

LEG. FINANCE - BILLS 1979 - 1980 1212

HB 1030 thru CS HB 1040 am

1212



# 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 A. Smith*  
Signature of Camera Operator

*3/20/90*  
Date



(7)

# COMMITTEE REPORT HOUSE

5/21

5/2/80

FURTHER: FINANCE

Date: 5/20/80

Mr. Speaker:

The Committee on HEALTH, EDUCATION AND SOCIAL SERVICES has had HB 1030

"An Act relating to assistance to nonprofit hospitals; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for HB 1030  same title  
 new title
- and recommends \_\_\_\_\_
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without <sup>individual</sup> ~~out~~ recommendations
- referred to the \_\_\_\_\_ Committee

**MEMBERS SIGNING  
DO PASS**

Joye Munson

[Signature]

[Signature]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**MEMBERS HAVING  
OTHER RECOMMENDATIONS:**

perhaps Reims do not pass

[Signature] no rec.

[Signature] no rec.

T Buchholdt No Rec

\_\_\_\_\_

\_\_\_\_\_

T Buchholdt  
CHAIRMAN

Introduced: 5/2/80  
Referred: Health, Education &  
Social Services and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE

2 HOUSE BILL NO. 1030

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to assistance to nonprofit hospitals;  
7 and providing for an effective date."

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

9 \* Section 1. AS 18.25.010 is amended to read:

10 Sec. 18.25.010. DEPARTMENT TO RENDER AID. The department may  
11 facilitate the purchase, construction and repair of, the retirement of  
12 the debt of, and may obtain necessary equipment for, nonprofit hospitals  
13 operated by municipalities, communities, nonprofit corporations, and  
14 associations in the state.

15 \* Sec. 2. AS 18.25.020 is amended to read:

16 Sec. 18.25.020. DETERMINATION OF NECESSITY. The department shall  
17 initiate appropriate action under AS 18.25.010 - 18.25.030 when it  
18 determines which projects are of most immediate necessity, and shall  
19 allot money to the municipalities, communities, nonprofit corporations,  
20 and associations on a matching basis, or in accordance with their finan-  
21 cial ability and urgency of the need.

22 \* Sec. 3. AS 18.25.040 is amended to read:

23 Sec. 18.25.040. DEPARTMENT TO RENDER AID. The department may  
24 assist in cases of operational deficits of community operated and other  
25 licensed nonprofit hospitals and clinics in the state.

26 \* Sec. 4. AS 18.25.060 is amended to read:

27 Sec. 18.25.060. INTENT. It is the intent of AS 18.25.040 - 18.25.  
28 060 to provide financial aid, including but not limited to money [OR  
29 FUNDS] to match available federal money [FUNDS] to aid localities or

1 municipalities whose taxable values are limited in scope and for whom an  
2 attempt at community financing of a community operated nonprofit hospital  
3 or clinic would entail insurmountable hardship and to aid other nonprofit  
4 hospitals which face closure because of financial problems. The depart-  
5 ment may establish by regulation adopted under the Administrative Pro-  
6 cedure Act (AS 44.62) reasonable conditions and criteria for aid under  
7 AS 18.25.010 - 18.25.060.

8 \* Sec. 5. This Act takes effect July 1, 1980.  
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Original sponsor: Rules Committee

Offered: 5/21/80  
Referred: Finance

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND  
SOCIAL SERVICES COMMITTEE

2 CS FOR HOUSE BILL NO. 1030

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the Alaska Medical Facility Author-  
7 ity to purchase mortgage loans made to medical facili-  
8 ties in Alaska and to provide financial assistance to  
9 medical facilities in Alaska; relating to bonds, bond  
10 guarantees, and bond anticipation notes for the pur-  
11 chase of the mortgage loans and to provide the finan-  
12 cial assistance; creating the Alaska medical facilities  
13 bond guarantee account; and providing for an effective  
14 date."

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

16 \* Section 1. BOND GUARANTEES FOR PURCHASE OF ALASKA MEDICAL FACILITIES  
17 MORTGAGES. (a) There is created as a separate account in the general fund  
18 the Alaska medical facilities bond guarantee account. The Alaska medical  
19 facilities bond guarantee account consists of assets appropriated to it from  
20 the general fund. The commissioner of revenue shall administer the Alaska  
21 medical facilities bond guarantee account and may enter into agreements with  
22 the Alaska Medical Facility Authority (AS 18.26.020) to use the assets of the  
23 Alaska medical facilities bond guarantee account to provide guarantees for  
24 bonds or bond anticipation notes issued under (b) of this section.

25 (b) The Alaska Medical Facility Authority may provide financial assis-  
26 tance for and purchase mortgage loans made to medical facilities in Alaska  
27 and may issue bonds or bond anticipation notes under AS 18.26.080 or  
28 18.26.190 to provide money for the purchase of the mortgage loans or to  
29 provide the financial assistance.

1 (c) In this section, "medical facility" has the same meaning provided  
2 in AS 18.26.900(6).

3 \* Sec. 2. This Act is repealed June 30, 1982.

4 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-  
5 070(c).

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Vassar

Original sponsor: Rules Committee

Offered: 5/21/80  
Referred: Finance

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Referred: Health, Education &  
Social Services and Finance

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ALASKA STATE LEGISLATURE

ELEVENTH Legislature SECOND Session

HOUSE BILL NO. 1030  
 THE RULES COMMITTEE  
 By .....

"An Act relating to assistance to nonprofit hospitals; and providing for an effective date."

Assistance to nonprofit hospitals

Introduced in the House 5/2 80, 19....

HISTORY IN THE HOUSE

19		Read first time and referred to Committee on HESS and Finance										
May	2	Reported back with recommendation that										
		Read second time and										
		Read third time and										
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		Reported correctly engrossed										
		Signed by Speaker										
		Sent to Senate										
CHIEF CLERK OF THE HOUSE												

HISTORY IN THE SENATE

19		Read first time and referred to Committee on										
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		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: VOTE
		Failed to concur in Senate amendment; asked Senate to recede VOTE
		Senate receded from amendment VOTE
		Senate failed to recede from amendment VOTE
		CC appointed by House
		CC appointed by Senate
		CC adopted by House VOTE
		CC adopted by Senate VOTE
		To enrolling Reported correctly enrolled Sent to Governor  ..... by Governor
		Filed with Lt. Governor
		Chapter No. ....



# 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

*3/20/90*  
Date



Introduced: 5/20/80  
Referred: Resources

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 HOUSE BILL NO. 1034

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act approving the sale of state royalty gas to the  
7 Municipality of Anchorage; and providing for an effec-  
8 tive date."

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

10 \* Section 1. FINDINGS AND PURPOSE. (a) The legislature finds that

11 (1) under authority given in AS 38.05 and AS 38.06, the commis-  
12 sioner of natural resources has negotiated with the Municipality of Anchorage  
13 an agreement entitled, "Agreement for the Sale and Purchase of Royalty Gas"  
14 for the sale of royalty gas to that municipality;

15 (2) under AS 38.06, the Alaska Royalty Oil and Gas Development  
16 Advisory Board has considered and approved the agreement;

17 (3) the agreement contains a provision stating that it takes  
18 effect on the date on which it has been approved in accordance with the laws  
19 of the state;

20 (4) the sale of royalty gas may not be made by the commissioner of  
21 natural resources without the prior approval of the legislature;

22 (5) the agreement has been submitted to the legislature for con-  
23 sideration and approval; and

24 (6) the agreement is in the best interests of the state and its  
25 citizens.

26 (b) It is the purpose of this Act to approve the agreement for the sale  
27 of state royalty gas to the Municipality of Anchorage in accordance with the  
28 terms of the agreement entitled "Agreement for the Sale and Purchase of  
29 Royalty Gas" and to do so in a manner which is consistent with provisions of

1 law requiring legislative review and approval of contracts for the sale of  
2 state royalty oil and gas, and in a manner consistent with the majority  
3 opinion in State of Alaska and Department of Revenue v. A.L.I.V.E. Voluntary,  
4 606 P.2d 769 (1980) which calls into question the use of a concurrent resolu-  
5 tion to take legislative action that binds parties which are outside the  
6 legislature.

7 \* Sec. 2. CONTRACT BETWEEN STATE AND MUNICIPALITY APPROVED. Notwith-  
8 standing the requirement of AS 38.06.055(a) that legislative approval of the  
9 sale of certain state royalty gas be given by concurrent resolution, the  
10 agreement between the State of Alaska, acting through the commissioner of  
11 natural resources, and the Municipality of Anchorage for the sale of royalty  
12 gas entitled "Agreement for the Sale and Purchase of Royalty Gas", presented  
13 for legislative review and approval by the governor on May 13, 1980, is  
14 approved.

15 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-  
16 070(c).

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Alphas

SENATE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR  
HOUSE BILL NO. 1002 (Rules) amended Senate

"An Act making a special appropriation to the fisheries, business tax grant fund in the Department of Revenue, appropriating for the operating and capital expenses of the state government, appropriations to the Alaska Housing Finance Corporation, the Department of Community and Regional Affairs, the division of business loans in the Department of Commerce and Economic Development, the Alaska Industrial Development Authority, and the mining loan fund in the Department of Commerce and *ED.* providing for an effective date."

Rec'd in 1002

2<sup>nd</sup> reading

Budget >

SB 205 →

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Alphas



# RECORDS CERTIFICATION



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James O Smith  
Signature of Camera Operator

3/20/90  
Date



Original sponsor: Resources Committee

Offered: 5/24/80  
Referred: Rules

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 1035

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to legislative approval of the  
7 disposition of state royalty oil and gas; and providing  
8 for an effective date."

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

10 \* Section i. AS 38.06.055 is repealed and re-enacted to read:

11 Sec. 38.06.055. LEGISLATIVE APPROVAL. (a) The commissioner of  
12 natural resources may not enter into a sale, exchange, or other dis-  
13 position of oil or gas or of the rights or waiver of the rights to  
14 receive future production of royalty oil or gas under AS 38.05.183  
15 without the prior approval of the legislature. The legislature may  
16 approve a sale, exchange, or other disposition of oil or gas or of the  
17 rights or of a waiver of the rights to receive future production of  
18 royalty oil or gas only by enacting legislation.

19 (b) The provisions of (a) of this section do not apply to

20 (1) the sale, exchange, or other disposition of oil or gas  
21 for one year or less which sale, exchange, or other disposition is  
22 entered into to relieve storage or market conditions;

23 (2) contracts for the sale of state-owned royalty gas or oil  
24 that specify the sale and delivery of not more than

25 (A) 400 barrels of crude oil per day;

26 (B) 460 barrels of natural gas liquids per day; or

27 (C) 2,400 Mcf of natural gas per day.

28 (c) A sale, exchange, or other disposition of oil or gas made  
29 under (b)(1) of this section may not be continued after the end of one

1 year or renewed with the same party to provide relief for market or  
2 storage conditions without the prior approval of the legislature under  
3 (a) of this section.

4 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-  
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Introduced: 5/21/80  
Referred: Resources

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2

HOUSE BILL NO. 1035

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

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ELEVENTH LEGISLATURE - SECOND SESSION

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royalty oil or gas only by enacting legislation. The approval required

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by this section is in addition to the approval of the board required

20

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21

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# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION  
POUCH WF-STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3795

### M E M O R A N D U M

DATE: September 18, 1980

TO: Honorable Russ Meekins  
Chairman  
House Finance Committee

FROM: Milt Barker, <sup>MB</sup> Fiscal Analyst  
Legislative Finance Division

SUBJ: General Fund Balances

Table 1 (attached) projects a general fund cash balance of \$923 million at the end of this fiscal year and \$5,592 million in cash available for appropriation for FY 82 if there is no legislation repealing individual income taxes and refunding calendar 1979 tax payments and calendar 1980 withholding for individuals.

Assuming such legislation is enacted, the figures would be \$590 million at the end of FY 81 and \$5,051 million in cash available for appropriation for FY 82 based on the cost of such legislation as detailed in the attached fiscal note, namely

<u>FY 81</u>	
Appropriation of 1979 tax refund	\$111.8 million
Appropriation of 1980 withholding	73.5 million
Revenue foregone FY 81	<u>147.5 million</u>
	\$332.8 mill. on
<u>FY 82</u>	
Revenue foregone	<u>\$206.0 million</u>
Total cost through FY 82	\$538.8 million

The estimates of petroleum revenues in this Memo are significantly less than those contained in the June 1980 "Revenue Sources" published by the Department of Revenue. The respective estimates of North Slope wellhead values are

	June 1980 "Revenue Sources"	This Memo
FY 81	\$22.55	\$19.87
FY 82	\$33.69	\$26.92 ~

The differences in wellhead values reflect the following events or differing assumptions:

1. "Revenue Sources" assumed, based on a FERC administrative law judge's ruling on February 1, 1980, that FERC may ultimately adjust TAPS tariffs downward from those filed by the oil companies. This Memo's estimates do not take that possibility into account.
2. The recent settlement of the field costs issues in the Amerada Hess law suit was incorporated in the estimates herein. \$40 million in refunds of excessive field cost deductions from royalties taken by the oil companies prior to the settlement are assumed to be received by the State in FY 81. Based on settled costs of 42¢ per barrel escalated by the producer price index for industrial commodities, the allowable deduction for calendar 1980 would be 54¢ vs. the average of 64¢ that was being taken and which was used in the "Revenue Sources" estimates.
3. The requirement by DOE of entitlements for North Slope oil resulted in approximately a \$4 per barrel reduction in wellhead price by Sohio and Exxon in July 1980. This discount should decrease to less than \$1 by June 1981 as the controlled portion of North Slope oil on which entitlements are required declines. The elimination of this discount is assumed in this Memo to be accelerated by adoption of new DOE regulations which propose to reduce the entitlement requirements on North Slope by \$2 because of its lesser quality. See attached Fairbanks News-Miner article.
4. More conservative estimates of world oil price increases are projected here than in the earlier June "Revenue Sources" due to the growing glut of oil and the failure of this week's OPEC conference to reach agreement on prices and production. However, the underlying assumption is that agreement will be reached and production reduced so that continued price increases can be realized beginning in 1981.

enclosures

MB:bf

TABLE I  
GENERAL FUND BALANCES  
(\$ Millions)

	Available for Appropriation	Cash	Source
General Fund Balance 6/30/79	684.3	199.0	"Executive Budget FY 81"
<u>FY 80</u>			
Unrestricted Revenue (Net of Permanent, Renewable Resources, and Native Claims Funds)	2539.5	2539.5	"Revenue Sources" June 1980
Appropriations (Including Supplementals)	(1651.2)	(1651.2)	"Free Conference Committee Re- port - Capitol Budget and Sum- maries" FY 80 & FY 81
Illiquid Investments	_____	(389.0)	See Table 2
General Fund Balance 6/30/80	1572.6	698.3	
<u>FY 81</u>			
Unrestricted Revenue (Net of Permanent & Renewable Resource Funds; inclusive of individual income tax liabil- ities)	3564.1	3564.1	Legislative Finance estimate
Appropriations (Net of appropriation of \$88.9 for calendar 79 tax refunds in fiscal note for SB 394)	(3851.1)	(3339.1) <sup>(1)</sup>	"Free Conference Committee Re- port - Capitol Budget and Sum- maries FY 81"
General Fund Balance 6/30/81	1285.6	923.3	
<u>FY 82</u>			
Unrestricted Revenue (Net of Permanent & Renewable Resource Funds; Inclusive of individual income tax liabil- ties)	4669.0	4669.0	Legislative Finance estimate
General Fund Balance 6/30/82 (Before 1981 session appropriations)	5954.6	5592.3	

Footnote 1. Certain appropriations to AHFC, AIDA, and for fish processing loan guarantees were made from illiquid assets

PREPARED BY:  
Legislative Finance Division  
September 17, 1980

TABLE 2

FY 80 Illiquid Investments  
(\$ millions)

Business Loans	\$171.0
Commercial Fish & Agriculture Bank	30.0
Security National Bank	4.5
Mobile Home Loans	20.0
Deferred Compensation Loan	3.5
Housing loans purchased from banks	155.0
Credit Unions	45.0
Principal Repayment	<u>(40.0)</u>
	\$389.0

PREPARED BY:  
Legislative Finance Division  
September 17, 1980

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. \_\_\_\_\_  
 Title An Act Relating to Income Tax Repeal and Refundable Credits  
 Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected \_\_\_\_\_  
 Program Category Affected \_\_\_\_\_  
 BRU, Program, or Subprogram(s) Affected \_\_\_\_\_  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>						

FUNDING (Millions of Dollars)  
 (XXXXXXX of Dollars)

GENERAL FUND		111.8	1.7	1.6	2.8	2.8
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
Withholding in Trust		73.5				
		(147.5)	(206)	(266)	(338)	(427)

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

The aforementioned numbers are broken down in the following manner.  
 (1) This fiscal year 1981 figure of \$111.8 million consists of \$111 million in 1979 tax year refunds plus .8 million for refundable credits in the form of political contributions and child care. (2) The \$73.5 million figure to be paid in FY 81 consists of withholding held in trust for the first three quarters of tax year 1980. (3) The figure of \$147 million represents the remainder of foregone income for fiscal year 1981. The sum total figure of \$185.3 million constituting items (1) and (2) must be appropriated where as the \$147.7 million foregone income does not require appropriation on the part of the Legislature. (4) The figures for FY 82 through FY 85 encompass first the refundable political contribution and child care credits and second the foregone income assuming total repeal of the individual income tax.

IV. DATE 9/15/80 PREPARED BY Vincent Wright  
 AGENCY \_\_\_\_\_  
 Original: Legislative Finance PHONE 512391  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. \_\_\_\_\_  
Title An Act Relating to Income Tax Repeal and Refundable Credits  
Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected \_\_\_\_\_  
Program Category Affected \_\_\_\_\_  
BRU, Program, or Subprogram(s) Affected \_\_\_\_\_  
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (~~Thousands~~ of Dollars)  
Millions

GENERAL FUND		30.5	1.7	1.6	2.8	2.8
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
General Fund Uncollected Tax		(26.2)	(30)	(41)	(54)	(70)

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

The approach outlined on the first page represents the impact of complete suspension of the individual income tax. The effect of the incremental approach, which is simply another way of looking at the impact, reveals the numbers indicated above. These numbers must be read in conjunction with those in Fiscal Note FCCS for SB 394 dated 4-14-80 in order to ascertain the full impact.

IV. DATE 9/15/80 PREPARED BY [Signature]  
AGENCY \_\_\_\_\_  
PHONE 5-2391  
Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)

Fairbanks News Miner

9-13-80

## DOE ruling may cut N.S. oil cost

News-Miner Bureau

WASHINGTON—The seesawing gasoline prices of major Alaskan producers could swing down a bit as the result of a change in rules on North Slope oil proposed by the Department of Energy this week.

The new rule would cut the entitlements subsidy that Standard Oil of Ohio, Atlantic Richfield and Exxon now pay other refiners by about \$2 a barrel to compensate for the poor quality of their Alaskan North Slope oil supply.

A Sohio spokesman said the company

is still studying whether the complex proposal will mean any savings for motorists in Alaska.

"I hate to raise expectations," the spokesman said. But he predicted there could be a price cut of about 3 cents a gallon after January if market conditions allow Sohio to pass the savings on to customers.

The department's entitlements program is designed to equalize the costs of various types of imported and domestic oil, but changing world prices and supplies have forced a continual reshuffling.

This latest proposal comes on top of a more sweeping change in the program last July that eliminated the entitlements benefits which kept the producers' prices low, forced them to pay into a fund for other refiners instead.

Anticipating that change, Sohio officials raised their prices 11 cents a gallon in June. But they also argued that the less valuable products refined from their heavy, high sulfur Alaskan oil made it unfair to wipe out the benefits completely.

Department spokesman Jack Vandenburg said complaints from Sohio and other Alaskan oil producers were responsible for the new proposal. He said the \$2 a barrel cut is designed to make Alaskan oil competitive in price with higher quality imported oil.

The department is also considering a measure that would grant relief for Alaskan producers who must pay high transportation costs to move North Slope oil to the Lower 48.

Hearings on DOE's proposal are scheduled for Oct. 9, with final action due after Nov. 12.

North Slope  
entitlement obligation  
currently \$10.55/barrel  
WSJ 9-15-80

# COMMITTEE REPORT

## HOUSE

9/22/80

FURTHER:

(11)

Date:

Sept. 22, 1980

Mr. Speaker:

The Committee on FINANCE has had HB 1040

"An Act relating to taxes; repealing the Alaska net income tax on individuals; providing for tax credits for political contributions and household and dependent care services; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for HR 1040  same title  
 new title
- and recommends do pass
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]

\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_  
[Signature]

CHAIRMAN

HOUSE JOURNAL

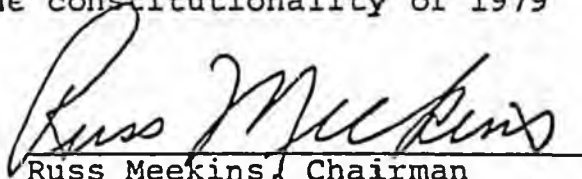
HOUSE FINANCE COMMITTEE

LETTER OF INTENT  
FOR  
CSHB 1040, CSHB 1041 and CSHB 1042

The House Finance Committee has reported out three bills (HB 1040, HB 1041 and HB 1042) as Finance Committee Substitutes relating to repealing the Alaska net income tax on individuals, providing for refund of 1979 Alaska state individual income taxes paid, providing for refundable tax credits, and appropriating funds for payment of refunds, withholding, tax credits and administrative costs.

The Finance Committee has separated into two bills the provisions contained in HB 1040 as introduced. The Finance Committee Substitute for HB 1040 contains the repeal of Alaska net income taxes on individuals and the provisions for refundable tax credits effective January 1, 1979. The legislation necessary to enable refund of 1979 taxes collected is contained in the Finance Committee Substitute for HB 1042. This was done to ensure that any question of the constitutionality of a 1979 tax refund not affect the immediate repeal of the Alaska individual income tax. Retaining both repeal and 1979 refunds in one bill with a severability clause was considered. However, it was rejected in favor of the two bill approach because severability is determined by the courts, and any challenge of 1979 tax refunds would tie up the income tax repeal provisions until such time as the court ruled on the constitutionality of the bill.

The Finance Committee Substitute for HB 1041 includes the appropriations necessary to pay 1979 tax refunds and 1979 and 1980 tax credits as section 1; 1980 withholding as section 2; the administrative costs of section 1 and section 2, as section 3; a repeal of appropriations made in Ch 120, SLA 1980 for the purposes of Ch 22, SLA 1980, ruled unconstitutional by the Alaska Supreme Court as section 4; and an effective date clause as section 5. The appropriations are made separately, again to avoid any problems of a challenge of the constitutionality of 1979 tax refunds.

  
Russ Meekins, Chairman  
House Finance Committee

Original sponsor: Rules Committee

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 1040

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act relating to taxes; repealing the Alaska net  
7 income tax on individuals; providing for tax credits  
8 for political contributions and household and dependent  
9 care services; and providing for an effective date."

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

11 \* Section 1. FINDINGS. The legislature finds

12 (1) Section 1, ch. 22, SLA 1980 afforded complete tax relief to a  
13 majority of individual taxpayers under the Alaska Net Income Tax Act and  
14 substantial tax relief to most other taxpayers by means of exemptions based  
15 on the number of years an individual reported Alaska income. On September 4,  
16 1980, the Alaska Supreme Court ruled that these exemptions violate the equal  
17 protection clause of art. I, sec. 1 of the state constitution. The effect of  
18 that decision is to reimpose the full income tax burden on all taxpayers.

19 (2) It is in the public interest to remedy the constitutional  
20 defect and provide tax relief to the public at least equal to that attempted  
21 by the exemptions in sec. 1, ch. 22, SLA 1980. This can best be accomplished  
22 by repealing the Alaska net income tax on individuals.

23 (3) Because ch. 22, SLA 1980 applied to taxes due for the tax year  
24 1979, many taxpayers expected a refund of part or all of their state income  
25 tax for 1979, and many of them made plans and commitments in anticipation of  
26 the refund. The state has a moral obligation to fulfill this widely held  
27 expectation, and this obligation is best discharged by repealing the Alaska  
28 net income tax on individuals retroactive to January 1, 1979.

29 \* Sec. 2. AS 43.20 is amended by adding new sections to read:

1           Sec. 43.20.012. INDIVIDUALS; RETURNS FOR TAX CREDITS. The tax  
2 posed by this chapter does not apply to individuals. However, an indi-  
3 vidual may file a return under this chapter in order to receive a tax  
4 credit under AS 43.20.013.

5           Sec. 43.20.013. INDIVIDUAL TAX CREDITS. (a) A resident individ-  
6 ual is entitled to a tax credit not to exceed \$50 for

7           (1) a contribution made in a calendar year to a person or  
8 organization for use exclusively

9           (A) for a political campaign for a candidate for

10           (i) President or Vice President of the United  
11 States, whether or not the candidate will be voted on in a  
12 primary election in Alaska;

13           (ii) United States senator from Alaska;

14           (iii) United States representative from Alaska;

15           (iv) governor or lieutenant governor of Alaska;

16           (v) the Alaska legislature;

17           (vi) delegate to an Alaska constitutional  
18 convention;

19           (vii) electoral confirmation as a judge or justice of  
20 a court in Alaska; or

21           (viii) municipal office in Alaska; or

22           (B) by a group seeking to influence the outcome of a  
23 ballot proposition or question in Alaska; and

24           (2) dues paid in a calendar year to a nonprofit organization  
25 organized primarily for the purpose of influencing elections in Alaska.

26           (b) A resident individual is entitled to a tax credit equal to 16  
27 percent of the tax credit claimed by the individual on his federal  
28 income tax return for household and dependent care services necessary  
29 for his gainful employment.

1 (c) The commissioner of revenue shall pay the amount of a tax  
2 credit allowed by this section to a resident individual who makes a  
3 return as provided in AS 43.20.012. A credit under this section shall  
4 be paid in the manner provided in AS 43.20.030(e) for the payment of  
5 refunds and payment may not be made without an appropriation for that  
6 purpose.

7 \* Sec. 3. AS 43.20.021(c) is amended to read:

8 (c) For purposes of calculating the alternative tax on capital  
9 gains provided for in the provisions of Internal Revenue Code sec. 1201,  
10 the rate is 4.5 percent for corporations [AND 4 PERCENT FOR INDIVIDUALS  
11 AND FIDUCIARIES].

12 \* Sec. 4. AS 43.20.021(d) is amended to read:

13 (d) Where a credit allowed under the Internal Revenue Code is also  
14 allowed in computing Alaska income tax, it is limited to [16 PERCENT FOR  
15 INDIVIDUALS AND FIDUCIARIES AND] 18 percent for corporations of the  
16 amount of credit determined for federal income tax purposes which is  
17 attributable to Alaska.

18 \* Sec. 5. AS 43.20.021(f) is amended to read:

19 (f) For the purpose of calculating the minimum tax on tax prefer-  
20 ences provided for in secs. 56 - 58 of the Internal Revenue Code (26  
21 U.S.C. secs. 56 - 58), the rate is [16 PERCENT FOR INDIVIDUALS AND] 18  
22 percent for corporations of the applicable minimum federal tax rate.

23 \* Sec. 6. AS 43.20.030(a) is amended to read:

24 (a) If a [EVERY INDIVIDUAL, FIDUCIARY,] partnership which has a  
25 corporation as a partner or a [AND] corporation is required to make a  
26 return under the provisions of the Internal Revenue Code, it shall at  
27 the same time file with the department a return setting out

28 (1) the amount of tax due under this chapter, less credits  
29 claimed against the tax; and

1 (2) other information for the purpose of carrying out the  
2 provisions of this chapter which the department requires.

3 \* Sec. 7. REFUND OF 1980 INCOME TAXES. (a) An individual is entitled to  
4 a refund of his Alaska net income taxes paid or withheld after December 31,  
5 1979, for all or part of a tax year occurring after December 31, 1979. An  
6 individual is also entitled to a refund of his estimated net income tax  
7 payments made under AS 43.20 after December 31, 1979, for a tax year for  
8 which he has not filed a year-end return under AS 43.20.030.

9 (b) A refund under this section may be made only as provided in this  
10 section. Refunds of Alaska net income taxes paid may not be made without an  
11 appropriation for that purpose.

12 (c) The department shall establish procedures for determining the  
13 amount of and for making the refunds described in (a) of this section.

14 (d) The commissioner may adopt regulations to implement this section,  
15 and those regulations may be adopted as emergency regulations under AS 44.-  
16 62.040 - 44.62.290.

17 (e) In this section,

18 (1) "commissioner" means the commissioner of revenue;

19 (2) "department" means the Department of Revenue.

20 \* Sec. 8. The provisions of AS 43.05.280 do not apply to refunds made  
21 under sec. 7 of this Act.

22 \* Sec. 9. AS 43.20.013(a) is amended to read:

23 (a) A resident individual is entitled to a tax credit not to  
24 exceed \$100 [\$50] for

25 (1) a contribution made in a calendar year to a person or  
26 organization for use exclusively

27 (A) for a political campaign for a candidate for

28 (i) President or Vice President of the United  
29 States, whether or not the candidate will be voted on in a

1 primary election in Alaska;

2 (ii) United States senator from Alaska;

3 (iii) United States representative from Alaska;

4 (iv) governor or lieutenant governor of Alaska;

5 (v) the Alaska legislature;

6 (vi) delegate to an Alaska constitutional conven-  
7 tion;

8 (vii) electoral confirmation as a judge or justice of  
9 a court in Alaska; or

10 (viii) municipal office in Alaska; or

11 (B) by a group seeking to influence the outcome of a  
12 ballot proposition or question in Alaska; and

13 (2) dues paid in a calendar year to a nonprofit organization  
14 organized primarily for the purpose of influencing elections in Alaska.

15 \* Sec. 10. The following laws are repealed: AS 43.20.011(a) - (d) and  
16 (f), 43.20.015, 43.20.017, 43.20.021(e), 43.20.030(f) and (g), 43.20.031(a),  
17 (b), and (f) - (h), 43.20.033, 43.20.035, 43.20.036(d) - (i), 43.20.038,  
18 43.20.039, 43.20.040(b)(3) and (6), 43.20.045, 43.20.061, 43.20.160(e),  
19 43.20.170, 43.20.180, 43.20.215, 43.20.340(4), (7), (13), (14), (16), and  
20 (17), and secs. 6 - 11 of ch. 22 SLA 1980.

21 \* Sec. 11. Sections 2, 3 - 6, and 10 of this Act are retroactive to  
22 January 1, 1979.

23 \* Sec. 12. Section 9 of this Act takes effect January 1, 1981. Sections  
24 1 - 8 and 10 - 12 of this Act take effect immediately in accordance with  
25 AS 01.10.070(c).

Form No. 01-001

STATE OF ALASKA  
OFFICE OF THE GOVERNOR

TO:

DEPT:

Legislative Finance

ATTN:

Jay Hogan

- 
- Return letter with draft
  - Return letter with comment
  - Reply direct
  - Action
  - Your information
- 

REMARKS:

*same went to  
the house*

FROM:

Culer

Date:

9/22

# STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

## DEPARTMENT OF REVENUE

465-2300

OFFICE OF THE COMMISSIONER

POUCH S - JUNEAU 99811

September 19, 1980

The Honorable Clem Tillion  
President of the Senate  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Re: Fiscal Note for An Act suspending the Alaska Net  
Income Tax Act for individuals and fiduciaries

Dear Mr. President:

Attached please find fiscal notes related to the  
estimated revenue impact and administrative costs of the  
above-referenced legislation:

Revenue Impact - FY 81:

(A) Ch. 22, SLA 1980 Appropriation:

1979 Refund	\$ 89,900,000
Administrative Costs	836,500
Refundable Credits	537,000

Total Appropriation	\$ 90,273,500
(See ch. 120 SLA 1980, sec. 52, page 70, line 10)	

(B) Additional Appropriation necessary to cover Incremental  
Cost of Total Suspension:

1979 Refund	\$ 22,100,000
Administrative Costs	-0-
Refundable Credits	505,000

\$ 22,605,000

(C) Total Appropriated Funds:

\$112,878,500

## (D) Summary of FY 81 costs:

1. Total Appropriated Funds:	\$112,878,500
2. Total Rebate of 1980 Withholding (No appropriation Necessary for these funds held in Trust by the State)	\$ 73,500,000
3. Total Revenues Foregone during FY 81 by virtue of repeal	<u>\$147,500,000</u>
TOTAL	<u>\$333,878,500</u>

Administrative Costs:

Administrative costs under Ch. 22, SLA 1980 were estimated at \$836,500. It is assumed that the original Ch. 22 appropriation remains available for use to implement the suspension or repeal and we foresee no increase in FY 81 administrative costs with the suspension program. Therefore, no additional appropriation is necessary at this time.

Three fiscal notes are attached to show the estimated effects of suspension on relevant Divisions within the Department of Revenue in FY 82. These fiscal notes assume a continuation of the Permanent Fund Dividend program, continuation of the refundable credits and suspension or repeal of AS 43.20 as of December 31, 1978. These potential reductions in funding and staff are preliminary and will be refined for inclusion in the FY 82 Detailed Budget. At that time, it should be known whether the underlying assumptions are valid.

Sincerely,

*Joseph K Donohue*  
for Thomas K. Williams  
Commissioner of Revenue

Attachments

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. \_\_\_\_\_  
 Title An Act Suspending the Alaska Net Income Tax Act for Individuals and  
 Requested by Governor Date Fiduciaries

II. FISCAL DETAIL

Agency Affected \_\_\_\_\_  
 Program Category Affected \_\_\_\_\_  
 BRU, Program, or Subprogram(s) Affected \_\_\_\_\_  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)  
EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>						

FUNDING (Thousands of Dollars)

GENERAL FUND		112.878	1.6	2.3	2.8	
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
Withholding in Trust		73.5				
		(147.5)	(206)	(266)	(338)	

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

\$90,273,500 was previously appropriated in CH. 120, SLA 1980, Sec. 52, p. 70, l. 10 to cover the costs of Chapter 22. That figure included \$88.9 million for 1979 tax refunds, \$537,000 for refundable credits and \$836,500 for administrative costs. The new FY 81 figure of \$112,878,000 includes \$111,000,000 for 1979 tax refunds (an increase of \$22.1 million), \$1,042,000 for refundable credits (an increase of \$505,000) and \$836,500 for administrative costs (no increase). Complete suspension of the income tax is estimated to cost a total of \$22,605,000 more than the graduated exemption program in FY 81 and this is the figure utilized in the appropriation bill accompanying the suspension proposal since it is assumed the original Chapter 22 appropriation remains available to implement the new bill.

The \$73.5 million figure for FY 81 consists of withholding held in trust  
 (continued)

IV. DATE \_\_\_\_\_ PREPARED BY Vincent W. Wright  
 AGENCY 5-2391  
 PHONE \_\_\_\_\_  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

for the first three quarters of tax year 1980 that will be refunded in  
FY 81.

The bottom line figures represent foregone revenues due to suspension of  
the individual income tax.

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB/SB1  
 Title An act suspending the Alaska Net Income Tax for individuals and fiduciaries  
 Requested by Governor Date September 22, 1980

II. FISCAL DETAIL

Agency Affected Revenue  
 Program Category Affected Revenue Collection & Management  
 BRU, Program, or Subprogram(s) Affected Enforcement

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		-0-	(191.3)			
200 TRAVEL		-0-	( 7.8)			
300 CONTRACTUAL		-0-	( 18.8)			
400 COMMODITIES		-0-	( 1.9)			
500 EQUIPMENT		-0-				
600 LAND & STRUCTURES			( 2.3)			
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>		-0-	(222.1)			

FUNDING (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
GENERAL FUND		-0-	(222.1)			
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
FULL TIME		-0-	( 16 )			
PART TIME		-0-				
TEMPORARY		-0-				

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

See attached memorandum from Fred Boetsch, Director of Enforcement Division to Joe Donohue, Deputy Commissioner, Taxation, dated August 29, 1980.

IV. DATE 09/19/80 PREPARED BY Fred Boetsch, Director of Enforcement Division  
 AGENCY Revenue  
 PHONE (907) 465-2366

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

# MEMORANDUM

# State of Alaska

TO: Joe Donohue  
Deputy Commissioner  
Department of Revenue

DATE: August 29, 1980

FILE NO:

TELEPHONE NO: 465-2366

FROM: Fred Boetsch, Director *FBS*  
Enforcement Division

SUBJECT: Contingency Plan for  
Income Tax Repeal

The effects of a total repeal of the Alaska income tax in this organization would depend on many variables besides the mere repeal of the tax. The first item, of course, would be the effective date of any repeal. The earlier the effective date, the sooner we would expect our individual tax workload to decline. Another variable would be the Permanent Fund Dividend Program. If this program goes into effect, we will exercise our right of offset to satisfy many old warrants and thereby reduce the inventory more rapidly. The third factor would be the extent to which old revenue agent reports from the IRS are worked in the future and the warrant load which might be generated from that source.

For purposes of this analysis therefore, I have assumed that the Permanent Fund Dividend Program would remain intact and that the people assigned to the compliance unit would work on permanent fund dividend eligibility and tax compliance investigations. I have also assumed that the repeal would be effective January 1, 1979, and that Audit would continue to work Internal Revenue Service revenue agent reports through 1978. Under those conditions the changes indicated on the attached organization chart would be fully implemented by the end of calendar year 1981 (approximately halfway through fiscal year 1982). For the most part changes would be made through attrition during the course of the next 16 months. It is my hope that layoffs would not be necessary.

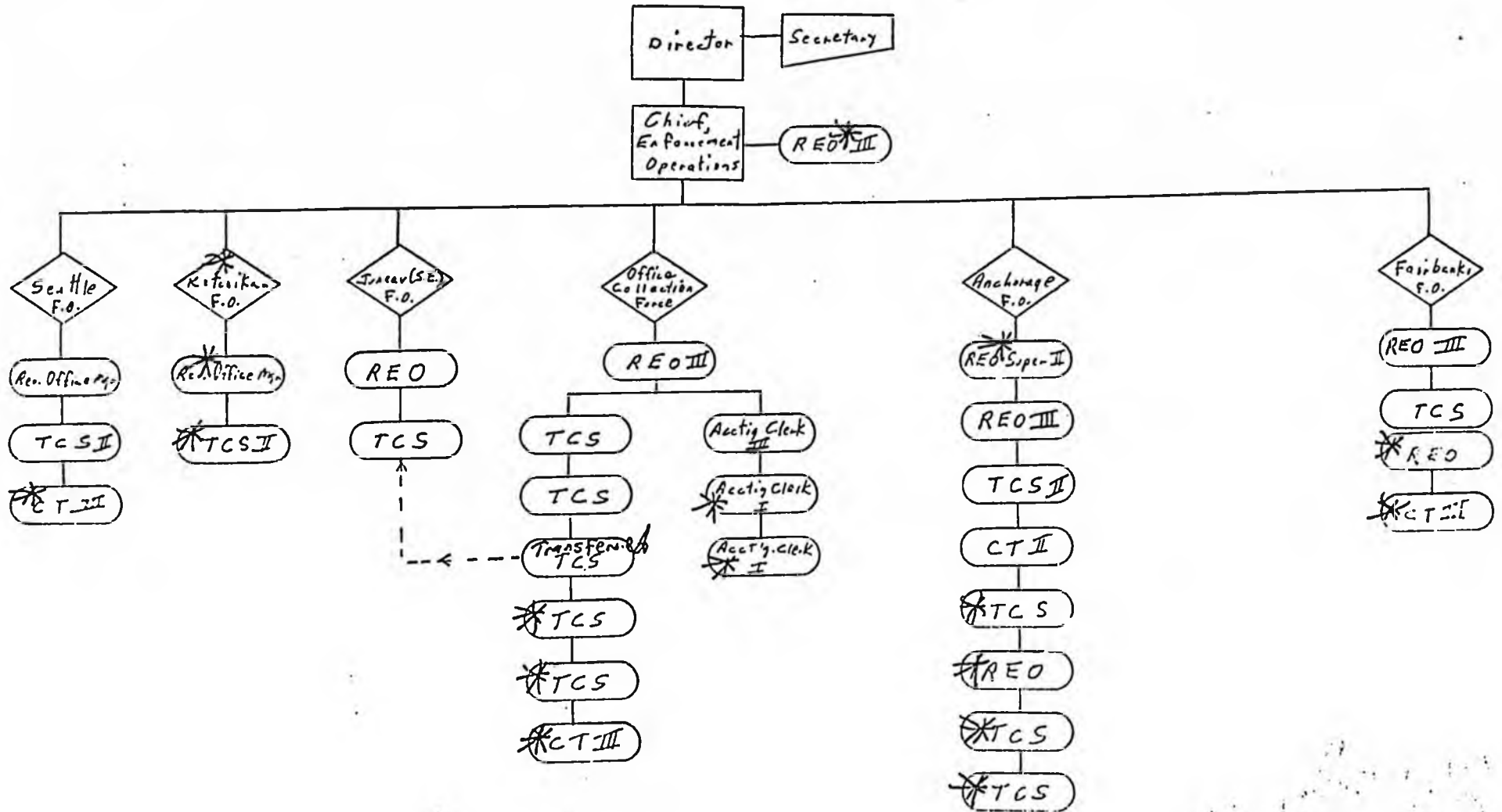
The attached chart indicates the present organization of the collection function within the Enforcement Division, including management. It does not include the permanent fund dividend and other taxes compliance unit. Those positions indicated in blue would remain after the implementation of this phase-out whereas those positions indicated in red would be deleted. Approximately 16 positions would ultimately be deleted from the collection staff and 13 positions would remain.

FB/vcy

Attachment

cc: Marilla Gemmer, Chief  
Enforcement Operations

Enforcement Division Contingency Plan



\* Positions Deleted

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House/Senate Bill No. 1

Title An Act suspending the Alaska Net Income Tax Act for individuals and  
Requested by Governor Date 9/22/80 (fiduciary)

II. FISCAL DETAIL

Agency Affected \_\_\_\_\_ Revenue \_\_\_\_\_

Program Category Affected \_\_\_\_\_ Fiscal Services \_\_\_\_\_

BRU, Program, or Subprogram(s) Affected \_\_\_\_\_ Audit Division \_\_\_\_\_

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		-0-	(162.3)			
200 TRAVEL		-0-	-0-			
300 CONTRACTUAL		-0-	(.6)			
400 COMMODITIES		-0-	(3.4)			
500 EQUIPMENT		-0-	-0-			
600 LAND & STRUCTURES		-0-	-0-			
700 GRANTS, CLAIMS, ETC.		-0-	-0-			
TOTAL		-0-	(166.3)			

FUNDING (Thousands of Dollars)

GENERAL FUND		-0-	(166.3)			
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		-0-	(6)			
PART TIME		-0-	(5)			
TEMPORARY						

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

See attached memorandum to Joseph K. Donohue dated September 19, 1980.

IV. DATE September 22, 1980 PREPARED BY \_\_\_\_\_

AGENCY Audit Division

PHONE 465-2320

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

# MEMORANDUM

# State of Alaska

TO: Joseph K. Donohue  
Deputy Commissioner  
Department of Revenue

DATE: September 19, 1980

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins  
Director  
Audit Division

SUBJECT: Fiscal Impact of  
House/Senate Bill #1

This bill would repeal the individual income tax retroactive to January 1, 1979. It is anticipated that the Department of Revenue will issue 225,000 refunds to taxpayers for 1979 and an additional 325,000 of withholding refunds for 1980. Assuming the Legislature passes this or a similar bill during the week of September 22nd, the major impact of that legislation will be felt by this division in the next nine months. This impact will coincide with the decline of normal functions which various members of my staff have performed in the past which were necessary to the ongoing operation of the individual income tax law.

In reviewing the impact of this legislation on my division, I have continued to assume that the Permanent Fund Dividend program will survive the court test and that we will be processing claims for Permanent Fund Dividends yet this year and in subsequent years.

There are three units in the Juneau office which will be primarily impacted by the individual income tax repeal. These are: Withholding Unit, Individual Tax Examination Unit, and the Taxpayer Assistance Unit. There will also be a slight impact on the staffing of the Anchorage field office. There will be no impact on our Fairbanks and Seattle field offices.

The Withholding Unit will still be required to process all third quarter withholding reports from employers, a limited number of fourth quarter withholding reports, and an annual reconciliation from all employers, which will not be received until the month of February. It is imperative that they properly process all of these reports to ensure that employers have, in fact, withheld and paid in to us the amount of Alaska withholding which they show on their final Alaska W-2 forms. Due to the significant confusion which arose when SB 394 was enacted, with many employees becoming exempt from withholding during the middle of a quarter, and the anticipated similar problems with the enactment of the repeal law which will make all employees exempt from Alaska withholding, it is expected that there will be a much higher incidence of reporting error than we have experienced in the past. This increased incidence of error will result from

Joseph K. Donohue  
September 19, 1980  
Page 2

the fact that some employers have chosen to refund some of the taxes previously withheld to the employees, yet in some cases have not corrected their payroll records to reflect those refunds. If these errors are not identified and corrected, it will result in the State of Alaska issuing refunds for 1980 withholding to employees considerably in excess of the amount actually withheld and remitted to the State of Alaska. There are approximately 13,000 employers in the State of Alaska whose accounts will have to be balanced and closed out and it is anticipated that this will easily take the staff until June 30, 1981 to accomplish.

The Individual Tax Examination Unit will be impacted primarily by the refund of the 1979 individual income tax based on the returns filed. Because of the design of the data capture system, all 1979 individual tax returns which were adjusted within the Department of Revenue will have to have their 1979 refund hand-generated. The staff will be working from a computer-generated list of returns which had changes made to them. From this list they will have to pull the return from our central audit files, review the return to determine what the actual correct amount of tax paid was, and hand-generate a refund document. This will be a very time-consuming process because it will all have to be done by hand. It is anticipated that there will be 25,000 such refunds which will have to be determined by the staff of this unit. They will also be required to deal with those problem returns where the taxpayers have separated or divorced since their 1979 return was filed and want separate checks issued rather than a single check to the joint names. This unit will further be required to handle the 1980 claims which will be filed in 1981 for refund of their withholding and/or estimated tax payments, political campaign contributions, and child care expenses on which the computations are in error. Based on previous filing experience, it is anticipated that there will be at least 10,000 returns in this category. Since processing of the problem 1979 returns will begin in early October, 1980 and will carry into at least March of 1981, it is imperative that the funds which will remain from SB 394 appropriations be made available for the processing of the refunds under this bill. During the period of February, 1981 through June, 1981 we will have our regularly authorized seasonal staff to handle the remaining 1979 returns as well as all the problem claims for 1980. It is anticipated that we will be able to finish processing all of these returns by June 30, 1981.

The Juneau Taxpayer Assistance Unit will eventually be affected by a repeal; however, during the next nine months it is expected that they will continue to have a very high

Joseph K. Donohue  
September 19, 1980  
Page 3

demand for their services because of the large number of questions which clearly will be raised by taxpayers regarding either how their 1979 refund will be processed, or their 1980 withholding/political campaign contribution/child care expense claim is to be prepared and submitted. There will also be an approximate doubling of our workload regarding returned checks which have incorrect addresses because of the large number of people who will have moved since their 1979 return was filed, or their 1980 claim was filed. It will require all the currently authorized staff to properly account for and reissue the anticipated 10,000 returned warrants which will be undeliverable.

It is also anticipated that the demand for taxpayer assistance services will remain high in the Anchorage area through the remainder of this fiscal year in providing assistance to individuals in regard to their 1979 refunds or their 1980 claims. Again, because the impact of the 1979 refunds will begin in early October and 1980 claims will begin in mid to late January, it is anticipated that this high demand for taxpayer services will continue through June of 1981.

It is anticipated that this repeal will result in a reduction in staff in the Audit Division of eleven positions for FY 82. This is comprised of six permanent full time and five seasonal positions. These reductions will be in the various units discussed above. The total position cost for these positions is \$166,300. As I mentioned previously, we are continuing to anticipate that the Permanent Fund Dividend program will remain in effect and that the court decision upholding it will be released within the next few months. It should be noted that the position reductions do not include any positions which were authorized under the tax relief legislation. It is assumed that those positions would be terminated at the end of this fiscal year.

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB/SB

Title An Act Suspending the Alaska Net Income Tax Act for Individuals and Fiduciaries

Requested by Governor Date 9/22/80

II. FISCAL DETAIL

Agency Affected Revenue

Program Category Affected General Government

BRU, Program, or Subprogram(s) Affected Administration and Support, Management Services

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		0	(480.2)			
200 TRAVEL		0	( 2.0)			
300 CONTRACTUAL		0	(231.2)			
400 COMMODITIES		0	( 1.0)			
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>		0	(714.4)			

FUNDING (Thousands of Dollars)

GENERAL FUND		0	(714.4)			
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		0	(16/192mm)			
PART TIME		0	(10/50 mm)			
TEMPORARY						

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

100 = 384.2 Salaries	3.00 = 96.2 Forms/Postage
96.0 Benefits	30.0 Machine Rental
480.2 Total Personnel Reduction	100.0 DP Chargeback
	5.0 Miscellaneous Contractual
	231.2 Total Contractual Reduction

IV. DATE 9/22/80

PREPARED BY P. A. Wall

AGENCY Revenue

PHONE 465-2313

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

*Donald H. Jones*

# HOUSE JOURNAL

## HOUSE FINANCE COMMITTEE

### LETTER OF INTENT FOR CSHB 1040, CSHB 1041 and CSHB 1042

The House Finance Committee has reported out three bills (HB 1040, HB 1041 and HB 1042) as Finance Committee Substitutes relating to repealing the Alaska net income tax on individuals, providing for refund of 1979 Alaska state individual income taxes paid, providing for refundable tax credits, and appropriating funds for payment of refunds, withholding, tax credits and administrative costs.

The Finance Committee has separated into two bills the provisions contained in HB 1040 as introduced. The Finance Committee Substitute for HB 1040 contains the repeal of Alaska net income taxes on individuals and the provisions for refundable tax credits effective January 1, 1979. The legislation necessary to enable refund of 1979 taxes collected is contained in the Finance Committee Substitute for HB 1042. This was done to ensure that any question of the constitutionality of a 1979 tax refund not affect the immediate repeal of the Alaska individual income tax. Retaining both repeal and 1979 refunds in one bill with a severability clause was considered. However, it was rejected in favor of the two bill approach because severability is determined by the courts, and any challenge of 1979 tax refunds would tie up the income tax repeal provisions until such time as the court ruled on the constitutionality of the bill.

The Finance Committee Substitute for HB 1041 includes the appropriations necessary to pay 1979 tax refunds and 1979 and 1980 tax credits as section 1; 1980 withholding as section 2; the administrative costs of section 1 and section 2, as section 3; a repeal of appropriations made in Ch 120, SLA 1980 for the purposes of Ch 22, SLA 1980, ruled unconstitutional by the Alaska Supreme Court as section 4; and an effective date clause as section 5. The appropriations are made separately, again to avoid any problems of a challenge of the constitutionality of 1979 tax refunds.

---

Russ Meekins, Chairman  
House Finance Committee

HOUSE JOURNAL

HOUSE FINANCE COMMITTEE

LETTER OF INTENT  
FOR

CSHB 1040, CSHB 1041 and CSHB 1042

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The Finance Committee Substitute for HB 1041 includes the appropriations necessary to pay 1979 tax refunds and 1979 and 1980 tax credits as section 1; 1980 withholding as section 2; the administrative costs of section 1 and section 2, as section 3; a repeal of appropriations made in Ch 120, SLA 1980 for the purposes of Ch 22, SLA 1980, ruled unconstitutional by the Alaska Supreme Court as section 4; and an effective date clause as section 5. The appropriations are made separately, again to avoid any problems of a challenge of the constitutionality of 1979 tax refunds.

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Russ Meekins, Chairman  
House Finance Committee

Introduced: 9/22/80

Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE

2 HOUSE BILL NO. 1040

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act relating to taxes; repealing the Alaska net  
7 income tax on individuals; providing for tax credits  
8 for political contributions and household and dependent  
9 care services; and providing for an effective date."

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

11 \* Section 1. FINDINGS. The legislature finds

12 (1) Section 1, ch. 22, SLA 1980 afforded complete tax relief to a  
13 majority of individual taxpayers under the Alaska Net Income Tax Act and  
14 substantial tax relief to most other taxpayers by means of exemptions based  
15 on the number of years an individual reported Alaska income. On September 4,  
16 1980, the Alaska Supreme Court ruled that these exemptions violate the equal  
17 protection clause of art. I, sec. 1 of the state constitution. The effect of  
18 that decision is to reimpose the full income tax burden on all taxpayers.

19 (2) It is in the public interest to remedy the constitutional  
20 defect and provide tax relief to the public at least equal to that attempted  
21 by the exemptions in sec. 1, ch. 22, SLA 1980. This can best be accomplished  
22 by repealing the Alaska net income tax on individuals.

23 (3) Because ch. 22, SLA 1980 applied to taxes due for the tax year  
24 1979, many taxpayers expected a refund of part or all of their state income  
25 tax for 1979, and many of them made plans and commitments in anticipation of  
26 the refund. The state has a moral obligation to fulfill this widely held  
27 expectation, and this obligation is best discharged by repealing the Alaska  
28 net income tax on individuals retroactive to January 1, 1979.

29 \* Sec. 2. AS 43.20 is amended by adding new sections to read:

1           Sec. 43.20.012. INDIVIDUALS; RETURNS FOR TAX CREDITS. The tax im-  
2 posed by this chapter does not apply to individuals. However, an indi-  
3 vidual may file a return under this chapter in order to receive a tax  
4 credit under AS 43.20.013.

5           Sec. 43.20.013. INDIVIDUAL TAX CREDITS. (a) A resident individ-  
6 ual is entitled to a tax credit not to exceed \$50 for

7           (1) a contribution made in a calendar year to a person or  
8 organization for use exclusively

9           (A) for a political campaign for a candidate for

10           (i) President or Vice President of the United  
11 States, whether or not the candidate will be voted on in a  
12 primary election in Alaska;

13           (ii) United States senator from Alaska;

14           (iii) United States representative from Alaska;

15           (iv) governor or lieutenant governor of Alaska;

16           (v) the Alaska legislature;

17           (vi) delegate to an Alaska constitutional  
18 convention;

19           (vii) electoral confirmation as a judge or justice of  
20 a court in Alaska; or

21           (viii) municipal office in Alaska; or

22           (B) by a group seeking to influence the outcome of a  
23 ballot proposition or question in Alaska; and

24           (2) dues paid in a calendar year to a nonprofit organization  
25 organized primarily for the purpose of influencing elections in Alaska.

26           (b) A resident individual is entitled to a tax credit equal to 16  
27 percent of the tax credit claimed by the individual on his federal  
28 income tax return for household and dependent care services necessary  
29 for his gainful employment.

1 (c) The commissioner of revenue shall pay the amount of a tax  
2 credit allowed by this section to a resident individual who makes a  
3 return as provided in AS 43.20.012. A credit under this section shall  
4 be paid in the manner provided in AS 43.20.030(e) for the payment of  
5 refunds and payment may not be made without an appropriation for that  
6 purpose.

7 \* Sec. 3. AS 43.20.021(c) is amended to read:

8 (c) For purposes of calculating the alternative tax on capital  
9 gains provided for in the provisions of Internal Revenue Code sec. 1201,  
10 the rate is 4.5 percent for corporations [AND 4 PERCENT FOR INDIVIDUALS  
11 AND FIDUCIARIES].

12 \* Sec. 4. AS 43.20.021(d) is amended to read:

13 (d) Where a credit allowed under the Internal Revenue Code is also  
14 allowed in computing Alaska income tax, it is limited to [16 PERCENT FOR  
15 INDIVIDUALS AND FIDUCIARIES AND] 18 percent for corporations of the  
16 amount of credit determined for federal income tax purposes which is  
17 attributable to Alaska.

18 \* Sec. 5. AS 43.20.021(f) is amended to read:

19 (f) For the purpose of calculating the minimum tax on tax prefer-  
20 ences provided for in secs. 56 - 58 of the Internal Revenue Code (26  
21 U.S.C. secs. 56 - 58), the rate is [16 PERCENT FOR INDIVIDUALS AND] 18  
22 percent for corporations of the applicable minimum federal tax rate.

23 \* Sec. 6. AS 43.20.030(a) is amended to read:

24 (a) If a [EVERY INDIVIDUAL, FIDUCIARY,] partnership which has a  
25 corporation as a partner or a [AND] corporation is required to make a  
26 return under the provisions of the Internal Revenue Code, it shall at  
27 the same time file with the department a return setting out

28 (1) the amount of tax due under this chapter, less credits  
29 claimed against the tax; and

1 (2) other information for the purpose of carrying out the  
2 provisions of this chapter which the department requires.

3 \* Sec. 7. REFUND OF 1979 AND 1980 INCOME TAXES. (a) An individual is  
4 entitled to a refund of his Alaska net income taxes paid or withheld after  
5 December 31, 1978 for all or part of a tax year occurring after December 31,  
6 1978. An individual is also entitled to a refund of his estimated net income  
7 tax payments made under AS 43.20 after December 31, 1978, for a tax year for  
8 which he has not filed a year-end return under AS 43.20.030.

9 (b) A refund under this section may be made only as provided in this  
10 section. Refunds of Alaska net income taxes paid may not be made without an  
11 appropriation for that purpose.

12 (c) The department shall establish procedures for determining the  
13 amount of and for making the refunds described in (a) of this section.

14 (d) The commissioner may adopt regulations to implement this section,  
15 and those regulations may be adopted as emergency regulations under AS 44.-  
16 62.040 - 44.62.290.

17 (e) In this section,

18 (1) "commissioner" means the commissioner of revenue;

19 (2) "department" means the Department of Revenue.

20 \* Sec. 8. The provisions of AS 43.05.280 do not apply to refunds made  
21 under sec. 7 of this Act.

22 \* Sec. 9. AS 43.20.013(a) is amended to read:

23 (a) A resident individual is entitled to a tax credit not to  
24 exceed \$100 [\$50] for

25 (1) a contribution made in a calendar year to a person or  
26 organization for use exclusively

27 (A) for a political campaign for a candidate for

28 (i) President or Vice President of the United  
29 States, whether or not the candidate will be voted on in a

1 primary election in Alaska;

2 (ii) United States senator from Alaska;

3 (iii) United States representative from Alaska;

4 (iv) governor or lieutenant governor of Alaska;

5 (v) the Alaska legislature;

6 (vi) delegate to an Alaska constitutional conven-  
7 tion;

8 (vii) electoral confirmation as a judge or justice of  
9 a court in Alaska; or

10 (viii) municipal office in Alaska; or

11 (B) by a group seeking to influence the outcome of a  
12 ballot proposition or question in Alaska; and

13 (2) dues paid in a calendar year to a nonprofit organization  
14 organized primarily for the purpose of influencing elections in Alaska.

15 \* Sec. 10. The following laws are repealed: AS 43.20.011(a) - (d) and  
16 (f), 43.20.015, 43.20.017, 43.20.021(e), 43.20.030(f) and (g), 43.20.031(a),  
17 (b), and (f) - (h), 43.20.033, 43.20.035, 43.20.036(d) - (i), 43.20.038,  
18 43.20.039, 43.20.040(b)(3) and (6), 43.20.045, 43.20.061, 43.20.160(e),  
19 43.20.215, 43.20.340(4), (7), (13), (14), (16), and (17), and secs. 6 - 11 of  
20 ch. 22 SLA 1980.

21 \* Sec. 11. AS 43.20.170 and 43.20.180 are repealed.

22 \* Sec. 12. Sections 3 - 6 and 10 of this Act are retroactive to  
23 January 1, 1979.

24 \* Sec. 13. Sections 9 and 11 of this Act take effect January 1, 1981.  
25 Sections 1 - 8, 10, 12, and 13 of this Act take effect immediately in accor-  
26 dance with AS 01.10.070(c).

HOUSE JOURNAL

HOUSE FINANCE COMMITTEE

LETTER OF INTENT  
FOR

CSHB 1040, CSHB 1041 and CSHB 1042

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---

Russ Meekins, Chairman  
House Finance Committee



# 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

*3/20/90*  
Date

COMMITTEE REPORT

SENATE

FURTHER: None

9/23/80

Date:

9/22/80

Mr. President:

The Committee on FINANCE has had CSHB 1040(Rules) am relating to taxes; repealing the Alaska net income tax on individuals and fiduciaries

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass  do not pass
- do pass with attached amendments(s)  same title
- replace with CS for \_\_\_\_\_  new title
- and recommends \_\_\_\_\_
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

[Signature]  
[Signature]  
[Signature]  
[Signature]  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

[Signature]  
[Signature]  
 \_\_\_\_\_  
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 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

CHAIRMAN

Original sponsor: Rules Committee

Offered: 9/23/80  
For Today's Calendar

1 IN THE HOUSE

BY THE RULES COMMITTEE

2 CS FOR HOUSE BILL NO. 1040 (Rules) am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act relating to taxes; repealing the Alaska net  
7 income tax on individuals and fiduciaries; providing  
8 for tax credits for political contributions and house-  
9 hold and dependent care services; and providing for an  
10 effective date."

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

12 \* Section 1. FINDINGS. The legislature finds:

13 (1) Section 1, ch. 22, SLA 1980 afforded complete tax relief to a  
14 majority of individual taxpayers under the Alaska Net Income Tax Act and  
15 substantial tax relief to most other taxpayers by means of exemptions based  
16 on the number of years an individual reported Alaska income. On September 4,  
17 1980, the Alaska Supreme Court ruled that these exemptions violate the equal  
18 protection clause of art. I, sec. 1 of the state constitution. The effect of  
19 that decision is to reimpose the full income tax burden on all taxpayers.

20 (2) It is in the public interest to remedy the constitutional  
21 defect and provide tax relief to the public at least equal to that attempted  
22 by the exemptions in sec. 1, ch. 22, SLA 1980. This can best be accomplished  
23 by repealing the Alaska net income tax on individuals and fiduciaries.

24 \* Sec. 2. AS 43.20 is amended by adding new sections to read:

25 Sec. 43.20.012. LIMITATION ON APPLICATION OF CHAPTER; CREDITS.

26 The tax imposed by this chapter does not apply to individuals or to  
27 fiduciaries. However, an individual may file a return under this chapter  
28 in order to receive a tax credit under AS 43.20.013.

29 Sec. 43.20.013. INDIVIDUAL TAX CREDITS. (a) A resident individ-

1 ual is entitled to a tax credit not to exceed \$50 for

2 (1) a contribution made in a calendar year to a person or  
3 organization for use exclusively

4 (A) for a political campaign for a candidate for

5 (i) President or Vice President of the United  
6 States, whether or not the candidate will be voted on in a  
7 primary election in Alaska;

8 (ii) United States senator from Alaska;

9 (iii) United States representative from Alaska;

10 (iv) governor or lieutenant governor of Alaska;

11 (v) the Alaska legislature;

12 (vi) delegate to an Alaska constitutional convention;

13 (vii) electoral confirmation as a judge or justice of

14 a court in Alaska; or

15 (viii) municipal office in Alaska; or

16 (B) by a group seeking to influence the outcome of a  
17 ballot proposition or question in Alaska; and

18 (2) dues paid in a calendar year to a nonprofit organization  
19 organized primarily for the purpose of influencing elections in Alaska.

20 (b) A resident individual is entitled to a tax credit equal to 16  
21 percent of the tax credit claimed by the individual on his federal  
22 income tax return for household and dependent care services necessary  
23 for his gainful employment.

24 (c) The commissioner of revenue shall pay the amount of a tax  
25 credit allowed by this section to a resident individual who makes a  
26 return as provided in AS 43.20.012. A credit under this section shall  
27 be paid in the manner provided in AS 43.20.030(e) for the payment of  
28 refunds and payment may not be made without an appropriation for that  
29 purpose.

1 \* Sec. 3. AS 43.20.021(c) is amended to read:

2 (c) For purposes of calculating the alternative tax on capital  
3 gains provided for in the provisions of Internal Revenue Code sec. 1201,  
4 the rate is 4.5 percent for corporations [AND 4 PERCENT FOR INDIVIDUALS  
5 AND FIDUCIARIES].

6 \* Sec. 4. AS 43.20.021(d) is amended to read:

7 (d) Where a credit allowed under the Internal Revenue Code is also  
8 allowed in computing Alaska income tax, it is limited to [16 PERCENT FOR  
9 INDIVIDUALS AND FIDUCIARIES AND] 18 percent for corporations of the  
10 amount of credit determined for federal income tax purposes which is  
11 attributable to Alaska.

12 \* Sec. 5. AS 43.20.021(f) is amended to read:

13 (f) For the purpose of calculating the minimum tax on tax prefer-  
14 ences provided for in secs. 56 - 58 of the Internal Revenue Code (26  
15 U.S.C. secs. 56 - 58), the rate is [16 PERCENT FOR INDIVIDUALS AND] 18  
16 percent for corporations of the applicable minimum federal tax rate.

17 \* Sec. 6. AS 43.20.030(a) is amended to read:

18 (a) If a [EVERY INDIVIDUAL, FIDUCIARY,] partnership which has a  
19 corporation as a partner or a [AND] corporation is required to make a  
20 return under the provisions of the Internal Revenue Code, it shall at  
21 the same time file with the department a return setting out

22 (1) the amount of tax due under this chapter, less credits  
23 claimed against the tax; and

24 (2) other information for the purpose of carrying out the  
25 provisions of this chapter which the department requires.

26 \* Sec. 7. REFUND OF 1980 INCOME TAXES. (a) An individual or fiduciary  
27 is entitled to a refund of his Alaska net income taxes paid or withheld after  
28 December 31, 1979 for all or part of a tax year occurring after December 31,  
29 1979. An individual or fiduciary is also entitled to a refund of his

1 estimated net income tax payments made under AS 43.20 after December 31, 1979  
2 for a tax year for which he has not filed a year-end return under AS 43.20.-  
3 030.

4 (b) A refund under this section may be made only as provided in this  
5 section. Refunds of Alaska net income taxes paid may not be made without an  
6 appropriation for that purpose.

7 (c) The department shall establish procedures for determining the  
8 amount of and for making the refunds described in (a) of this section.

9 (d) The commissioner may adopt regulations to implement this section,  
10 and those regulations may be adopted as emergency regulations under AS 44.-  
11 62.250 and 44.62.260.

12 (e) In this section,

13 (1) "commissioner" means the commissioner of revenue;

14 (2) "department" means the Department of Revenue.

15 \* Sec. 8. The provisions of AS 43.05.280 do not apply to refunds made  
16 under sec. 7 of this Act.

17 \* Sec. 9. AS 43.20.013(a) is amended to read:

18 (a) A resident individual is entitled to a tax credit not to  
19 exceed \$100 [\$50] for

20 (1) a contribution made in a calendar year to a person or  
21 organization for use exclusively

22 (A) for a political campaign for a candidate for

23 (i) President or Vice President of the United  
24 States, whether or not the candidate will be voted on in a  
25 primary election in Alaska;

26 (ii) United States senator from Alaska;

27 (iii) United States representative from Alaska;

28 (iv) governor or lieutenant governor of Alaska;

29 (v) the Alaska legislature;

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(vi) delegate to an Alaska constitutional convention;

(vii) electoral confirmation as a judge or justice of a court in Alaska; or

(viii) municipal office in Alaska; or

(B) by a group seeking to influence the outcome of a ballot proposition or question in Alaska; and

(2) dues paid in a calendar year to a nonprofit organization organized primarily for the purpose of influencing elections in Alaska.

\* Sec. 10. The following laws are repealed: AS 43.20.011(a) - (d) and (f), 43.20.015, 43.20.017, 43.20.021(e), 43.20.030(f) and (g), 43.20.031(a), (b), and (f) - (h), 43.20.033, 43.20.035, 43.20.036(d) - (i), 43.20.038, 43.20.039, 43.20.040(b)(3) and (6), 43.20.045, 43.20.061, 43.20.160(e), 43.20.180, 43.20.215, and secs. 6 - 11 of ch. 22 SLA 1980.

\* Sec. 11. AS 43.20.170 and 43.20.340(4), (7), (13), (14), (16), and (17) are repealed.

\* Sec. 12. Sections 2, 3 - 6, and 10 of this Act are retroactive to January 1, 1980.

\* Sec. 13. Section 9 of this Act takes effect January 1, 1981. Section 11 of this Act takes effect February 1, 1981. Sections 1 - 8, 10, 12, and 13 of this Act take effect immediately in accordance with AS 01.10.070(c).

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION  
POUCH WF-STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3795

### MEMORANDUM

DATE: September 18, 1980

TO: Honorable Russ Meekins  
Chairman  
House Finance Committee

FROM: Milt Barker, <sup>MB</sup> Fiscal Analyst  
Legislative Finance Division

SUBJ: General Fund Balances

Table 1 (attached) projects a general fund cash balance of \$923 million at the end of this fiscal year and \$5,592 million in cash available for appropriation for FY 82 if there is no legislation repealing individual income taxes and refunding calendar 1979 tax payments and calendar 1980 withholding for individuals.

Assuming such legislation is enacted, the figures would be \$590 million at the end of FY 81 and \$5,051 million in cash available for appropriation for FY 82 based on the cost of such legislation as detailed in the attached fiscal note, namely

<u>FY 81</u>	
Appropriation of 1979 tax refund	\$111.8 million
Appropriation of 1980 withholding	73.5 million
Revenue foregone FY 81	<u>147.5 million</u>
	\$332.8 million
<u>FY 82</u>	
Revenue foregone	<u>\$206.0 million</u>
Total cost through FY 82	\$538.8 million

The estimates of petroleum revenues in this Memo are significantly less than those contained in the June 1980 "Revenue Sources" published by the Department of Revenue. The respective estimates of North Slope wellhead values are

	June 1980 "Revenue Sources"	This Memo
FY 81	\$22.55	\$19.87
FY 82	\$33.69	\$26.92

The differences in wellhead values reflect the following events or differing assumptions:

1. "Revenue Sources" assumed, based on a FERC administrative law judge's ruling on February 1, 1980, that FERC may ultimately adjust TAPS tariffs downward from those filed by the oil companies. This Memo's estimates do not take that possibility into account.
2. The recent settlement of the field costs issues in the Amerada Hess law suit was incorporated in the estimates herein. \$40 million in refunds of excessive field cost deductions from royalties taken by the oil companies prior to the settlement are assumed to be received by the State in FY 81. Based on settled costs of 42¢ per barrel escalated by the producer price index for industrial commodities, the allowable deduction for calendar 1980 would be 54¢ vs. the average of 64¢ that was being taken and which was used in the "Revenue Sources" estimates.
3. The requirement by DOE of entitlements for North Slope oil resulted in approximately a \$4 per barrel reduction in wellhead price by Sohio and Exxon in July 1980. This discount should decrease to less than \$1 by June 1981 as the controlled portion of North Slope oil on which entitlements are required declines. The elimination of this discount is assumed in this Memo to be accelerated by adoption of new DOE regulations which propose to reduce the entitlement requirements on North Slope by \$2 because of its lesser quality. See attached Fairbanks News-Miner article.
4. More conservative estimates of world oil price increases are projected here than in the earlier June "Revenue Sources" due to the growing glut of oil and the failure of this week's OPEC conference to reach agreement on prices and production. However, the underlying assumption is that agreement will be reached and production reduced so that continued price increases can be realized beginning in 1981.

enclosures

MB:bf

TABLE I  
GENERAL FUND BALANCES  
(\$ Millions)

	Available for Appropriation	Cash	Source
General Fund Balance 6/30/79	684.3	199.0	"Executive Budget FY 81"
<u>FY 80</u>			
Unrestricted Revenue (Net of Permanent, Renewable Resources, and Native Claims Funds)	2539.5	2539.5	"Revenue Sources" June 1980
Appropriations (Including Supplementals)	(1651.2)	(1651.2)	"Free Conference Committee Re- port - Capitol Budget and Sum- maries" FY 80 & FY 81 See Table 2
Illiquid Investments	_____	(389.0)	
General Fund Balance 6/30/80	1572.6	698.3	
<u>FY 81</u>			
Unrestricted Revenue (Net of Permanent & Renewable Resource Funds; inclusive of individual income tax liabil- ities)	3564.1	3564.1	Legislative Finance estimate
Appropriations (Net of appropriation of \$88.9 for calendar 79 tax refunds in fiscal note for SB 394)	(3851.1)	(3339.1) <sup>(1)</sup>	"Free Conference Committee Re- port - Capitol Budget and Sum- maries FY 81"
General Fund Balance 6/30/81	1285.6	923.3	
<u>FY 82</u>			
Unrestricted Revenue (Net of Permanent & Renewable Resource Funds; Inclusive of individual income tax liabil- ities)	4669.0	4669.0	Legislative Finance estimate
General Fund Balance 6/30/82 (Before 1981 session appropriations)	5954.6	5592.3	

Footnote 1. Certain appropriations to AHFC, AIDA, and for fish processing loan guarantees were made from illiquid assets.

PREPARED BY:  
Legislative Finance Division  
September 17, 1980

TABLE 2

FY 80 Illiquid Investments  
(\$ millions)

Business Loans	\$171.0
Commercial Fish & Agriculture Bank	30.0
Security National Bank	4.5
Mobile Home Loans	20.0
Deferred Compensation Loan	3.5
Housing loans purchased from banks	155.0
Credit Unions	45.0
Principal Repayment	<u>(40.0)</u>
	\$389.0

PREPARED BY:  
Legislative Finance Division  
September 17, 1980

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. \_\_\_\_\_  
Title An Act Relating to Income Tax Repeal and Refundable Credits  
Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected \_\_\_\_\_  
Program Category Affected \_\_\_\_\_  
BRU, Program, or Subprogram(s) Affected \_\_\_\_\_  
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING (~~Thousands~~ of Dollars)  
Millions

GENERAL FUND		30.5	1.7	1.6	2.8	2.8
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
General Fund Uncollected						
Tax		(26.2)	(30)	(41)	(54)	(70)

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

The approach outlined on the first page represents the impact of complete suspension of the individual income tax. The effect of the incremental approach, which is simply another way of looking at the impact, reveals the numbers indicated above. These numbers must be read in conjunction with those in Fiscal Note FCCS for SB 394 dated 4-14-80 in order to ascertain the full impact.

IV. DATE 9/15/80

PREPARED BY [Signature]  
AGENCY \_\_\_\_\_  
PHONE 5-2391

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

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. \_\_\_\_\_  
Title An Act Relating to Income Tax Repeal and Refundable Credits  
Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected \_\_\_\_\_  
Program Category Affected \_\_\_\_\_  
BRU, Program, or Subprogram(s) Affected \_\_\_\_\_  
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Millions of Dollars)  
(~~XXXXXXX~~ of Dollars)

GENERAL FUND		111.8	1.7	1.6	2.8	2.8
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
Withholding in Trust		73.5				
		(147.5)	(206)	(266)	(338)	(427)

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

The aforementioned numbers are broken down in the following manner.  
(1) This fiscal year 1981 figure of \$111.8 million consists of \$111 million in 1979 tax year refunds plus .8 million for refundable credits in the form of political contributions and child care. (2) The \$73.5 million figure to be paid in FY 81 consists of withholding held in trust for the first three quarters of tax year 1980. (3) The figure of \$147 million represents the remainder of foregone income for fiscal year 1981. The sum total figure of \$185.3 million constituting items (1) and (2) must be appropriated where as the \$147.7 million foregone income does not require appropriation on the part of the Legislature. (4) The figures for FY 82 through FY 85 encompass first the refundable political contribution and child care credits and second the foregone income assuming total repeal of the individual income tax.

IV. DATE 9/15/80 PREPARED BY Richard Wright  
AGENCY \_\_\_\_\_  
PHONE 512391  
Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)

Fairbanks News Miner

9-13-80

## DOE ruling may cut N.S. oil cost

News-Miner Bureau

WASHINGTON—The seesawing gasoline prices of major Alaskan producers could swing down a bit as the result of a change in rules on North Slope oil proposed by the Department of Energy this week.

The new rule would cut the entitlements subsidy that Standard Oil of Ohio, Atlantic Richfield and Exxon now pay other refiners by about \$2 a barrel to compensate for the poor quality of their Alaskan North Slope oil supply.

A Sohio spokesman said the company

is still studying whether the complex proposal will mean any savings for motorists in Alaska.

"I hate to raise expectations," the spokesman said. But he predicted there could be a price cut of about 3 cents a gallon after January if market conditions allow Sohio to pass the savings on to customers.

The department's entitlements program is designed to equalize the costs of various types of imported and domestic oil, but changing world prices and supplies have forced a continual reshuffling.

This latest proposal comes on top of a more sweeping change in the program last July that eliminated the entitlements benefits which kept the producers' prices low and forced them to pay into a fund for other refiners instead.

Anticipating that change, Sohio officials raised their prices 11 cents a gallon in June. But they also argued that the less valuable products refined from their heavy, high sulfur Alaskan oil made it unfair to wipe out the benefits completely.

Department spokesman Jack Vandenburg said complaints from Sohio and other Alaskan oil producers were responsible for the new proposal. He said the \$2 a barrel cut is designed to make Alaskan oil competitive in price with higher quality imported oil.

The department is also considering a measure that would grant relief for Alaskan producers who must pay high transportation costs to move North Slope oil to the Lower 48.

Hearings on DOE's proposal are scheduled for Oct. 9, with final action due after Nov. 12.

North Slope  
entitlement obligation  
currently \$10.55/barrel  
WSJ 9-15-80

# STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

## DEPARTMENT OF REVENUE

465-2300

OFFICE OF THE COMMISSIONER

POUCH 5 - JUNEAU 99811

September 19, 1980

The Honorable Clem Tillion  
President of the Senate  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Re: Fiscal Note for An Act suspending the Alaska Net  
Income Tax Act for individuals and fiduciaries

Dear Mr. President:

Attached please find fiscal notes related to the  
estimated revenue impact and administrative costs of the  
above-referenced legislation:

### Revenue Impact - FY 81:

(A) Ch. 22, SLA 1980 Appropriation:

1979 Refund	\$ <sup>38,900,000</sup> <del>89,900,000</del>
Administrative Costs	836,500
Refundable Credits	537,000

Total Appropriation \$ 90,273,500  
(See ch. 120 SLA 1980,  
sec. 52, page 70, line 10)

(B) Additional Appropriation necessary to cover Incremental  
Cost of Total Suspension:

1979 Refund	\$ 22,100,000
Administrative Costs	-0-
Refundable Credits	505,000

\$ 22,605,000

(C) Total Appropriated Funds: \$112,878,500

The Honorable Clem Tillion

September 19, 1980  
Page Two

(D) Summary of FY 81 costs:

1. Total Appropriated Funds:	\$112,878,500
2. Total Rebate of 1980 Withholding (No appropriation Necessary for these funds held in Trust by the State)	\$ 73,500,000
3. Total Revenues Foregone during FY 81 by virtue of repeal	<u>\$147,500,000</u>
TOTAL	<u>\$333,878,500</u>

Administrative Costs:

Administrative costs under Ch. 22, SLA 1980 were estimated at \$836,500. It is assumed that the original Ch. 22 appropriation remains available for use to implement the suspension or repeal and we foresee no increase in FY 81 administrative costs with the suspension program. Therefore, no additional appropriation is necessary at this time.

Three fiscal notes are attached to show the estimated effects of suspension on relevant Divisions within the Department of Revenue in FY 82. These fiscal notes assume a continuation of the Permanent Fund Dividend program, continuation of the refundable credits and suspension or repeal of AS 43.20 as of December 31, 1978. These potential reductions in funding and staff are preliminary and will be refined for inclusion in the FY 82 Detailed Budget. At that time, it should be known whether the underlying assumptions are valid.

Sincerely,

*Joseph K. Donohue*

for Thomas K. Williams  
Commissioner of Revenue

Attachments

LEGISLATURE OF THE STATE ALASKA  
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. \_\_\_\_\_

Title An Act Suspending the Alaska Net Income Tax Act for Individuals a

Requested by Governor Date \_\_\_\_\_ Fiduciary \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected \_\_\_\_\_

Program Category Affected \_\_\_\_\_

BRU, Program, or Subprogram(s) Affected \_\_\_\_\_

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>						

FUNDING (Thousands of Dollars)

GENERAL FUND		112.878	1.6	2.3	2.8	
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
Withholding in Trust		73.5				
		(147.5)	(206)	(266)	(338)	

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

\$90,273,500 was previously appropriated in CH. 120, SLA 1980, Sec. 52, p. 70, l. 10 to cover the costs of Chapter 22. That figure included \$88.9 million for 1979 tax refunds, \$537,000 for refundable credits and \$836,500 for administrative costs. The new FY 81 figure of \$112,878,000 includes \$111,000,000 for 1979 tax refunds (an increase of \$22.1 million), \$1,042,000 for refundable credits (an increase of \$505,000) and \$836,500 for administrative costs (no increase). Complete suspension of the income tax is estimated to cost a total of \$22,605,000 more than the graduated exemption program in FY 81 and this is the figure utilized in the appropriation bill accompanying the suspension proposal since it is assumed the original Chapter 22 appropriation remains available to implement the new bill.

The \$73.5 million figure for FY 81 consists of withholding held in trust  
(continued)

IV. DATE \_\_\_\_\_

PREPARED BY Vincent W. Wright

AGENCY 5-2291

PHONE \_\_\_\_\_

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

for the first three quarters of tax year 1980 that will be refunded in  
FY 81.

The bottom line figures represent foregone revenues due to suspension of  
the individual income tax.

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB/SB

Title An Act Suspending the Alaska Net Income Tax Act for Individuals and Fiduciaries

Requested by Governor Date 9/22/80

II. FISCAL DETAIL

Agency Affected Revenue

Program Category Affected General Government

BRU, Program, or Subprogram(s) Affected Administration and Support, Management Services

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		0	(480.2)			
200 TRAVEL		0	( 2.0)			
300 CONTRACTUAL		0	(231.2)			
400 COMMODITIES		0	( 1.0)			
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		0	(714.4)			

FUNDING (Thousands of Dollars)

GENERAL FUND		0	(714.4)			
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		0	(16/192mm)			
PART TIME		0	(10/50 mm)			
TEMPORARY						

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

100 = 384.2 Salaries	3.00 = .96.2 Forms/Postage
96.0 Benefits	30.0 Machine Rental
480.2 Total Personnel Reduction	100.0 DP Chargeback
	5.0 Miscellaneous Contractual
	231.2 Total Contractual Reduction

IV. DATE 9/22/80

PREPARED BY P. A. Wall

AGENCY Revenue

PHONE 465-2313

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House/Senate Bill No. 1

Title An Act suspending the Alaska Net Income Tax Act for individuals and  
Requested by Governor Date 9/22/80 (fiduciar

II. FISCAL DETAIL

Agency Affected \_\_\_\_\_ Revenue \_\_\_\_\_

Program Category Affected \_\_\_\_\_ Fiscal Services \_\_\_\_\_

BRU, Program, or Subprogram(s) Affected \_\_\_\_\_ Audit Division \_\_\_\_\_

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		-0-	(162.3)			
200 TRAVEL		-0-	-0-			
300 CONTRACTUAL		-0-	(.6)			
400 COMMODITIES		-0-	(3.4)			
500 EQUIPMENT		-0-	-0-			
600 LAND & STRUCTURES		-0-	-0-			
700 GRANTS, CLAIMS, ETC.		-0-	-0-			
TOTAL		-0-	(166.3)			

FUNDING (Thousands of Dollars)

GENERAL FUND		-0-	(166.3)			
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		-0-	(6)			
PART TIME		-0-	(5)			
TEMPORARY						

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

See attached memorandum to Joseph K. Donohue dated September 19, 1980.

IV. DATE September 22, 1980

PREPARED BY [Signature]  
AGENCY Audit Division  
PHONE 465-2320

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

# MEMORANDUM

# State of Alaska

TO: Joseph K. Donohue  
Deputy Commissioner  
Department of Revenue

DATE: September 19, 1980

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins  
Director  
Audit Division

SUBJECT: Fiscal Impact of  
House/Senate Bill #1

This bill would repeal the individual income tax retroactive to January 1, 1979. It is anticipated that the Department of Revenue will issue 225,000 refunds to taxpayers for 1979 and an additional 325,000 of withholding refunds for 1980. Assuming the Legislature passes this or a similar bill during the week of September 22nd, the major impact of that legislation will be felt by this division in the next nine months. This impact will coincide with the decline of normal functions which various members of my staff have performed in the past which were necessary to the ongoing operation of the individual income tax law.

In reviewing the impact of this legislation on my division, I have continued to assume that the Permanent Fund Dividend program will survive the court test and that we will be processing claims for Permanent Fund Dividends yet this year and in subsequent years.

There are three units in the Juneau office which will be primarily impacted by the individual income tax repeal. These are: Withholding Unit, Individual Tax Examination Unit, and the Taxpayer Assistance Unit. There will also be a slight impact on the staffing of the Anchorage field office. There will be no impact on our Fairbanks and Seattle field offices.

The Withholding Unit will still be required to process all third quarter withholding reports from employers, a limited number of fourth quarter withholding reports, and an annual reconciliation from all employers, which will not be received until the month of February. It is imperative that they properly process all of these reports to ensure that employers have, in fact, withheld and paid in to us the amount of Alaska withholding which they show on their final Alaska W-2 forms. Due to the significant confusion which arose when SB 394 was enacted, with many employees becoming exempt from withholding during the middle of a quarter, and the anticipated similar problems with the enactment of the repeal law which will make all employees exempt from Alaska withholding, it is expected that there will be a much higher incidence of reporting error than we have experienced in the past. This increased incidence of error will result from

Joseph K. Donohue  
September 19, 1980  
Page 2

the fact that some employers have chosen to refund some of the taxes previously withheld to the employees, yet in some cases have not corrected their payroll records to reflect those refunds. If these errors are not identified and corrected, it will result in the State of Alaska issuing refunds for 1980 withholding to employees considerably in excess of the amount actually withheld and remitted to the State of Alaska. There are approximately 13,000 employers in the State of Alaska whose accounts will have to be balanced and closed out and it is anticipated that this will easily take the staff until June 30, 1981 to accomplish.

The Individual Tax Examination Unit will be impacted primarily by the refund of the 1979 individual income tax based on the returns filed. Because of the design of the data capture system, all 1979 individual tax returns which were adjusted within the Department of Revenue will have to have their 1979 refund hand-generated. The staff will be working from a computer-generated list of returns which had changes made to them. From this list they will have to pull the return from our central audit files, review the return to determine what the actual correct amount of tax paid was, and hand-generate a refund document. This will be a very time-consuming process because it will all have to be done by hand. It is anticipated that there will be 25,000 such refunds which will have to be determined by the staff of this unit. They will also be required to deal with those problem returns where the taxpayers have separated or divorced since their 1979 return was filed and want separate checks issued rather than a single check to the joint names. This unit will further be required to handle the 1980 claims which will be filed in 1981 for refund of their withholding and/or estimated tax payments, political campaign contributions, and child care expenses on which the computations are in error. Based on previous filing experience, it is anticipated that there will be at least 10,000 returns in this category. Since processing of the problem 1979 returns will begin in early October, 1980 and will carry into at least March of 1981, it is imperative that the funds which will remain from SB 394 appropriations be made available for the processing of the refunds under this bill. During the period of February, 1981 through June, 1981 we will have our regularly authorized seasonal staff to handle the remaining 1979 returns as well as all the problem claims for 1980. It is anticipated that we will be able to finish processing all of these returns by June 30, 1981.

The Juneau Taxpayer Assistance Unit will eventually be affected by a repeal; however, during the next nine months it is expected that they will continue to have a very high

Joseph K. Donohue  
September 19, 1980  
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demand for their services because of the large number of questions which clearly will be raised by taxpayers regarding either how their 1979 refund will be processed, or their 1980 withholding/political campaign contribution/child care expense claim is to be prepared and submitted. There will also be an approximate doubling of our workload regarding returned checks which have incorrect addresses because of the large number of people who will have moved since their 1979 return was filed, or their 1980 claim was filed. It will require all the currently authorized staff to properly account for and reissue the anticipated 10,000 returned warrants which will be undeliverable. .

It is also anticipated that the demand for taxpayer assistance services will remain high in the Anchorage area through the remainder of this fiscal year in providing assistance to individuals in regard to their 1979 refunds or their 1980 claims. Again, because the impact of the 1979 refunds will begin in early October and 1980 claims will begin in mid to late January, it is anticipated that this high demand for taxpayer services will continue through June of 1981.

It is anticipated that this repeal will result in a reduction in staff in the Audit Division of eleven positions for FY 82. This is comprised of six permanent full time and five seasonal positions. These reductions will be in the various units discussed above. The total position cost for these positions is \$166,300. As I mentioned previously, we are continuing to anticipate that the Permanent Fund Dividend program will remain in effect and that the court decision upholding it will be released within the next few months. It should be noted that the position reductions do not include any positions which were authorized under the tax relief legislation. It is assumed that those positions would be terminated at the end of this fiscal year.

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB/SB1  
 Title An act suspending the Alaska Net Income Tax for individuals and fiduciaries  
 Requested by Governor Date September 22, 1980

II. FISCAL DETAIL

Agency Affected Revenue  
 Program Category Affected Revenue Collection & Management  
 BRU, Program, or Subprogram(s) Affected Enforcement  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		-0-	(191.3)			
200 TRAVEL		-0-	( 7.8)			
300 CONTRACTUAL		-0-	( 18.8)			
400 COMMODITIES		-0-	( 1.9)			
500 EQUIPMENT		-0-				
600 LAND & STRUCTURES			( 2.3)			
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>		-0-	(222.1)			

FUNDING (Thousands of Dollars)

GENERAL FUND		-0-	(222.1)			
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		-0-	( 16 )			
PART TIME		-0-				
TEMPORARY		-0-				

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

See attached memorandum from Fred Boetsch, Director of Enforcement Division to Joe Donohue, Deputy Commissioner, Taxation, dated August 29, 1980.

IV. DATE 09/19/80 PREPARED BY Fred Boetsch, Director of Enforcement Division  
 AGENCY Revenue  
 PHONE (907, 465-2366)

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