.8	\$105.1	\$506.6	\$21.0	\$90.3	\$100.0
1984	\$1,027.7	\$141.3	\$239.5	\$1,469.0	\$1,266.0	\$118.1	\$624.7	\$23.6	\$113.9	\$100.0
1985	\$1,066.9	\$144.5	\$328.8	\$1,540.3	\$1,332.3	\$121.0	\$745.7	\$24.2	\$138.1	\$100.0
TOTAL	\$6,293.7	\$529.2	\$2,155.4	\$8,943.3	\$8,211.3	NOT APPL.	\$745.7	NOT APPL.	\$153.1	\$100.0

KEY VARIABLES:

1. INITIAL FLOOR PRICE FOR SEVERANCE TAX PURPOSES IS \$ 6.53 PER BARREL AND ESCALATES 0 % ANNUALLY.
2. INITIAL WELLHEAD VALUE FOR ROYALTY PURPOSES IS \$ 5.03 PER BARREL AND ESCALATES 2.5 % ANNUALLY.
3. INITIAL WELLHEAD VALUE FOR SEVERANCE TAX PURPOSES IS \$ 5.72 PER BARREL AND ESCALATES 2.5 % ANNUALLY.
4. PRODUCTION AT THE ECONOMIC LIMIT IS ASSUMED TO BE 750 BARRELS PER DAY PER WELL
5. STATE EXPENDITURES ESCALATE 10 % ANNUALLY.

Prepared by:
 Legislative Affairs Agency
 Research Division
 17 March 1978

TABLE II

Income Tax Rebates Under HB 832
(assuming amendments--see note)

Fiscal Year	Estimated Total Returns (thousands)	Estimated Total Rebate (millions)
1979	216.1	\$22.3
1980	233.9	\$44.5
1981	254.9	\$68.0
1982	270.2	\$72.1
1983	286.4	\$76.4
1984	303.6	\$81.0
1985	321.2	\$85.9

Note: The figures in this table are based on the assumption that HB 832 is amended to restrict the rebate or credit to the amount of the taxpayer's liability and that the age restriction is removed. The attached print-out shows the effect of these rebates on general fund balances by reductions in "Other Income". The program which generated the figures does not allow general fund balances to fall below \$100 million; at that point, expenditures are automatically reduced to compensate.

Prepared by:
Legislative Affairs Agency
Research Division
17 March 1978

ATTACHED TO CHAPTER 4 (SEVERANCE TAX REVENUE)
 STATE OF TEXAS (FIGURES IN \$ MILLIONS)

YEAR	NORTH OIL DEPT REVENUE	OTHER PETROLEUM REVENUE	OTHER INCOME	TOTAL REVENUE	EXPENDITURES	PERMANENT FUND CONTRIBUTION	PERMANENT FUND BALANCE	RRD FUND CONTRIBUTION	RRD FUND BALANCE	CENTRAL FUND BALANCE
1979	\$625.9	\$47.4	\$333.5	\$1,006.8	\$928.5	\$75.3	\$130.3	\$15.1	\$15.1	\$522.0
1980	\$655.6	\$44.5	\$342.1	\$1,042.3	\$1,021.4	\$76.6	\$206.9	\$15.3	\$30.4	\$412.9
1981	\$857.9	\$42.0	\$327.7	\$1,227.6	\$1,123.5	\$96.3	\$303.2	\$19.3	\$49.6	\$344.6
1982	\$1,006.1	\$39.2	\$309.8	\$1,355.1	\$1,235.8	\$98.3	\$401.5	\$19.7	\$69.3	\$287.7
1983	\$1,018.4	\$69.8	\$309.3	\$1,397.4	\$1,359.4	\$105.1	\$506.6	\$21.0	\$90.3	\$139.3
1984	\$1,027.7	\$141.3	\$326.2	\$1,495.6	\$1,332.5	\$118.1	\$624.7	\$23.6	\$113.9	\$100.0
1985	\$1,066.9	\$144.5	\$355.6	\$1,567.0	\$1,359.0	\$121.0	\$745.7	\$24.2	\$133.1	\$100.0
TOTAL	\$6,258.7	\$523.2	\$2,304.1	\$9,092.0	\$8,360.1	NOT APPL.	\$745.7	NOT APPL.	\$133.1	\$100.0

KEY VARIABLES:

1. INITIAL FLOOR PRICE FOR SEVERANCE TAX PURPOSES IS \$ 6.53 PER BARREL AND ESCALATES 0 % ANNUALLY.
2. INITIAL WELLHEAD VALUE FOR ROYALTY PURPOSES IS \$ 5.03 PER BARREL AND ESCALATES 2.5 % ANNUALLY.
3. INITIAL WELLHEAD VALUE FOR SEVERANCE TAX PURPOSES IS \$ 5.72 PER BARREL AND ESCALATES 2.5 % ANNUALLY.
4. PRODUCTION AT THE ECONOMIC LIMIT IS ASSUMED TO BE 750 BARRELS PER DAY PER WELL.
5. STATE EXPENDITURES ESCALATE 10 % ANNUALLY.

Prepared by:
 Legislative Affairs Agency
 Research Division
 17 March 1978

STATE FINANCIAL AND OPERATING OUTLOOK 1979 TO 1985 @ 25% PERM. FUND
(FIGURES IN \$MILLIONS)

F/Y	NORTH SLOPE REVENUE	OTHER PETROLEUM REVENUE	OTHER INCOME	TOTAL REVENUE	EXPENDITURES	PERMANENT FUND CONTRIBUTION	PERMANENT FUND BALANCE	RRD FUND CONTRIBUTION	RRD FUND BALANCE	GENERAL FUND BALANCE
1979	\$625.9	\$47.4	\$356.6	\$1,030.0	\$923.5	\$75.3	\$130.3	\$15.1	\$15.1	\$551.1
1980	\$655.6	\$44.5	\$389.8	\$1,090.0	\$1,021.4	\$76.6	\$206.9	\$15.3	\$30.4	\$433.7
1981	\$857.9	\$42.0	\$403.1	\$1,303.0	\$1,123.5	\$96.3	\$303.2	\$19.3	\$49.6	\$490.7
1982	\$1,006.1	\$39.2	\$394.7	\$1,440.0	\$1,235.8	\$98.3	\$401.5	\$19.7	\$69.3	\$518.7
1983	\$1,018.4	\$69.8	\$404.5	\$1,492.7	\$1,359.4	\$105.1	\$506.6	\$21.0	\$90.3	\$466.1
1984	\$1,027.7	\$141.8	\$423.5	\$1,597.9	\$1,495.4	\$118.1	\$624.7	\$23.6	\$113.9	\$365.7
1985	\$1,066.9	\$144.5	\$454.2	\$1,665.6	\$1,644.9	\$121.0	\$745.7	\$24.2	\$138.1	\$172.5
TOTAL	\$6,258.7	\$529.2	\$2,831.3	\$9,619.2	\$8,803.3	NOT APPL.	\$745.7	NOT APPL.	\$138.1	\$178.5

KEY VARIABLES:

Prepared by:
Legislative Affairs Agency
Research Division
17 March 1978

1. INITIAL FLOOR PRICE FOR SEVERANCE TAX PURPOSES IS \$ 6.53 PER BARREL AND ESCALATES 0 % ANNUALLY.
2. INITIAL WELLHEAD VALUE FOR ROYALTY PURPOSES IS \$ 5.08 PER BARREL AND ESCALATES 2.5 % ANNUALLY.
3. INITIAL WELLHEAD VALUE FOR SEVERANCE TAX PURPOSES IS \$ 5.72 PER BARREL AND ESCALATES 2.5 % ANNUALLY.
4. PRODUCTION AT THE ECONOMIC LIMIT IS ASSUMED TO BE 750 BARRELS PER DAY PER WELL.
5. STATE EXPENDITURES ESCALATE 10 % ANNUALLY.

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

March 1, 1978

MEMORANDUM

SUBJECT: Revenue Impact of Individual Income Tax Rebate per H.B. 832
(W.O. #4940)

TO: The Honorable Oral Freeman
The Honorable Russ Meekins

FROM: Ken Humphreys *K.H.*
Research Analyst

As requested, we have made an estimate of the amount of revenue that the state would return in the form of individual income tax rebates under the provisions of HB 832. We have integrated these results with revenue forecasts prepared by this division in an attempt to assess the impact on general fund balances through 1985.

As with any long-range fiscal forecasts, these figures can only be safely regarded as "ballpark" estimates. In addition, to normal uncertainties, lack of data on state income tax collections makes it necessary to rely on further assumptions.

First, we developed an estimate of the number of individual income tax returns for fiscal years 1979-1985. The Department of Revenue has not tallied the number of returns filed for any year other than 1975, so we have looked to data on federal returns filed with an Alaska zip code and assumed that the relationship between the numbers of federal and state returns remains constant. In 1975 there were 180,227 state individual income tax returns filed of which 56,556 were part-year returns. Assuming that the average duration of residency on the part-year returns is six months (data is not available on the actual average), would indicate that the number of returns filed was equivalent to 151,949 full-year returns. There were 154,800 federal returns filed with Alaska zip codes in 1975. We have assumed for purposes of this analysis that, in every year as in 1975, there were 98.16 percent as many full-year equivalent state returns filed as there were federal returns.

Next, it is necessary to estimate the number of federal returns filed. To do this we have assumed that the correlation that exists between total employment (CPS basis) and the number of federal returns filed for

March 1, 1978

the years 1970-75 will continue; for that six-year period, federal returns averaged 120.24 percent of employment with a standard deviation of 4.56 percent.

On the basis of the foregoing assumptions we estimate that the number of state returns (full-year equivalent) filed in a given future year will be 118.03 percent of employment. For fiscal years 1979-1980 we have used employment estimates from the Alaska Economic Information and Reporting System, January 1978, quarterly report. For 1981-85 we have assumed that employment will increase at 6 percent per year. Two columns: "Estimated Number of PI Tax Returns" and "Estimated Rebate Under HB 832" have been added to the attached table previously prepared by this division and the "Other Income", "Total Revenue" and "General Fund Balance" columns adjusted accordingly.

The attached memorandum of February 6, sets out the assumptions used in developing the basic revenue projection. It is worth noting that reasonable alterations in assumptions such as the rate at which Prudhoe Bay wellhead prices are escalated produces much larger changes in general fund balances than does the proposed income tax rebate.

Please let us know if you would like further research done on this subject.

Attachment
KH:dh

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCHY STATE CAPITOL
JUNEAU, ALASKA 99801
907 465-3311

February 6, 1978

MEMORANDUM

SUBJECT: FY 1979-1985 Revenue Estimates (W.O. #4894)

TO: The Honorable Clark Gruening

FROM: Richard G. Haggart
Research Analyst

Attached is our estimate of the state's revenue and operating outlook for the period 1979-1985, based on the assumptions you requested. Specifically, the following assumptions were used:

1. FY 1979 wellhead prices in Prudhoe Bay were assumed to be \$5.08 for royalty purposes, and \$5.72 for severance tax purposes. These prices were escalated 2.5% annually.
2. The cents-per-barrel charge for severance tax purposes was assumed to remain at the current level of \$0.80 per barrel (equivalent to a wellhead price of \$6.53 per barrel) throughout the analysis.
3. The beginning General Fund balance was assumed to be \$583 million, and the beginning Permanent Fund balance was assumed to be \$55 million.
4. FY 1979 expenditures were assumed to be \$928.5 million, and were escalated at 10% annually.
5. Remaining state obligations to the Native Land Claims Fund (as of July 1, 1978) were assumed to be \$463.1 million. Remaining tax credits under the Early Development Incentive Credit were assumed to be \$386 million as of the same date.

Other data used in the analysis was essentially the same as that contained in our memorandum of July 14, 1977, with the following exceptions:

1. Natural gas sales in FY 1983 were assumed to be 350 MM/mcf, rising to 730 MM/mcf in FY 1984 and 1985 (reflecting assumed completion of the Northwest natural gas pipeline).

Hon. Clark Gruening

-2-

February 6, 1978

2. Non-petroleum revenues were adjusted to reflect recent Department of Revenue revisions in non-petroleum revenue estimates for FY 1978 and 1979.

Attachment
RGH:dh

280 → Acc to Dept of Revenue

The Effect of HB 832 on State Financial and Operating Outlook, 1979-1985 @ 25% Perm. Fund
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Est. No. of PI Tax Returns (Thousands)	Est. Rebate Under HB 832	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1979	\$643.5	\$47.4	\$357.2	156.2	\$15.6	\$1,032.5	\$928.8	\$77.6	\$132.6	\$15.5	\$15.5	\$549.1
1980	\$676.1	\$44.5	\$390.5	166.1	\$33.2	\$1,077.9	\$1,021.7	\$79.0	\$211.6	\$15.8	\$31.3	\$464.9
1981	\$908.0	\$42.0	\$403.8	176.1	\$52.8	\$1,301.0	\$1,123.8	\$98.8	\$310.4	\$19.8	\$51.1	\$465.1
1982	\$1,041.6	\$39.2	\$394.7	186.7	\$56.0	\$1,419.5	\$1,236.2	\$100.7	\$411.1	\$20.1	\$71.2	\$467.6
1983	\$1,058.2	\$69.8	\$403.0	197.8	\$59.3	\$1,471.6	\$1,359.9	\$107.7	\$518.8	\$21.5	\$92.8	\$388.8
1984	\$1,073.2	\$141.8	\$425.4	209.7	\$62.9	\$1,577.5	\$1,495.8	\$120.7	\$639.5	\$24.1	\$116.9	\$262.6
1985	\$1,123.8	\$144.5	\$450.0	222.4	\$66.7	\$1,651.6	\$1,645.4	\$123.7	\$763.2	\$24.7	\$141.6	\$55.9
TOTAL	\$6,524.3	\$529.2	\$2,467.4	Not. Appl.	\$346.5	\$9,531.6	\$8,811.7	Not. Appl.	\$763.2	Not. Appl.	\$141.6	\$55.9

Prepared by:

Legislative Affairs Agency
Research Division
1 March 1978

State Financial and Operating Outlook, 1979-1985 @ 25% Perm. Fund
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1979	\$643.5	\$47.4	\$357.2	\$1,048.1	\$928.8	\$77.6	\$132.6	\$15.5	\$15.5	\$564.7
1980	\$676.1	\$44.5	\$391.6	\$1,112.2	\$1,021.7	\$79.0	\$211.6	\$15.3	\$31.3	\$514.8
1981	\$908.0	\$42.0	\$407.3	\$1,357.3	\$1,123.8	\$98.8	\$310.4	\$19.8	\$51.1	\$571.3
1982	\$1,041.6	\$39.2	\$402.1	\$1,482.9	\$1,236.2	\$100.7	\$411.1	\$20.1	\$71.2	\$637.2
1983	\$1,058.2	\$69.8	\$414.9	\$1,542.8	\$1,359.9	\$107.7	\$518.8	\$21.5	\$92.8	\$629.6
1984	\$1,073.2	\$141.8	\$442.3	\$1,657.3	\$1,495.8	\$120.7	\$639.5	\$24.1	\$116.9	\$583.2
1985	\$1,123.8	\$144.5	\$472.4	\$1,740.7	\$1,645.4	\$123.7	\$763.2	\$24.7	\$141.6	\$465.6
TOTAL	\$6,524.3	\$529.2	\$2,887.8	\$9,941.4	\$8,811.7	Not. Appl.	\$763.2	Not. Appl.	\$141.6	\$465.6

Prepared by:

Legislative Affairs Agency
Research Division
1 March 1978

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill No. 832
 Title An Act providing for an individual income tax rebate
 Requested by House Finance Committee Date 3/2/78

II. FISCAL DETAIL

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

EXPENDITURES (Thousands of Dollars)

NONE

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING (Thousands of Dollars)

NONE

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS NONE

FULL TIME						
PART TIME						
TEMPORARY						

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

See memorandum dated 3/2/78 to R. D. Stevenson

IV. DATE March 2, 1978 PREPARED BY *Stan Jenkins*
 AGENCY Audit Division
 PHONE 465-2320
 Original: Legislative Finance
 cc: Budget and Management
Prime Sponsor (First Legislator Named)

HB 832

STATE
of ALASKA

MEMORANDUM

TO: R. D. Stevenson
Special Assistant
Department of Revenue

DATE: March 2, 1978

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: House Bill 832

This bill provides for a tax rebate for each adult individual filing an Alaska net income tax return. The rebate would be \$100 each in 1978, \$200 in 1979, and \$300 for 1980 and following years. The bill provides that the rebate will be paid to the individual whether they have any tax due or not, i.e. a refundable rebate. The bill further provides that each spouse filing a joint return will also receive the rebate. Based on the total number of returns filed for 1976 and adjusting for number of part-year residents, the number of spouses that would receive the rebate, and the number of individuals under 19 who would not qualify as adults, the rebate would be issued to approximately 283,000 individuals. For the year 1978, the rebate would be \$28,300,000; for 1979, \$56,600,000; and for 1980 and subsequent years, \$84,900,000. These figures do not make any allowance for population growth which would obviously increase the amount of the rebate.

There is a question regarding whether making the rebate only to adults in Alaska may run into a constitutional problem. However, that is an issue which I am sure the legislative attorneys could research.

The term "adult" is not defined in the bill. I have assumed it is anyone age 19 or over.

BY FREEMAN, MEEKINS, ANDERSON,
BRADLEY, COWPER, DANKWORTH,
ELIASON, HAYES, KELLY, LETHIN,
NAKAK, PHILLIPS, RHODE AND
SNIDER

1 IN THE HOUSE

2 HOUSE BILL NO. 832

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for an individual income tax rebate;
7 and providing for an effective date."

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

9 * Section 1. AS 43.20 is amended by adding a new section to read;

10 Sec. 43.20.015. INDIVIDUAL TAX REB. "F". (a) For tax years be-
11 ginning after December 31, 1977, each adult individual filing an Alaska
12 net income tax return is entitled to the rebate payment provided for in
13 this section. For married taxpayers filing a joint return, the return
14 may claim the rebate for each spouse.

15 (b) The amount of the annual individual tax rebate shall be as
16 follows:

17 (1) for tax years beginning during the period from January 1,
18 1978 to December 31, 1978 -- \$100;

19 (2) for tax years beginning during the period from January 1,
20 1979 to December 31, 1979 -- \$200;

21 (3) for tax years beginning after December 31, 1979 -- \$300.

22 (c) If the rebate provided in this section exceeds the amount of
23 tax due and results in a balance being due to the individual filing the
24 return, that balance shall be paid to the individual in the same manner
25 as a refund of tax due to the individual.

26 (d) For part-year residents and nonresident individual taxpayers
27 the rebate provided in this section shall be prorated according to the
28 number of months of residency in the state.

29 (e) The space for claiming the individual income tax rebate shall

1 be given a prominent location at the bottom of the form furnished by the
2 department for the filing of the individual income tax return.

3 * Sec. 2. This Act takes effect January 1, 1979.
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Introduced: 2/14/78
Referred: Finance

BY FREEMAN, MEEKINS, ANDERSON,
BRADLEY, COWPER, DANKWORTH,
ELIASON, HAYES, KELLY, LETHIN,
NAKAK, PHILLIPS, RHODE AND
SNIDER

1 IN THE HOUSE

2 HOUSE BILL NO. 832

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for an individual income tax rebate;
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13 this section. For married taxpayers filing a joint return, the return
14 may claim the rebate for each spouse.

15 (b) The amount of the annual individual tax rebate shall be as
16 follows:

17 (1) for tax years beginning during the period from January 1,
18 1978 to December 31, 1978 -- \$100;

19 (2) for tax years beginning during the period from January 1,
20 1979 to December 31, 1979 -- \$200;

21 (3) for tax years beginning after December 31, 1979 -- \$300.

22 (c) If the rebate provided in this section exceeds the amount of
23 tax due and results in a balance being due to the individual filing the
24 return, that balance shall be paid to the individual in the same manner
25 as a refund of tax due to the individual.

26 (d) For part-year residents and nonresident individual taxpayers
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