

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

HB 154 cont. F: 282

- 1 the state;
- 2 (2) conducting business, farming, or fishing operations in
3 the state;
- 4 (3) [REPEALED
- 5 (4)] a partnership that [WHICH] transacts business in the
6 state;
- 7 (4) [(5)] a corporation that [WHICH] transacts business in
8 the state and that [WHICH] has elected to file federal returns under
9 26 U.S.C. 1361 - 1379 (Subtitle A, Ch. 1, Subchapter S, Internal
10 Revenue Code) [SUBCHAPTER S OF THE INTERNAL REVENUE CODE];
- 11 (5) [(6) REPEALED
- 12 (7)] engaging in any other activity from which income is
13 received, realized, or derived in the state;
- 14 (6) working for salary or wages in the state;
- 15 (7) an estate or trust deriving income from sources in the
16 state.

17 * Sec. 7. AS 43.20.040 is amended by adding a new subsection to read:

18 (d) With regard to the tax under AS 43.20.011(g) - (j), if a
19 business, trade, or profession, other than the rendering of purely
20 personal services, is carried on partly inside and partly outside the
21 state, the income from sources in the state must be determined as
22 provided in AS 43.19.

23 * Sec. 8. AS 43.20 is amended by adding a new section to read:

24 Sec. 43.20.062. CREDITS AGAINST TAX. (a) A resident is al-
25 lowed, as a credit against the tax otherwise due under this chapter,
26 the amount of income tax imposed on the taxpayer for the taxable year
27 by another state or territory of the United States on income derived
28 from sources in the other state or territory that is also subject to
29 tax under this chapter.

- 1 (E) for alimony;
2 (2) interest received on obligations of the United States;
3 (3) refunds of state income taxes included in gross income;
4 (4) permanent fund dividends paid under AS 43.23.055.

5 (1) The taxable income of a fiduciary is its adjusted gross
6 income. The taxable income of an individual taxpayer is the taxpay-
7 er's adjusted gross income less personal exemptions. An individual
8 taxpayer may deduct from adjusted gross income the number of personal
9 exemptions to which the taxpayer is entitled under 26 U.S.C. 151
10 (Internal Revenue Code). The exemption amount is \$3,000 and is not
11 adjusted for inflation.

12 (m) In this section, "individual" means a resident, nonresident,
13 or part-year resident individual, and "fiduciary" means a resident,
14 nonresident, or part-year resident fiduciary.

15 * Sec. 5. AS 43.20 is amended by adding a new section to read:

16 Sec. 43.20.032. TAX CALCULATION FOR NONRESIDENTS AND PART-YEAR
17 RESIDENTS AND FIDUCIARIES. (a) In computing the tax of a nonresident
18 or part-year resident individual or fiduciary under AS 43.20.011(k),
19 the part of the adjusted gross income attributable to sources in the
20 state is determined under AS 43.20.040.

21 (b) In computing adjusted gross income attributable to sources
22 in the state for a nonresident or part-year resident individual or
23 fiduciary, deductions and adjustments are allowed only to the extent
24 that they are connected with income that arises from sources in the
25 state or property having a situs for taxation in the state.

26 * Sec. 6. AS 43.20.040(b) is amended to read:

27 (b) In this section, income is from a source having a taxable or
28 business situs in the state if it is derived from

29 (1) owning or operating business facilities or property in

1 the state;
2 (2) conducting business, farming, or fishing operations in
3 the state;
4 (3) [REPEALED
5 (4)] a partnership that [WHICH] transacts business in the
6 state;
7 (4) [(5)] a corporation that [WHICH] transacts business in
8 the state and that [WHICH] has elected to file federal returns under
9 26 U.S.C. 1361 - 1379 (Subtitle A, Ch. 1, Subchapter S, Internal
10 Revenue Code) [SUBCHAPTER S OF THE INTERNAL REVENUE CODE];
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8 taxpayer may deduct from adjusted gross income the number of personal
9 exemptions to which the taxpayer is entitled under 26 U.S.C. 151
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11 adjusted for inflation.

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18 or part-year resident individual or fiduciary under AS 43.20.011(k),
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20 state is determined under AS 43.20.040.

21 (b) In computing adjusted gross income attributable to sources
22 in the state for a nonresident or part-year resident individual or
23 fiduciary, deductions and adjustments are allowed only to the extent
24 that they are connected with income that arises from sources in the
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28 business situs in the state if it is derived from

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1 the state;
2 (2) conducting business, farming, or fishing operations in
3 the state;
4 (3) [REPEALED
5 (4)] a partnership that [WHICH] transacts business in the
6 state;
7 (4) [(5)] a corporation that [WHICH] transacts business in
8 the state and that [WHICH] has elected to file federal returns under
9 26 U.S.C. 1361 - 1379 (Subtitle A, Ch. 1, Subchapter S, Internal
10 Revenue Code) [SUBCHAPTER S OF THE INTERNAL REVENUE CODE];
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20 personal services, is carried on partly inside and partly outside the
21 state, the income from sources in the state must be determined as
22 provided in AS 43.19.

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26 the amount of income tax imposed on the taxpayer for the taxable year
27 by another state or territory of the United States on income derived
28 from sources in the other state or territory that is also subject to
29 tax under this chapter.

1 (b) The credit allowed in (a) of this section is limited to that
2 proportion of the tax computed under this chapter that the taxable
3 income from the other state or territory bears to total taxable in-
4 come. The credit may not exceed the actual tax paid to the other
5 state or territory.

6 (c) The amounts deducted and withheld as taxes under this chap-
7 ter during a calendar year are allowed as credits to the taxpayer
8 against the tax imposed by this chapter.

9 (d) A taxpayer who qualifies for receipt of the Alaska permanent
10 fund dividend under AS 43.23 may, under regulations adopted by the
11 department, request the department to apply the dividend as a credit
12 against the tax imposed by this chapter.

13 * Sec. 9. AS 43.20.065 is amended to read:

14 Sec. 43.20.065. ALLOCATION AND APPORTIONMENT. A corporate
15 taxpayer who has income from business activity that [WHICH] is taxable
16 both inside and outside the state or income from other sources both
17 inside and outside the state shall allocate and apportion net income
18 as provided in the Multistate Tax Compact (AS 43.19), or as provided
19 by this chapter.

20 * Sec. 10. AS 43.20 is amended by adding a new section to read:

21 Sec. 43.20.171. COLLECTION OF INCOME AT SOURCE. (a) Every
22 employer making payment of wages or salaries shall deduct and withhold
23 an amount of tax computed in a manner to approximate the amount of tax
24 due on those wages under this chapter for that year. The employer
25 shall remit withheld taxes to the department, together with a return
26 or report prescribed by the department, at the time or times required
27 by the department by regulation. The department shall publish the
28 rate of withholding required by this section. Every employer making a
29 deduction and a withholding shall furnish to the employee no later

1 than January 31 of the succeeding year, or within 30 days after ter-
2 mination of employment, whichever is earlier, a written statement on a
3 form prescribed by the department showing

4 (1) the name and taxpayer identification number of the
5 employer;

6 (2) the name and social security number of the employee;

7 (3) the total amount of wages and other compensation; and

8 (4) the total amount deducted and withheld as tax.

9 (b) Every employer making payments of wages or salaries earned
10 in the state, regardless of the place where the payment is made,

11 (1) is liable for the payment of the tax required to be
12 deducted and withheld under this section and is not liable to an
13 individual for the amount of the payment; and

14 (2) shall make return of and pay to the department the
15 amount of tax levied that the employer is required to deduct and
16 withhold under this chapter.

17 (c) An employer who fails to comply with this section is subject
18 to the penalties set out in AS 43.05.220(d).

19 (d) If the employer is the United States or the state or a
20 political subdivision of the state, or an agency or instrumentality of
21 one or more of those entities, the return of the amount deducted and
22 withheld on wages or salaries may be made by an officer of the employ-
23 er having control of the payment of the wages or salaries or who is
24 appropriately designated for that purpose.

25 (e) In this section, "wages," "employee," and "employer" have
26 the meanings attributed to them under 26 U.S.C. 1 - 9602 (Internal
27 Revenue Code).

28 * Sec. 11. AS 43.20.340 is amended by adding new paragraphs to read:

29 (12) "fiduciary" means an estate, a trust, a guardian,

1 trustee, executor, administrator, receiver, conservator, or a person
2 acting in a fiduciary capacity for another or for the estate of a
3 deceased person;

4 (13) "individual" means a natural person, married or un-
5 married, adult or minor, subject to payment of an income tax under 26
6 U.S.C. 1 - 9602 (Internal Revenue Code);

7 (14) "domicile" means the location of an individual's true,
8 fixed, permanent home and principal establishment, to which the indi-
9 vidual intends to return from a temporary or transitory absence;

10 (15) "nonresident" means an individual who is not a resident
11 or part-year resident;

12 (16) "residence" means actual physical presence in the state
13 and is determined without regard to a person's domicile;

14 (17) "resident" means an individual who, during the taxable
15 year, was domiciled in the state or resided in the state for the
16 entire taxable year; an individual does not lose resident status
17 simply by reason of attending an educational institution or by serving
18 in the armed forces.

19 * Sec. 12. AS 43.05.085, AS 43.20.012 and 43.20.013 are repealed.

20 * Sec. 13. Sections 1 - 12 of this Act apply to income received after
21 December 31, 1987.

22 * Sec. 14. This Act takes effect January 1, 1988.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CS HB 154 (State Affairs)
Publish Date: _____

REQUEST _____

Revision Date: _____
Title: State Individual Income Tax

Agency Affected: _____
BRU: _____

Sponsor: House State Affairs Substitute
Requestor: House Finance

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	(See Attached Analysis)					

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page if necessary

See attached analysis.

Prepared By: Al Zangri & Mary Ellen Frank ^{MEX} Phone: 465-2173
Division: Research/Revenue Date: April 22, 1987
Approved by Commissioner: Hugh Malone Date: April 22, 1987
Agency: Department of Revenue

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APR 28 1987

LEGISLATIVE FINANCE

Continuation for Fiscal Note/Bill Analysis

CS HB 154

Making the PFD and Longevity Bonus non-taxable results in the revenue decreases shown in Table 1.

Table 1 compares the 1988-1992 revenue projections resulting from the committee substitute (CS HB 154) with the original bill (HB 154).

Table I
Revenue Comparison
(\$ 000)

	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>
HB 154	83,000	255,000	269,000	282,000	290,000
CS HB 154	81,600	249,100	262,500	275,300	282,000

The FY 88 projections are significantly less than the other years because the law is in effect for only one half of the fiscal year. In addition, the only collections during FY 88 will be withholding taxes during the first 6 months since the tax year 1988 returns will not be due until April 1989.

Determination of Fiscal Year, Net Receipts

1. A historical analysis of cash flows from the Alaska individual income tax indicated tax overpayments of about 25%. These overpayments result in refunds when returns are submitted in January through April of the year immediately following the tax year.
2. For the first year (FY88) we assume that lags in the submission and processing of withholding and estimated payments result in 26.7 percent of total annual collections being received during the first two quarters of tax year 1988 (i.e. the last two quarters of FY 88).
3. The calculation is:
$$\$244.6 \text{ million} \times 1.25 \times .267 = \$81.6 \text{ million}$$
4. In the first half of subsequent fiscal years there will be receipts (e.g. withholding, estimated payments) from the current tax year as well as collections of liabilities from the previous tax year.

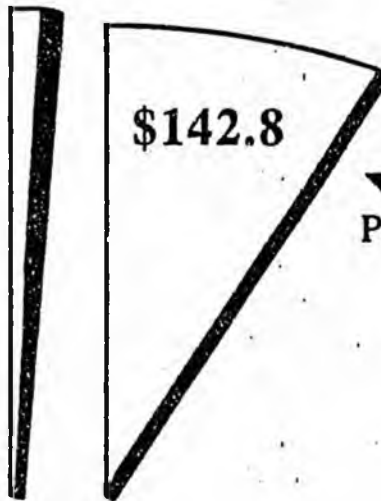
The tax rate on the upper tax bracket would have to be raised from the proposed 5.7% to 6.1% to make the substitute bill raise the same revenue as the HB 154 proposal.

FY87 Budget Shortfall Problem and Solutions

(Unrestricted General Funds)

(\$Millions)

Funding Source Change, \$50.0
Bradley Lake

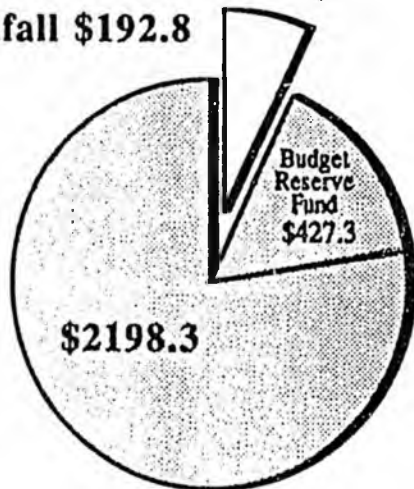


\$142.8

Permanent Fund Earnings

FY87
Current Budget
\$2391.1

Shortfall \$192.8



Budget
Reserve
Fund
\$427.3

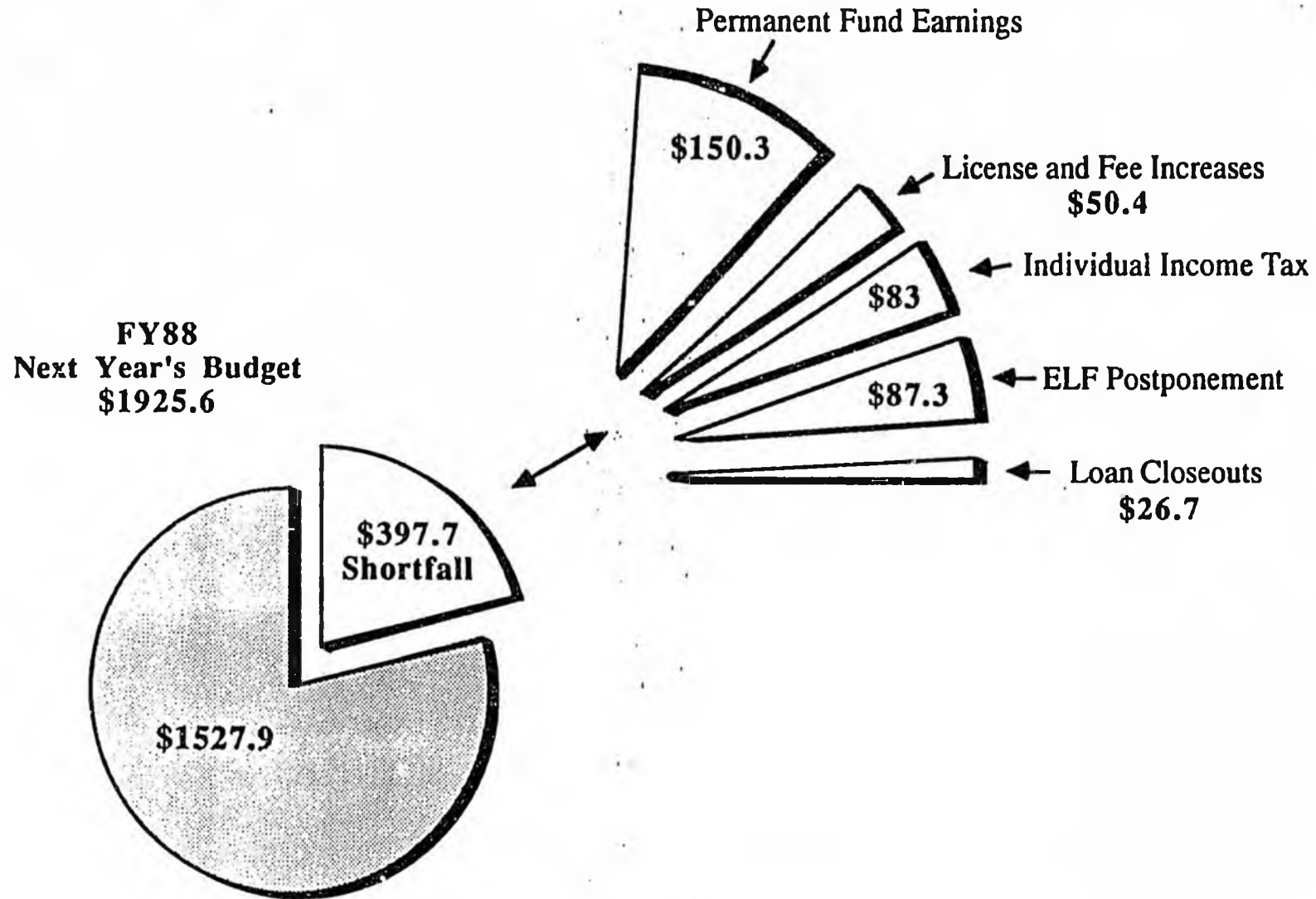
\$2198.3

The deficit amount has been reduced by the appropriation of the Budget Reserve Fund (\$427.3) to the General Fund and the anticipated rise in oil prices, as presented in the March 1987 revenue forecasts.

FY88 Budget Shortfall Problem and Solutions

(Unrestricted General Funds)

(\$Millions)



FY89, 90, 91 Budget Shortfall Problem and Solutions

(Unrestricted General Funds)
(\$Millions)

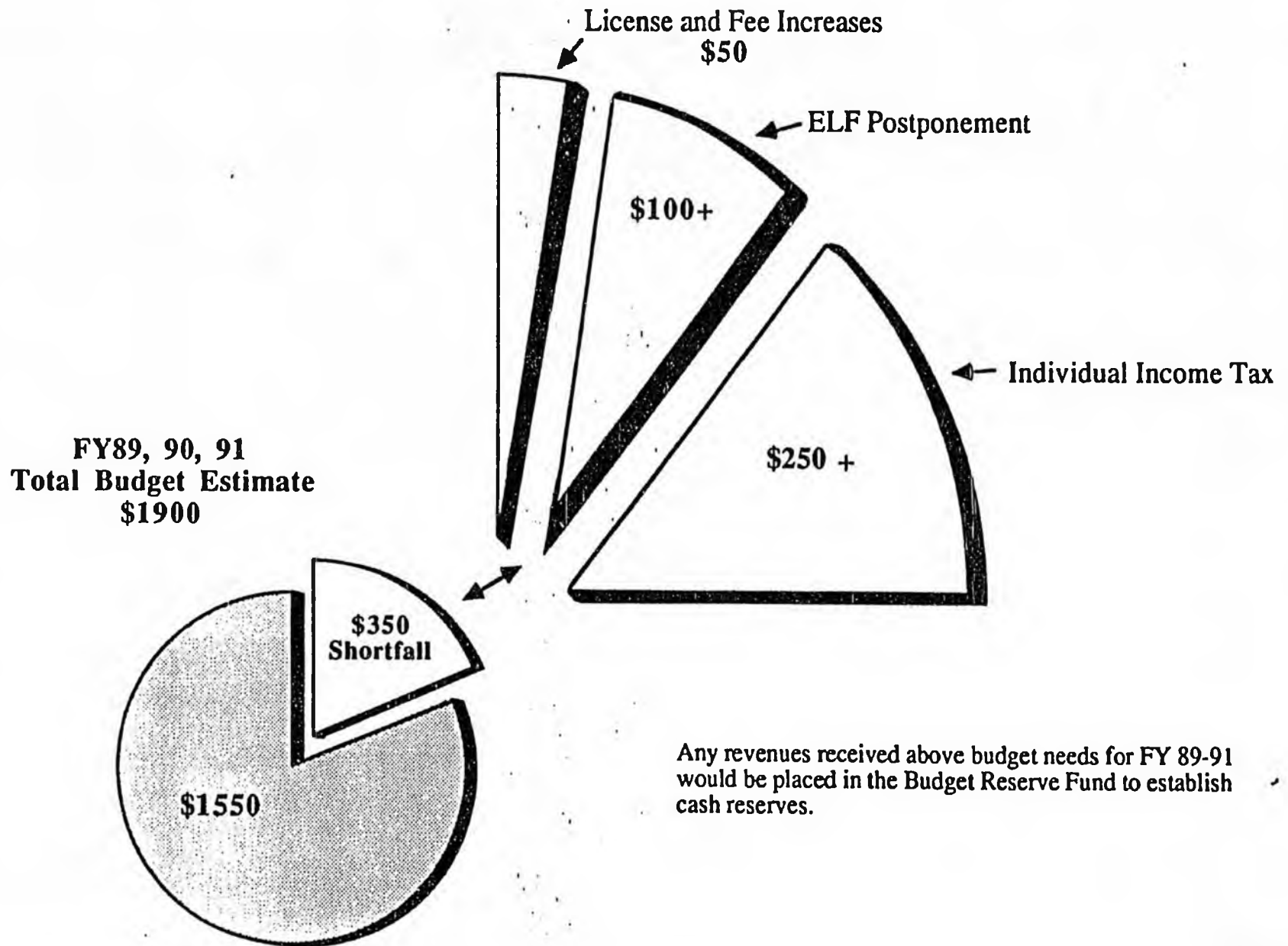
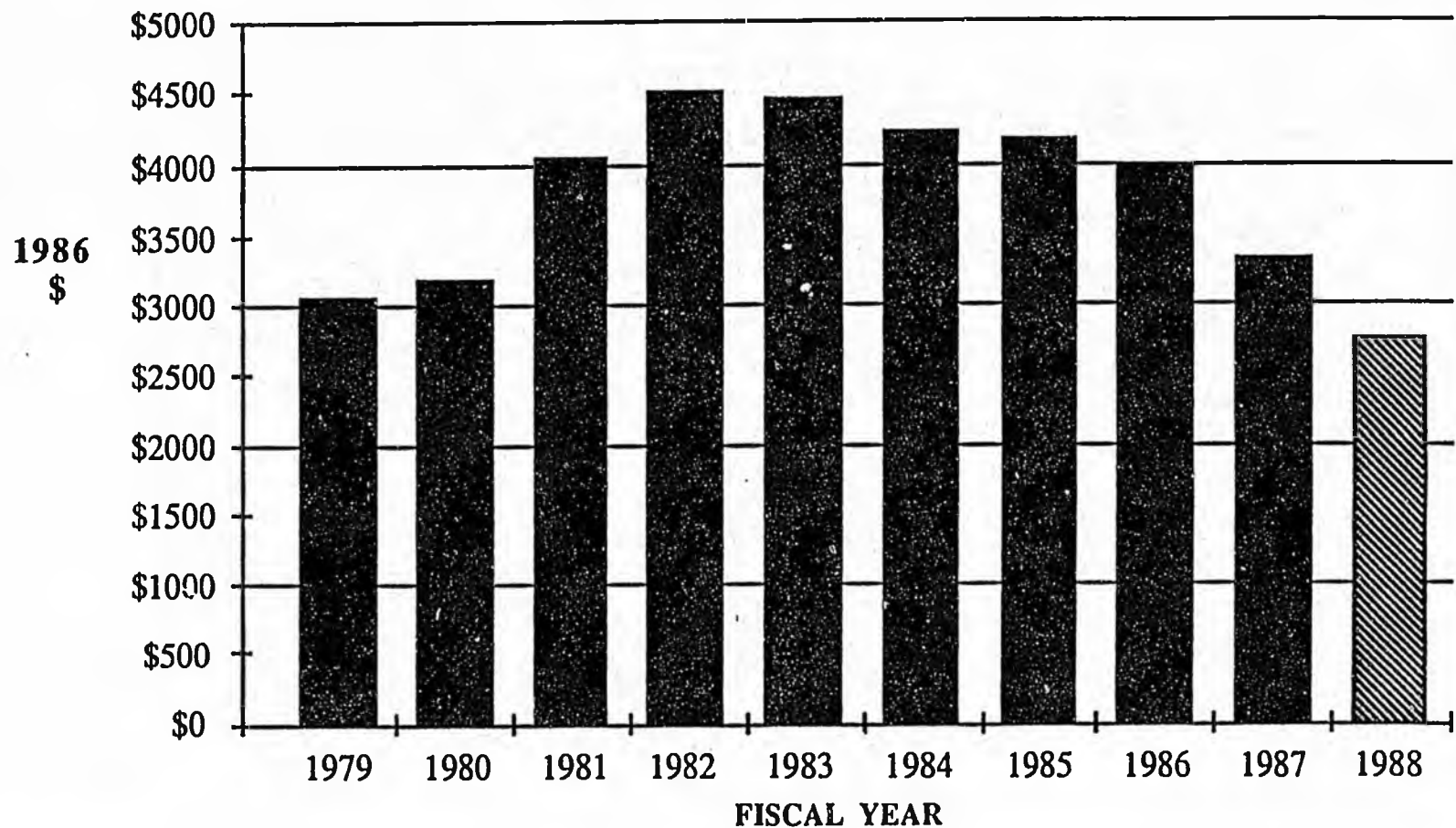


Figure 4

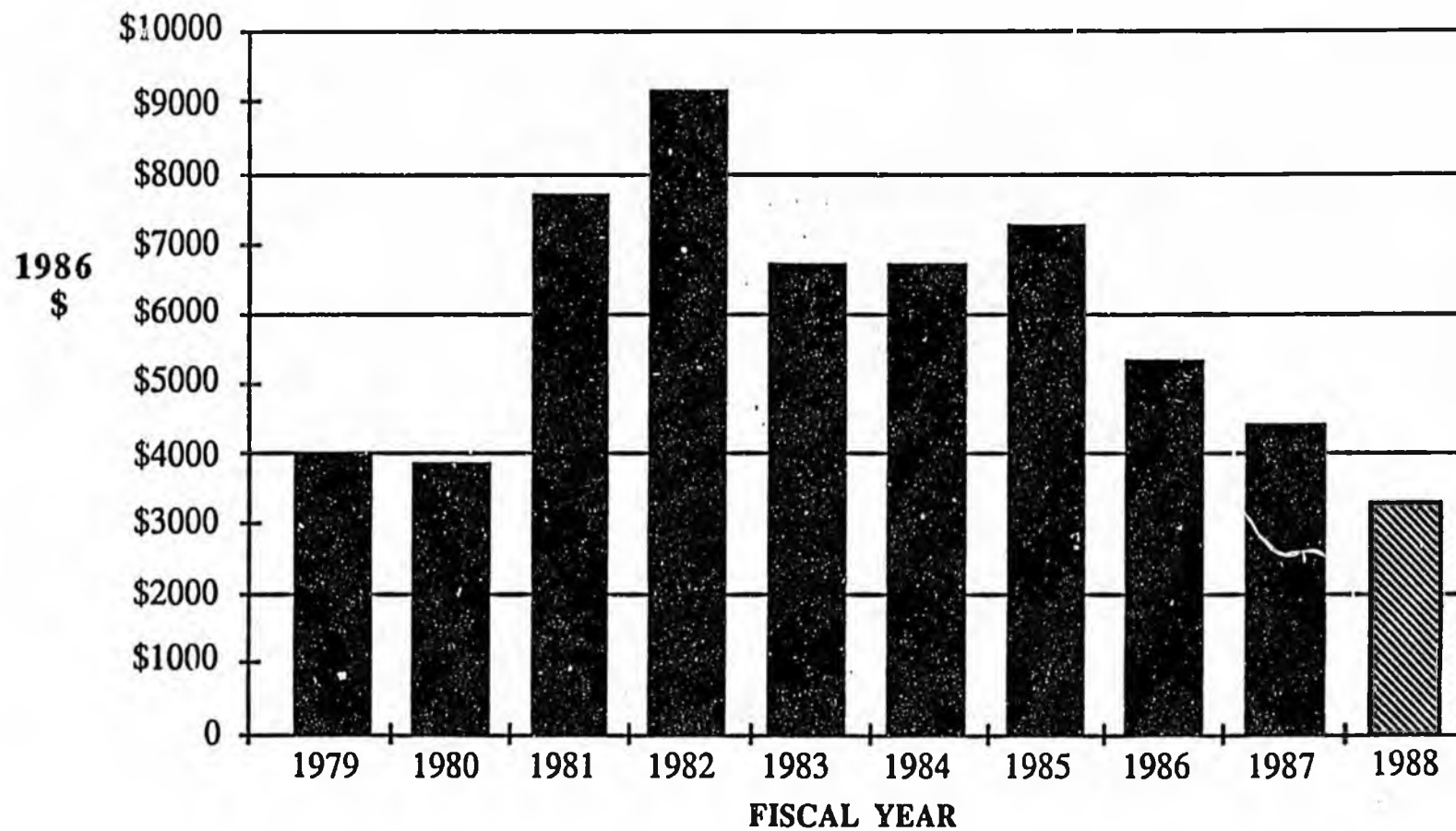
State Spending Per Resident

(Operating Budget, 1986 Dollars)



FY 79-86 are actual values. The FY 87 estimate reflects restrictions. The FY 88 projection reflects Governor Cowper's January budget proposal. All figures are Unrestricted General Funds.

Figure 5
Total State Spending Per Resident
(Operating, Capital, Loans; 1986 Dollars)

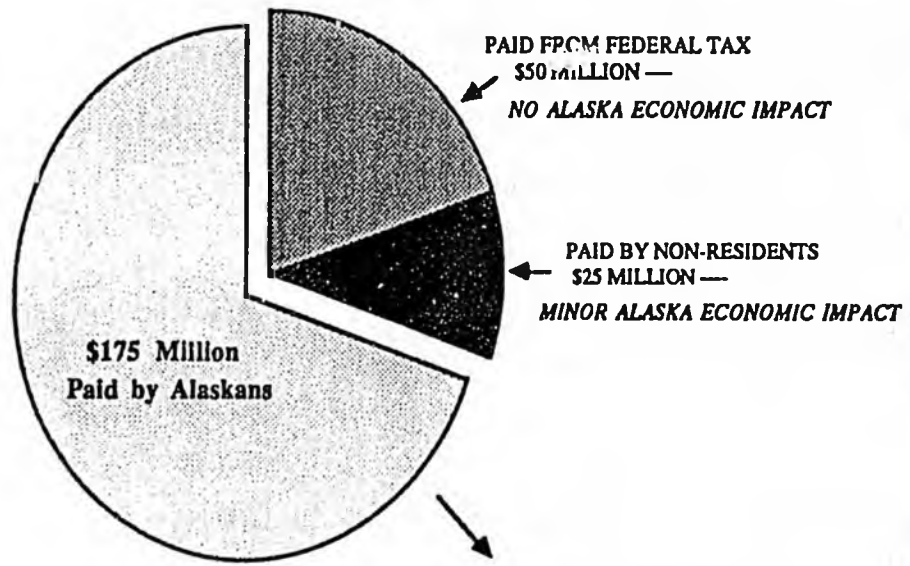


FY 79-86 are actual values. The FY 87 estimate reflects operating restrictions. The FY 88 projection reflects Governor Cowper's January budget proposal. All figures are Unrestricted General Funds.

Figure 6

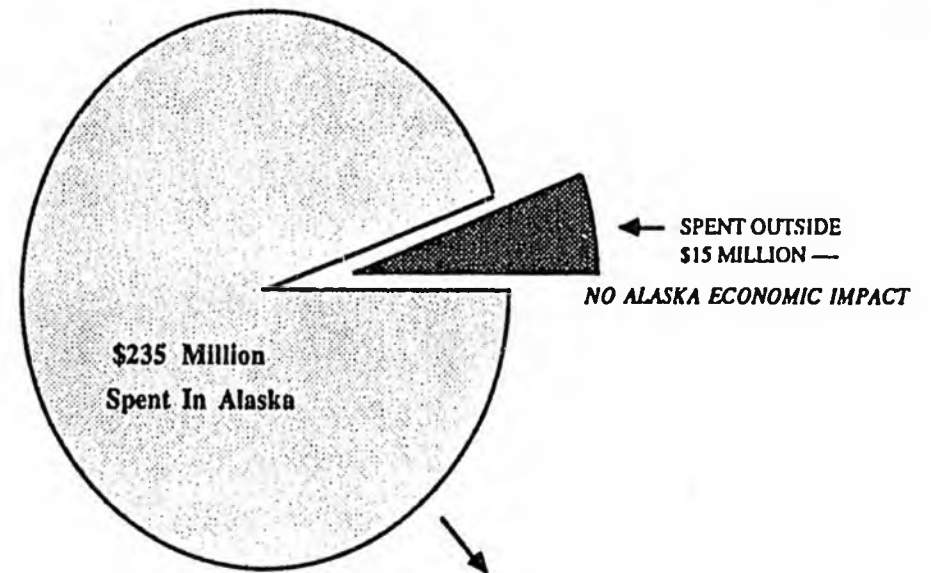
What Are The Economic Effects ...

...Of The Tax ?



IMPACT OF THE TAX = 2,900 JOBS LOST

...Of The Spending Cut ?



IMPACT OF SPENDING CUT = 6,700 JOBS LOST

(Preliminary OMB Estimates, 3/12/87, Based on ISER Data)

Figure 7

WHERE ARE THE TAXPAYERS?

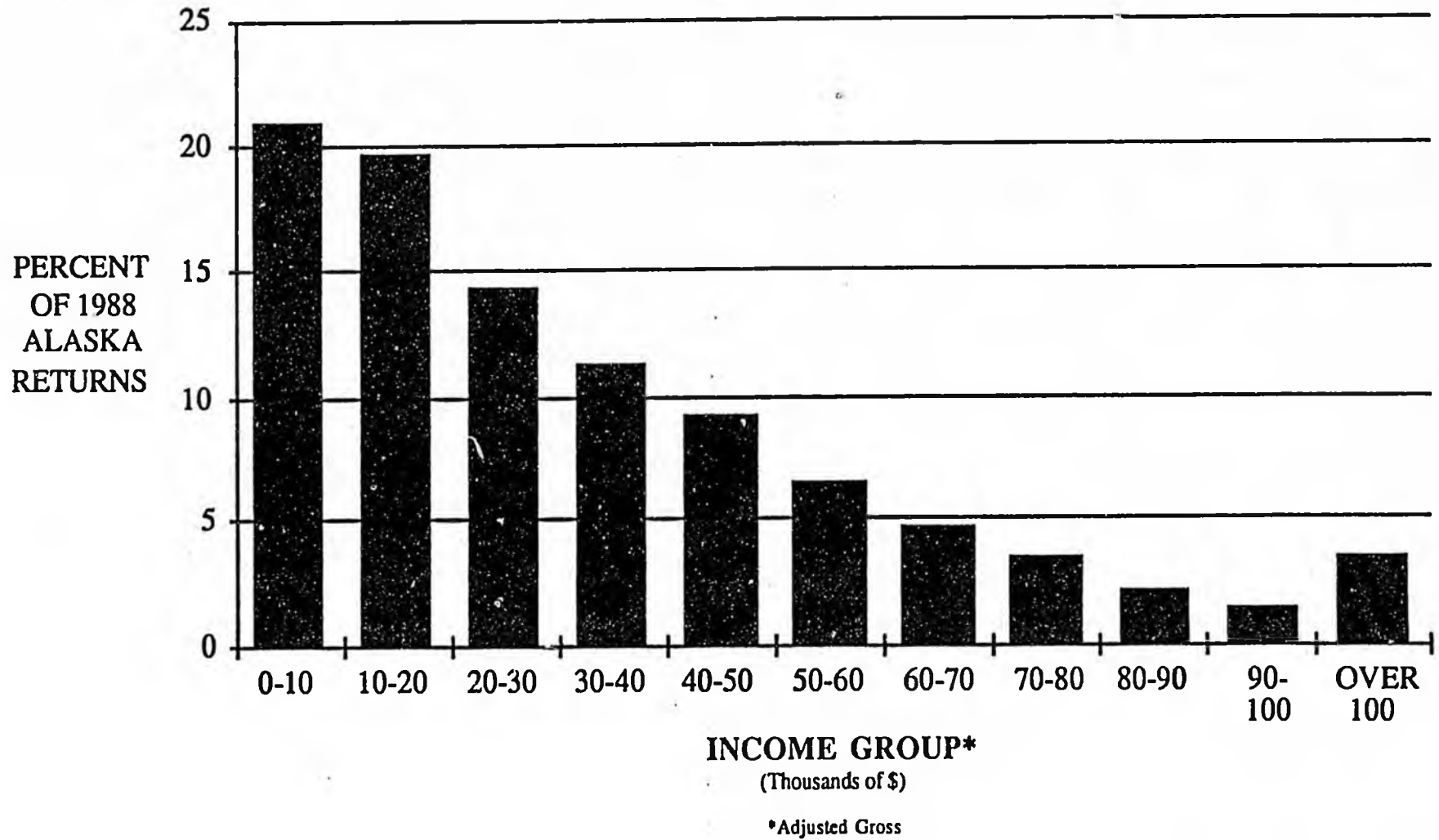


Figure 8

WHERE IS THE INCOME?

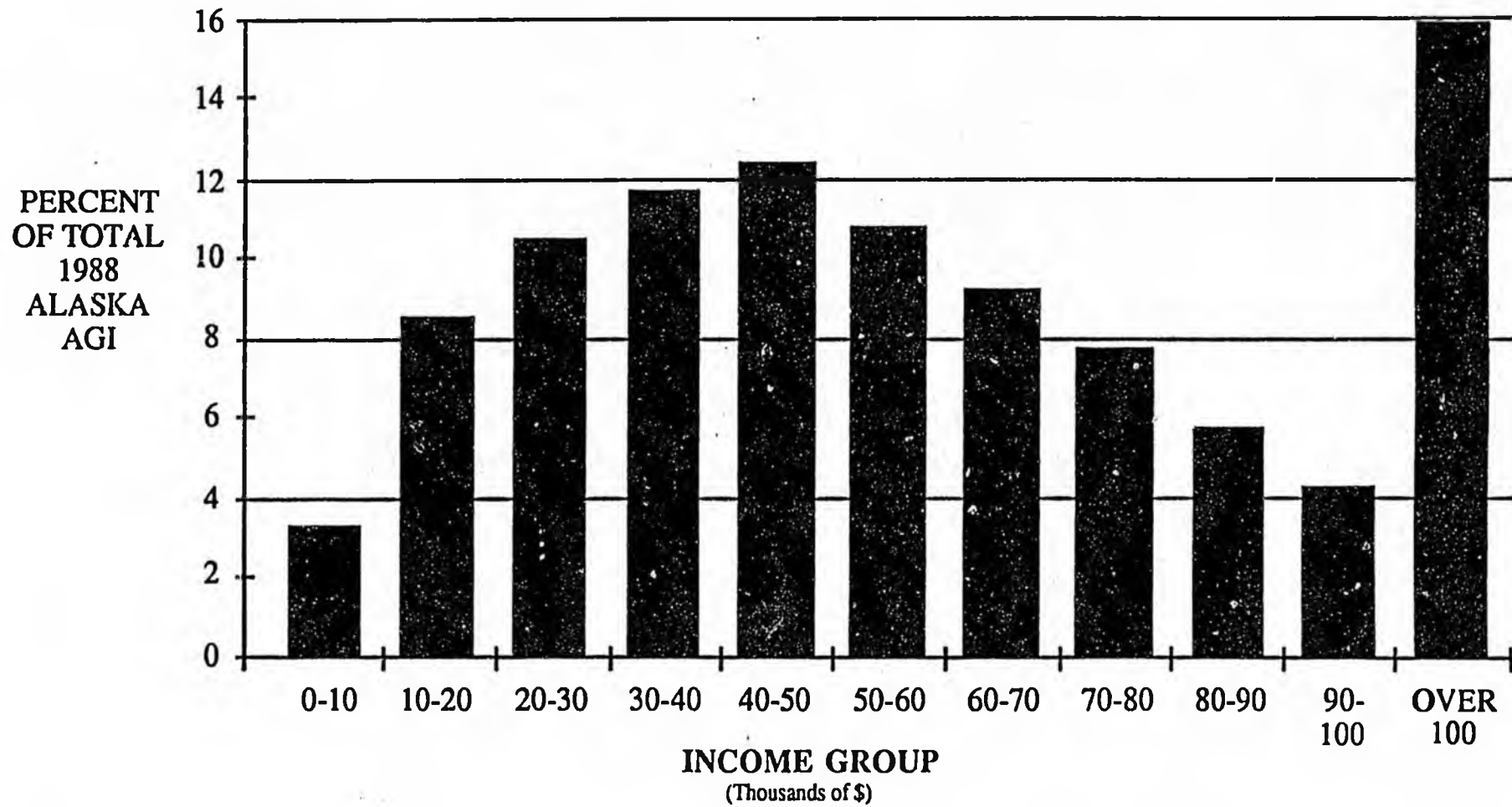


Figure 9

Who Benefits From Interest Deductions ?

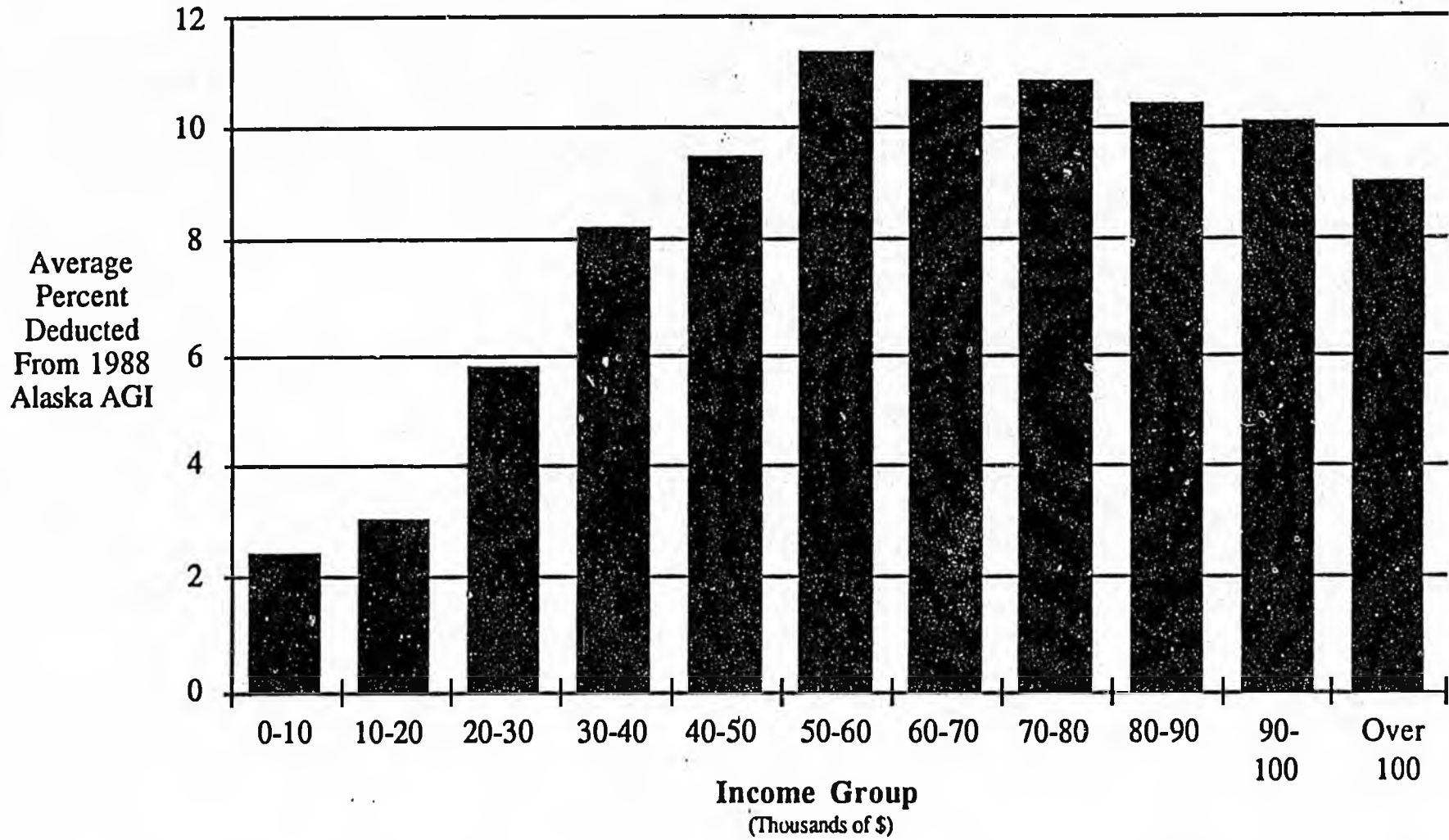
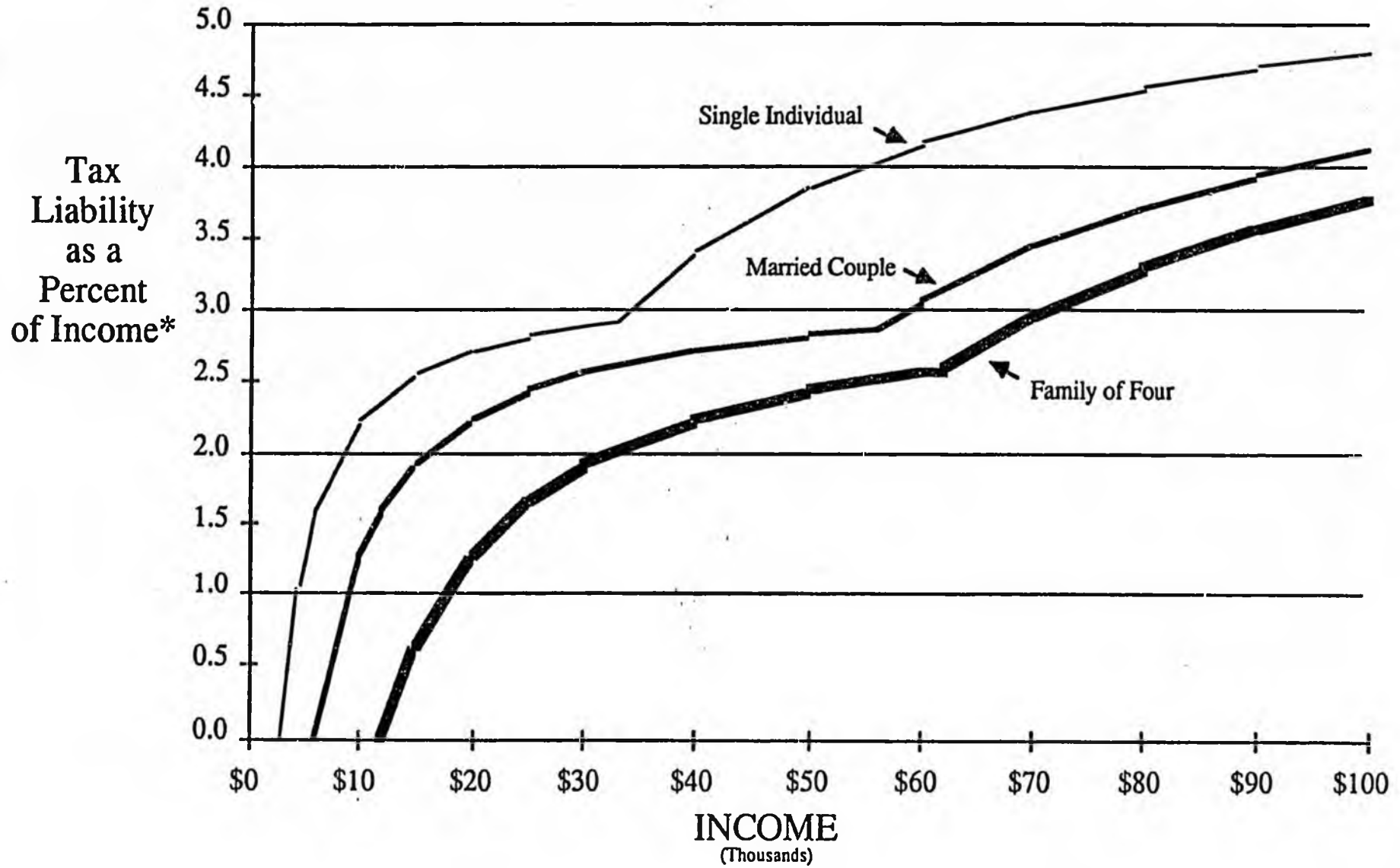


Figure 10

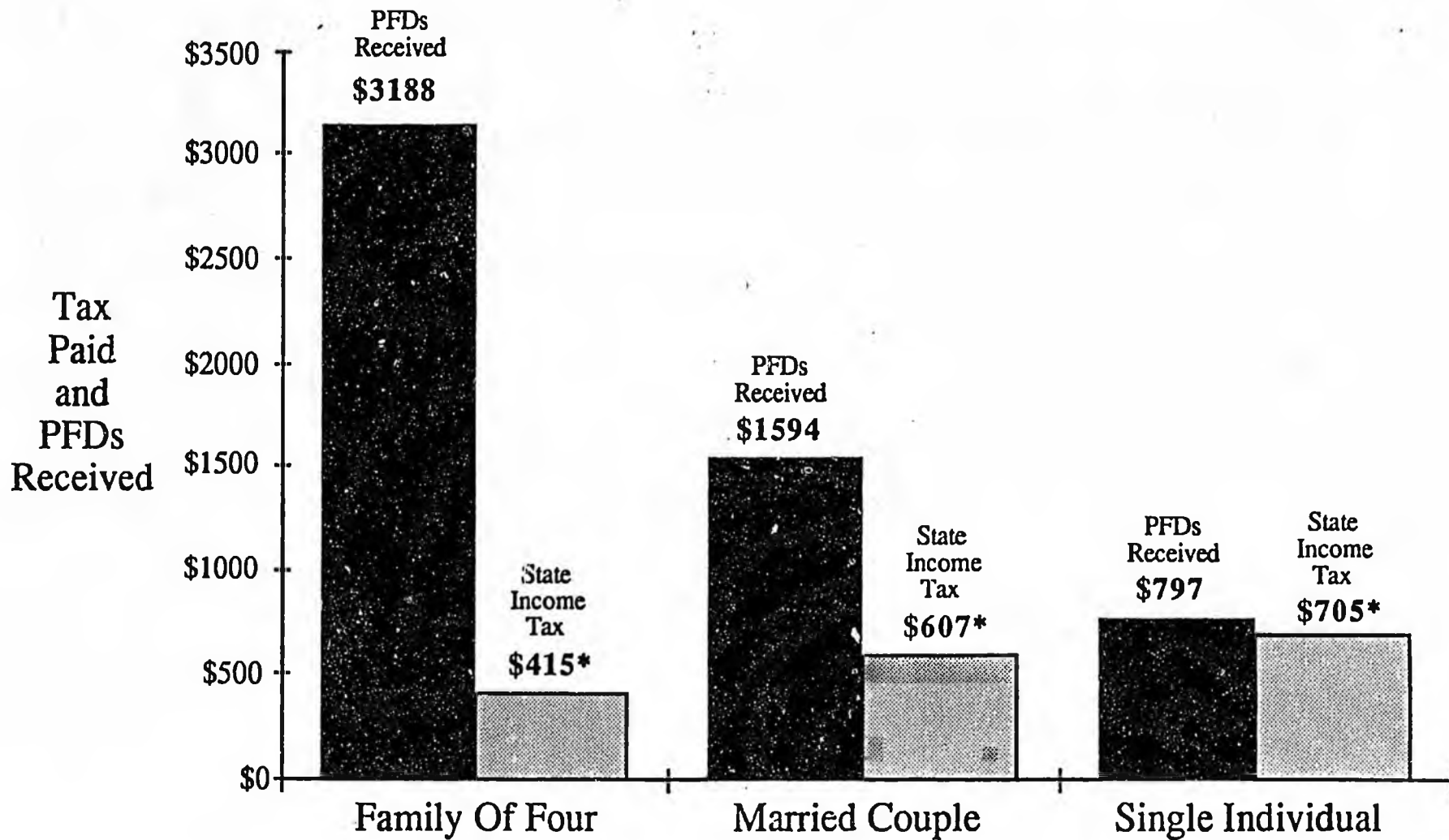
What Are The Tax Rates ?



* Effective tax rates will be lower than shown here because the state tax is an allowable deduction in figuring federal tax liability. OMB, Division of Policy, 3/12/87.

Figure 11

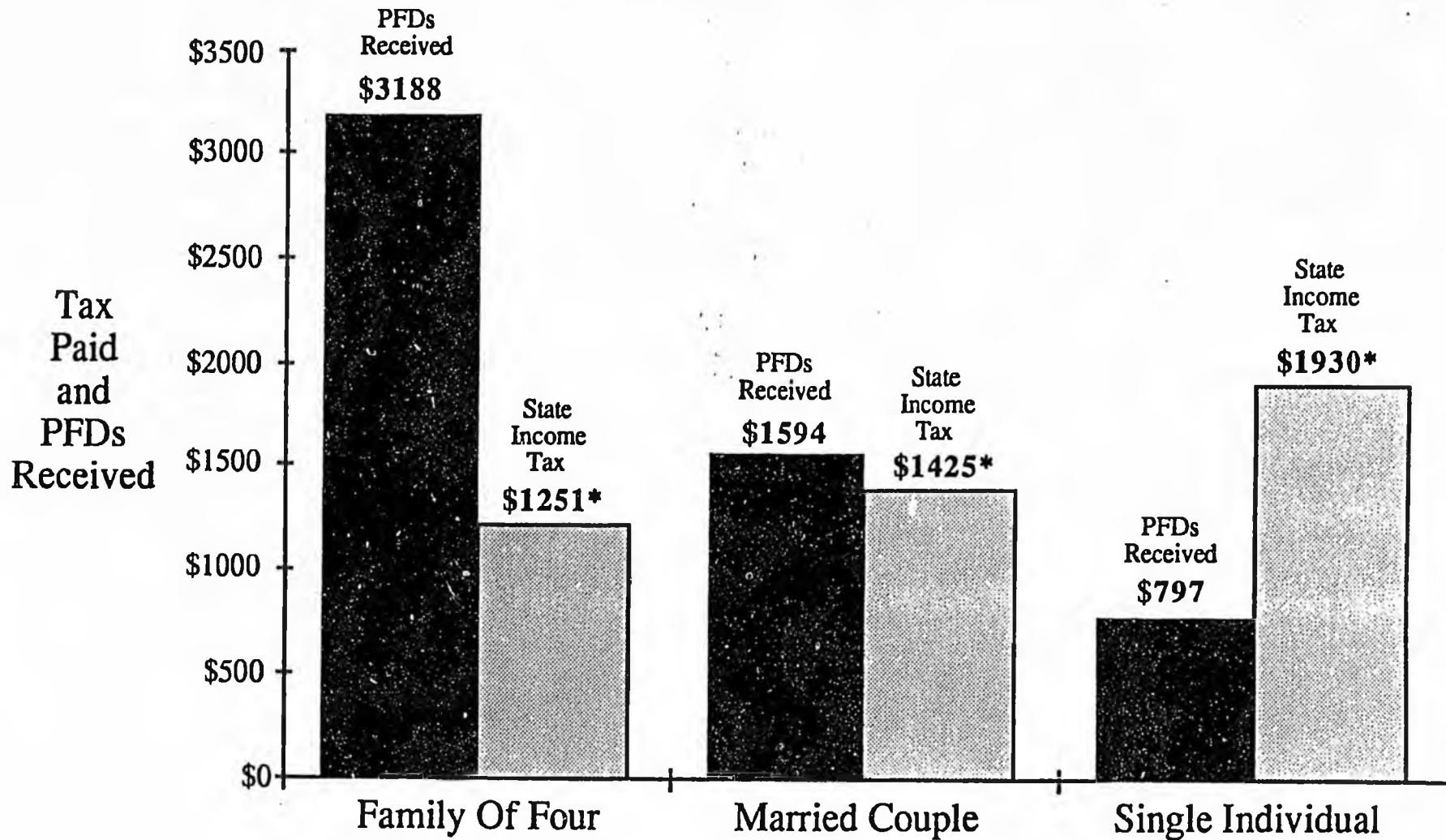
How Does The Tax On \$25,000 Income Compare With PF Dividends Received ?



* Net tax will be lower because state tax is an allowable deduction in figuring federal tax liability. Oct. 1988 dividend estimated by PF Corp. OMB/Division of Policy, 3/12/87.

Figure 12

How Does The Tax On \$50,000 Income Compare With PF Dividends Received ?



* Net tax will be lower because state tax is an allowable deduction in figuring federal tax liability. Oct. 1988 dividend estimate by PF Corp. OMB/Division of Policy, 3/12/87.

Briefing Documents:

***PROPOSED ALASKA INDIVIDUAL
INCOME TAX***

HB-154 and SB-148

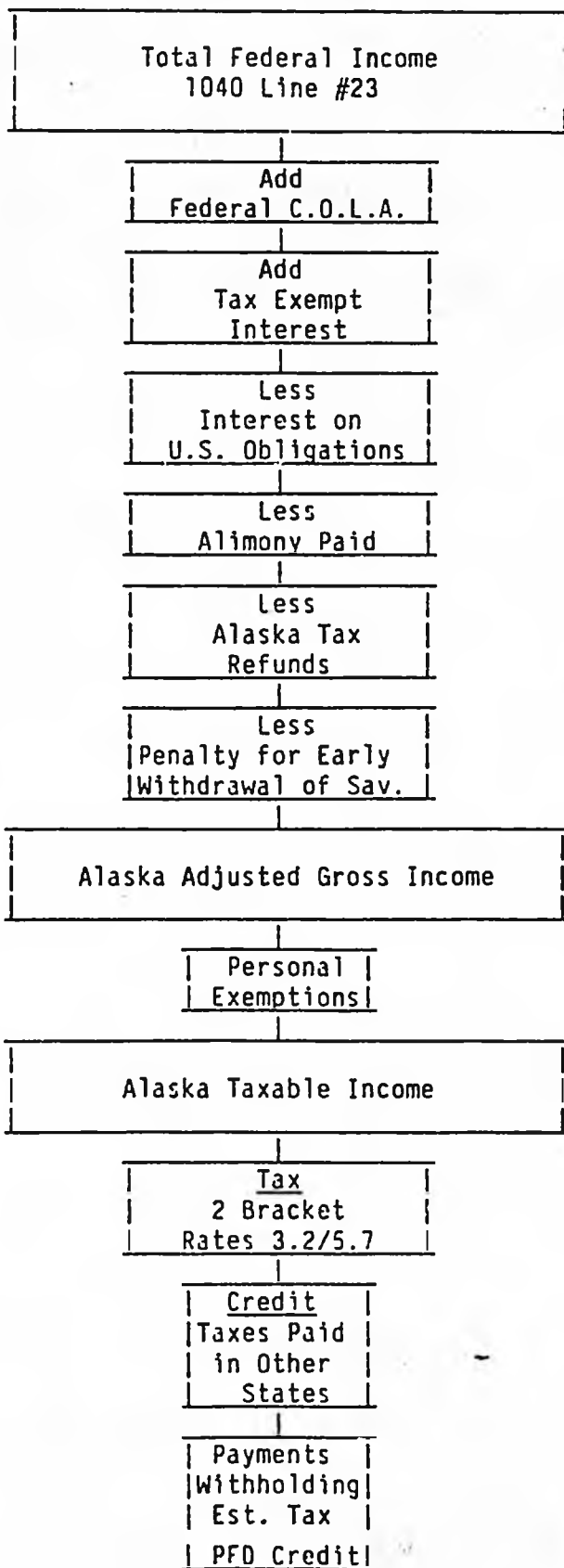
March 15, 1987

Joint Income Tax Working Group
Department of Revenue Office of Management and Budget Department of Law

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STATE OF ALASKA
INDIVIDUAL INCOME TAX
FLOW CHART



Individual Income Tax Draft
 Designed Revenue Goal--\$250 billion
 Effective tax rates
 1988

DRAFT*

AGI RANGE	ALL	ALL	ALL	MARRIED	MARRIED	HEAD OF		
	RETURNS	RETURNS	RETURNS	JOINT	SEPARATE	HOUSEHOLD	SINGLE	
	PERCENT OF	PERCENT OF	EFFECTIVE	EFFECTIVE	EFFECTIVE	EFFECTIVE	EFFECTIVE	
	RETURNS	AGI	TAX RATE	TAX RATE	TAX RATE	TAX RATE	TAX RATE	
LOSS	1.23%	-0.92%		0.00%	0.00%	0.00%	0.00%	0.00%
0 TO 10000	21.15%	3.35%		0.83%	0.13%	0.74%	0.26%	1.01%
10001 TO 20000	19.76%	8.61%		1.95%	1.05%	1.87%	1.51%	2.42%
20001 TO 30000	14.43%	16.55%		2.28%	1.81%	2.43%	2.16%	2.71%
30001 TO 40000	11.43%	11.75%		2.52%	2.17%	2.66%	2.63%	2.97%
40001 TO 50000	9.46%	12.55%		2.69%	2.40%	2.37%	3.26%	3.52%
50001 TO 60000	6.67%	10.62%		2.79%	2.55%	3.25%	3.67%	3.89%
60001 TO 70000	4.65%	9.34%		2.99%	2.81%	3.79%	3.96%	4.13%
70001 TO 80000	3.52%	7.72%		3.28%	3.17%	3.96%	4.19%	4.34%
80001 TO 90000	2.31%	5.80%		3.53%	3.43%	4.09%	4.34%	4.46%
90001 TO 100000	1.58%	4.42%		3.73%	3.65%	4.26%	4.38%	4.52%
100001 TO 150000	2.61%	9.11%		4.08%	3.97%	4.51%	4.54%	4.75%
150001 TO 200000	0.51%	2.54%		4.56%	4.39%	4.81%	4.96%	4.96%
200001 TO 300000	0.23%	1.59%		4.86%	4.69%	4.98%	5.19%	5.09%
300001 TO 400000	0.09%	0.92%		5.05%	5.02%	5.29%	5.03%	5.15%
OVER 400000	0.08%	1.73%		5.24%	5.35%	5.60%	5.49%	5.45%
TOTAL	100.00%	100.00%						

* Two brackets 3.2%-- 0 to 30000 (single) ; 0 to 40000 (head of household) ;
 0 to 50000 (married-joint) ; 0 to 25000 (married-separate)

5.7%-- over 30000 (single) ; over 40000 (head of household) ;
 over 50000 (married-joint) ; over 25000 (married-separate)

* Accruals Non-residents tax

* \$3000 personal exemption

Tax Rates In Other States

<i>State or other jurisdiction</i>	<i>Rate range(a) (percent)</i>	1
Alabama.....	2.0 - 5.0(3)	
Arizona(b).....	2.0 - 8.0(7)	
Arkansas.....	1.0 - 7.0(6)	
California(b).....	1.0 - 11.0(11)	
Colorado.....	3.0 - 8.0(11)(f)	
Delaware.....	1.2 - 9.7(14)	
Georgia.....	1.0 - 6.0(6)	
Hawaii.....	2.25 - 11.0(11)	
Idaho.....	2.0 - 7.5(6)(i)	
Illinois.....	2.5	
Indiana.....	3.0	
Iowa(b).....	0.5 - 13.0(13)(k)	
Kansas.....	2.0 - 9.0(8)	
Kentucky.....	2.0 - 6.0(5)	
Louisiana.....	2.0 - 6.0(3)	
Maine(b).....	1.0 - 10.0(8)	
Maryland.....	2.0 - 5.0(4)	
Massachusetts.....	5.1875(m)	
Michigan.....	5.1	
Minnesota(b).....	1.0 - 9.9(11)(o)	
Mississippi.....	3.0 - 5.0(3)	
Missouri.....	1.5 - 6.0(10)	
Montana(b).....	2.0 - 11.0(10)	
Nebraska.....	19% of U.S. tax	
New Jersey.....	2.0 - 3.5(3)	
New Mexico.....	1.8 - 8.5(7)	
New York.....	2.0 - 13.5(13)(q)	
North Carolina.....	3.0 - 7.0(5)	
North Dakota.....	2.0 - 9.0(8)(r)	
Ohio.....	0.855- 8.55(8)	
Oklahoma.....	0.5 - 6.0(7)(t)	
Oregon(b).....	4.0 - 10.0(7)	
Pennsylvania.....	2.2	
Rhode Island.....	22.21% of U.S. tax	
South Carolina(b).....	2.0 - 7.0(6)	
Utah.....	2.75 - 7.75(6)	
Vermont.....	26% of U.S. tax(u)	
Virginia.....	2.0 - 5.75(4)	
West Virginia.....	2.1 - 13.0(18)	
Wisconsin(b).....	5.0 - 7.9(4)	
Dist. of Col.	2.0 - 11.0(10)	

ANALYSIS

HB 154 AND SB 148

RELATING TO AN INDIVIDUAL INCOME TAX

- A. Section 1 imposes a tax of 3.2% and 5.7% on the taxable income of residents, nonresidents, part-year residents and fiduciaries. Married individuals filing a joint return and surviving spouses, heads of household, unmarried individuals and fiduciaries, and marrieds filing separate returns will pay the 5.7% tax on the taxable income in excess of \$50,000, \$40,000, \$30,000, and \$25,000, respectively. The tax on nonresidents and part-year residents is based on total taxable income and the tax is then apportioned to the state based the percentage of adjusted gross income attributable to an Alaska source. A taxpayer is required to use the same filing status as claimed on the federal tax return.
- B. Section 2 provides that a taxpayer must file a state tax return if required to file a federal tax return.
- C. Section 3 requires that a taxpayer file a copy of the federal return with the state return. It also provides that a taxpayer filing an amended federal return or receiving a federal assessment is required within 60 days to file an amended state tax return and to pay any tax and interest due.
- D. Section 4 defines gross income, adjusted gross income, and taxable income for individuals and fiduciaries. Federal law is adopted to define gross income except that cost of living allowances and tax exempt interest is added to federal gross income to arrive at state gross income. Adjusted gross income is gross income less alimony paid, interest on United States obligations, state income tax refunds included in gross income, the penalty for premature withdrawal of funds from time savings deposits, and certain business and investment expenses, i.e. cost of goods sold, that must be netted against gross income from the activity to arrive at the profit. A fixed personal exemption of \$3,000 per dependent is subtracted from adjusted gross income to arrive at taxable income.
- E. Section 5 describes the method of determining the adjusted gross income of nonresidents and part-year residents that is attributable to sources in the state.
- F. Section 6 identifies income derived from sources in the state.
- G. Section 7 provides when the allocation and apportionment provisions of AS 43.19 must be used to determine income derived from sources in the state.

- H. Section 8 provides credits against the tax for income taxes paid by residents to other states, tax withholdings, and estimated tax payments. A taxpayer will be allowed to apply the Permanent Fund Dividend as an offset against the tax.
- I. Section 9 requires employers to withhold tax from employee wages and to remit the tax with returns and reports required by the department.
- J. Section 10 provides definitions.
- K. Section 11 repeals the exemption from state income tax for individuals and fiduciaries, the refundable political contribution and child care credits, and the exemption from state tax for the longevity bonus.
- L. Section 12 provides the income tax is to apply to income received after December 31, 1987.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 148/HB 154

REQUEST _____

Publish Date: _____

Revision Date: 3/13/87

Agency Affected: Revenue

Title: An act relating to the taxation of income derived by individuals

BRU: Audit, Enforcement, Pub. Svcs., Admn

Sponsor: Governor

Svcs., Commissioner, Treasury, Research

Requestor: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	892.1	2265.3	2662.9	2673.7	2685.0
TRAVEL	-	46.4	73.5	84.2	84.5	84.9
CONTRACTUAL	-	645.8	1415.4	1538.9	1544.0	1547.9
SUPPLIES	-	11.7	37.5	39.9	40.4	40.9
EQUIPMENT	-	221.1	289.1	78.3	52.0	52.0
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	1817.1	4080.8	4404.2	4394.6	4410.7
CAPITAL	-	-	-	-	-	-
REVENUE	-	83,000	255,000	269,000	282,000	290,000

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	1817.1	4080.8	4304.2	4294.6	4310.7
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	100.0	100.0	100.0
TOTAL	-	1817.1	4080.8	4404.2	4304.6	4410.7

POSITIONS:

FULL-TIME	-	33	64	67	67	67
PART-TIME	-	1	4	4	4	4
TEMPORARY	-	0	27	27	27	27

ANALYSIS: Attach a separate page if necessary

Prepared By: Steven E. Kettel
Division: Audit

Phone: 465-2320
Date: 3/13/87

Approved by Commissioner: _____
Agency: _____

Date: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

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

ALTERNATIVE
to Revenue's
request

MEMORANDUM

DATE: April 21, 1987

TO: Rep. Al Adams, Chairman
Louann Cutler, Professional Assistant
House Finance Committee

FROM: Cameron Kashani, Revenue Analyst ^{ck}
Legislative Finance Division

SUBJ: ^{CS} Fiscal Note for HB 154 (SA)

At your request, I have reviewed and evaluated the fiscal note on Individual Income Tax which was prepared by the Department of Revenue (DOR). The following represents my recommendations on the proposed fiscal note dated March 23, 1987.

At the present time it seems more appropriate to address FY88 implementation costs of the Individual Income Tax, since any future expectation would reflect speculation rather than having any logical foundation. Therefore, I have prepared a fiscal note for the House Finance Committee which only includes FY88 implementation cost figures.

In the review of the Department's fiscal note, I took the liberty of speaking with various authorities of the Department of Revenue, the National Conference of State Legislatures, The National Association of Tax Administrators, the Department of Administration, and the Data Processing Coordinator of the State of North Dakota.

According to the National Association of Tax Administrators, the States of Vermont and North Dakota could be used as examples because of their comparability to the State of Alaska with respect to population size and the number of expected returns.

From the historical standpoint, in FY82, Legislative Audit Division had conducted a special audit on the Department of Revenue in order to determine the positions associated with the repealed individual income tax. Findings of this study revealed the following individual income tax positions:

	Audit	Admin. Services	Enforcement
PFT	27	17	12
OTHER	7	10	0

It should be noted that the Governor's Proposed Individual Income Tax calls for a flat rate which is closely akin to the Federal Tax Law. Therefore, the need for extensive auditing and, to some extent, enforcement would be considerably reduced.

The attached fiscal note prepared by the Legislative Finance Division differs from the Department's fiscal note dated 3/13/87. The following changes are noteworthy:

Audit

- a) Reclassify 1 PFT Revenue Auditor IV to Revenue Auditor III
- b) Reclassify 1 PFT Clerk IV to Clerk III
- c) Delete 1 PFT Clerk Typist II
- d) Reduce funding for contractual and equipment

Enforcement

The main difference between DOR's fiscal note and the one prepared by Legislative Finance Division is the forwarding of the hiring time which would eliminate the need for any enforcement activities till FY89. Assuming a filing deadline of April 15, 1988 with 60 days appeal period, any enforcement and collection effort during FY88 would seem unnecessary and could be postponed to the following year. Moreover, the existing manpower within the Division of Enforcement deems to suffice any temporary need.

Administrative Services

- a) Delete 1 PFT Chief Income Tax Operations
- b) Delete 1 PFT Publication Specialist I
- c) Delete 1 PFT Accounting Clerk III
- d) Reclassify 1 PFT Personnel Assistant II from PFT to PPT
- e) Reclassify 1 PFT Supply Officer II from PFT to PPT
- f) Reduce funding for contractual, supplies, and equipment to reflect the cost associated with the deleted positions.

I had asked Jan Daniel of the Department of Administration's Data Processing Section to speak with the authorities in the States of North Dakota and Vermont in order to obtain a more realistic scenario with respect to design, development and implementation of a computer system for the State Individual Income Tax. Enclosed is a copy of his memorandum regarding this subject.

There may be some problems with respect to finding qualified programmers who can accomplish the aforementioned tasks in a timely fashion. The Legislature may want to give the Department the authority and the freedom to hire qualified programmers who can meet the qualification criteria set forth by the Department. However, after the initial setup, the need for maintenance of the system would be less than what's indicated in the Department's fiscal note.

On the technical side of the issue, the Department is proposing to use Wang computer systems. This could be interpreted as user preference and would seem more appropriate if other systems are also taken into consideration. No doubt, further research is required prior to implementation which could alter the existing scenario.

Commissioner's Office

- a) Delete the Economist II position and its corresponding expenditure in all other line items.

It seems that the existing resource within the Research Section on the Commissioner's Office and the Governor's Office would provide adequate support with respect to tax issues.

Public Services

- a) Reduce the funding for 1 PFT Revenue Office Manager from 12 months to six months.

In brief, it would be more feasible if all the functions were consolidated into one single component called Individual Income Tax Division. One should bear in mind the problems that the Legislature has had with the PFD functions especially when determining PFD positions and their corresponding expenditures. Further, close monitoring of the implementation process by the State Legislature would be recommended.

(enclosure)

MEMORANDUM


State of Alaska

TO: Cameron Kashani
Revenue Analyst
Legislative Finance

DATE: April 17, 1987

FILE NO:

TELEPHONE NO: 465-2220

From: Jan Daniels, Director 
Data Network Services
Department of Administration

SUBJECT: Income tax
processing

I have investigated the fiscal note filed by the Department of Revenue dealing with the processing requirements of a state personal income tax. In order to understand the requirements of an income tax system I contacted two states which are currently processing this type of work. The information is as follows:

1. State of Vermont.

- a. Contact: Robert Barnet 802-828-2300.
- b. # of returns: 340,000
- c. Current year only- no amended.
- d. System developed in 1971.
- e. Cost of development in 1971: \$125,000.
- f. Time of development: 18 months.
- g. # of programmers during development: 5.
- h. # of maintenance programmers: 3.
- i. # of data entry personnel: 5 permanent + 7 temporary.
- j. DP cost for running system: \$80,000 year appx.
- k. Type of system: Batch.

1. State of North Dakota.

- a. Contact: Don Johnson 701-224-2048.
- b. # of returns: 300,000.
- c. Prior year processing - amended.
- d. System developed in 1986.
- e. Cost of development: Not known.
- f. Time of development: 7 months.
- g. # of programmers during development: 7.
- h. # of maintenance programmers: 3.
- i. # of data entry personnel: 6 permanent + 12 temporary.
- j. Employer information matching provided.
- k. DP cost for running system: \$120,000.
- l. Type of system. Online, Adabas, Natural.

The DP portion of the fiscal note appears to be well within the bounds of what other states have found to be true operational costs for income tax systems. The use of the Wang for data entry appears to make a great deal of sense in that the data entry system is available during the times Revenue needs to schedule it for peaks and they have demonstrated the effectiveness of this process in the Permanent Fund dividend system.

SUMMARY of all agencies

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CS HB 154 (SA)
Publish Date: _____

REQUEST: _____
Revision Date: _____
Title: Relating to the taxation of
income derived by individuals
Sponsor: _____
Requestor: _____

Agency Affected: Revenue
BRU: Audit, Admin. Services, Public
Services, Treasury
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		559.8				
TRAVEL		33.0				
CONTRACTUAL		571.2				
SUPPLIES		9.4				
EQUIPMENT		171.6				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		1345.0				
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		1345.0				
FEDERAL FUNDS						
OTHER						
TOTAL		1345.0				

POSITIONS:

FULL-TIME		21				
PART-TIME		4				
TEMPORARY		0				

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Cameron Kashani, Revenue Analyst Phone: 465-3795
Division: Legislative Finance Division Date: 4/20/87

Approved by Commissioner: _____ Date: _____
Agency: _____

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CSHB154 (SA)

Publish Date: _____

REQUEST: _____

Revision Date: _____

Title: State Individual Income Tax

Agency Affected: Revenue

BRU: Audit

Sponsor: _____

Requestor: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		150.4				
TRAVEL		6.5				
CONTRACTUAL		34.5				
SUPPLIES		4.5				
EQUIPMENT		15.0				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		210.9				

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND		210.9				
FEDERAL FUNDS						
OTHER						
TOTAL		210.9				

POSITIONS:

FULL-TIME		6				
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Cameron Kashani; Revenue Analyst Phone: 465-3795
 Division: Legislative Finance Division Date: 4/20/87

Approved by Commissioner: _____ Date: _____
 Agency: _____

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

-1-
Division of Audit
Fiscal Note Analysis

Assumptions:

The Audit Division will administer the individual income tax laws to insure compliance with Alaska Statutes. Although calendar year tax returns will not be due until 1989, a withholding tax system must be in place and operative by January 1, 1988. Additional staff must be hired and fully trained to accomplish the following:

1. Compliance. This function will be accomplished by utilizing both tax examiner and auditor staff. Tax examiners, more typically, will handle desk review and less complex issues. Auditors will complete field audits and deal with more sophisticated and complex tax issues.

2. Appeals Coordination. These positions will be staffed by both tax examiners and auditors depending on the complexity and issues involved.

3. Payroll Withholding. This function will be accomplished by staffing of tax examiners to reconcile employers quarterly withholding, returns, monthly deposits and annual statements. They will maintain and reconcile the employees W-2's to the employers returns.

4. Return Examination and Processing. This function will be completed by clerks and tax examiners. The field returns will be checked for accuracy and completeness. Payments will be posted to the appropriate returns, and desk reviews will be completed to process the returns. Selected returns will be forwarded to an auditor for examination.

5. Public Education and Staff Training. This function will be performed by audit level staff members. Public education of the individual income tax laws and filing requirements will be accomplished through seminars conducted in various locations throughout the state and by training staff members dealing with the public. Staff training is necessary to maintain a competent level of employee and educate staff to the new and changing tax laws.

A schedual of estimated costs to operate the Audit Division programs are as follows:

Personal Services - FY 88

1 PFT Revenue Auditor III, R18, @ \$4,016/Mo including salary and benefits for 9 months	36.1
1 PFT Tax Examiner III, R14, @ \$3,115/Mo including salary and benefits for 9 months	28.0
1 PFT Tax Examiner II, R12, @ \$2,673/Mo including salary and benefits for 9 months	24.1
1 PFT Tax Examiner I, R10, @ \$2,468/Mo including salary and benefits for 9 months	22.2
1 PFT Clerk III, R8, @ \$2,222/Mo including salary and benefits for 9 months	20.0
1 PFT Clerk Typist III, R8, @ 2,222/Mo including salary and benefits for 9 months	20.0
	<u>150.4</u>

Travel - FY 88 6.5

This figure reflects a one time travel cost for employer training to be conducted in various locations throughout the State in conjunction with Public Services Division.

Contractual - FY 88

Wang terminals & software 34.5

Supplies - FY 88 4.5

Equipment - FY 88

Microfilm, printer, desks, chairs, etc. 15.0

Total Expenditures 210.9

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CSHB154(SA)
Publish Date: _____

REQUEST: _____
Revision Date: _____
Title: State Individual Income Tax
Sponsor: _____
Requestor: _____

Agency Affected: Revenue
BRU: Administrative Services
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		356.9				
TRAVEL		10.0				
CONTRACTUAL		394.1				
SUPPLIES		4.4				
EQUIPMENT		151.6				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		907.1				

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND		907.0				
FEDERAL FUNDS						
OTHER						
TOTAL		907.0				

POSITIONS:

FULL-TIME		14				
PART-TIME		2				
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Cameron Kashani, Revenue Analyst Phone: 465-3795
Division: Legislative Finance Division Date: 4/20/87

Approved by Commissioner: _____ Date: _____
Agency: _____

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

Administrative Services
Fiscal Note Analysis

1. The Administrative Services Division will be responsible for the following functions relative to the Alaska Individual Income Tax Withholding system and the Alaska Individual Income Tax Return Processing system.

- a) Design, purchase and distribute all necessary tax returns and related forms.
- b) Process all tax returns, including mail handling, microfilming, document review, data capture and filing.
- c) Process all remittance of tax due which is received with tax returns.
- d) Design, program, test, document, and maintain the automated Alaska Individual Income Tax Withholding system and Alaska Individual Income Tax Processing system.
- e) Process and account for all individual income tax refunds to individuals.
- f) Establish an automated billing subsystem for routine tax deficiencies, penalty and interest.
- g) Acquire and maintain computer capacity to accommodate the two systems and the access required by the department's users.

2. The Department of Revenue will contract with a bank to provide a "lock-box" function, with employees depositing all individual income taxes on a monthly basis.

3. The Department of Administration's data processing chargeback system will require that the Department of Revenue budget for the cost of data processing resources used by withholding system and returns processing system. The total chargeback is budgeted in Administrative services.

4. The Permanent Fund Dividend program will stay intact in its current form.

5. The processing of Withholding and Individual Income Tax will be automated as much as possible.

6. The Alaska Individual Income Tax Withholding System must be in place before January 1, 1988.

7. The Alaska Individual Tax Return Processing System must be in place before January 1, 1989.

8. The fiscal note includes the incremental cost of providing space for the employees and equipment required by the department.

9. After reviewing the fiscal analyses of all divisions, an estimate of the additional computer resources needed has been made. This cost assumes:

a) The withholding and income tax processing systems will reside on DOA's mainframe computer and will be programmed in command-level CICS.

b) To gain the tremendous advantages in programming development offered by the Wang VS, Revenue will purchase a software package which allows an analyst/programmer to write programs on the Wang VS and have them translated to command level CICS to run on the mainframe, which offers economical storage and processing for large files.

10. Given the existing federal tax law, this bill requires all persons receiving a permanent fund dividend to file an Alaska Individual Income Tax Return. However, for purposes of this fiscal analysis, it is assumed that the final version would not require filing by a person whose only source of income is the Alaska Permanent Fund Dividend. Thus, most of Alaska's children would not have to file. If this proves not to be the case, there will be an incremental cost of processing the additional 180,000 tax returns.

Program Summary:

The Alaska Individual Income Tax will require the creation of two major processing systems:

- 1) Alaska Individual Income Tax Withholding System.
- 2) Alaska Individual Income Tax Return Processing System.

In addition to designing, programming and maintaining the two above mentioned automated systems, the Administrative Services Division will process, review, microfilm, and data capture approximately 70,000 withholding forms and 275,000 Alaska Individual Income Tax Returns annually. Refund warrants will be issued on approximately 213,750 of the returns filed. In addition, approximately 25,000 individual letters will be prepared, mailed, and controlled in response to persons who file incomplete tax returns or whose tax returns result in a mathematical adjustment.

Finally, the addition of such a major program to the Department of Revenue will definitely impact the ability of the Administrative Services Division to provide general administrative support services with the existing staff.

The Administrative Services Division will require staffing as early as FY 88 in order to design and establish the computerized processing systems envisioned, and to produce the forms required.

Personal Services - FY 88

1 PFT Analyst/Programmer V, R21, @ \$4,856/Mo including salary and benefit for 12 months	58.3
2 PFT Analyst/Programmer IV, R19, @ \$4,281/Mo including salary and benefits for 12 months	102.7
2 PFT Analyst/Programmer III, R17, @ \$3,730/Mo including salary and benefits for 6 months	44.8
1 PFT Clerk IV, R9, @ \$2,343/Mo including salary and benefits for 3 months	7.0
1 PFT Tax Examiner III, R14, @ \$3,115/Mo including salary and benefits for 5 months	15.6
3 PFT Document Processor I, R7, @ \$2,118/Mo including salary and benefits for 3 months	19.1
2 PFT Data Processing Clerk I, R8, @ \$2,222/Mo including salary and benefits for 3 months	13.3
1 PPT Personnel Assistant II, R14, @ \$1,557/Mo including salary and benefits for 12 months	18.7
1 PPT Supply Officer II, R16, @ \$1,757/Mo including salary and benefits for 12 months	21.1
1 PFT Clerk Typist III, R8, @ \$2,222/Mo including salary and benefits for 12 months	26.7
1 PFT Accounting Clerk III, R10, @ \$2,468/Mo including salary and benefits for 12 months	29.6
Total expenditures	356.9

The analyst programmer team will design, program, and maintain the two major systems mentioned earlier, including all subsystems and interfaces with the existing Revenue systems and the Alaska State Accounting System. All other positions will provide support in the following areas:

- a) Mailroom
- b) Microfilming
- c) Manual review of the tax returns
- d) Data capture
- e) Personnel, fiscal, supply and purchasing

Travel - FY 88

10.0

On-site review of selected tax return processing systems in other states and training for analyst/programmer in command level CICS and Wang VS Cobol.

Contractual - FY 88

1.	2 Wang 4250 workstations	12.2
2.	2 Wang emulator boards	1.6
3.	2 Wang 4230 key-punch terminals for 2 months	1.8
4.	Micrfilmer, with maintenance, 3 months	3.8
5.	4 phones, centrex costs, local and long distance	5.4
6.	Printing: Withholding Returns, Deposit Coupons, /w-4's, etc.	42.0
7.	Postage	22.0
8.	Chargeback for computer time from DOA	91.6
9.	Wang/IBM development package (NETRON-CAP) with maintenance	123.5
10.	Wang/IBM remote access software with maintenance	5.2
11.	Wang Disk Pack cleaning	.7
12.	IBM Control Unit Maintenance	.6
13.	Wang VS-100 I.O.P., Memory, Disk	
14.	Drive maintenanc	3.3
15.	DOR's additional office space requirement	80.8
	Total Contractual	<u>394.1</u>

Supplies - FY 88

4.4

Equipment - FY 88

1.	Kodak film cabinet and carresoul	1.2
2.	Wang VS-100 IOP (2)	7.2
3.	Wang VS-100 Memory (6 MB)	32.4
4.	Wang VS-100 Disk Drive (628 MB)	27.0
5.	Wang Disk Packs and IBM Control Unit	12.8
6.	Additional systems furniture	61.3
7.	Operational seating	4.7
8.	File cabinets, calculators, etc.	5.0
	Total Equipment	<u>151.6</u>

Total Expenditures

907.0

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: SHB154 (SA)
Publish Date: _____

Revision Date: _____

Agency Affected: Revenue
BRU: Public Services

Title: State Individual Income Tax

Sponsor: _____

Components: _____

Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		19.7				
TRAVEL		16.5				
CONTRACTUAL		98.0				
SUPPLIES		.5				
EQUIPMENT		5.0				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		139.7				

CAPITAL						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		139.7				
FEDERAL FUNDS						
OTHER						
TOTAL		139.7				

POSITIONS:

FULL-TIME						
PART-TIME		1				
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Cameron Kashani, Revenue Analyst Phone: 465-3795
Division: Legislative Finance Division Date: 4/20/87

Approved by Commissioner: _____ Date: _____
Agency: _____

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

Public Services
Fiscal Note Analysis

Assumptions:

1. Regulations will be promulgated requiring monthly or quarterly reporting of taxes withheld on wages.
2. Approximately 17,500 withholding reports and 275,000 annual individual income tax returns will need processing.
3. Public Services Division will provide individual income tax assistance to both businesses and individuals.
4. Public Services Division, in close association with the Audit Division, will develop employee training for the division and employer training for the public.

Personal Services - FY 88

1 PPT Revenue Office Manager, R15, @ 1646/Mo including salary and benefits for 12 months	19.7
--	------

Travel - FY 88

Employee training in conjunction with Audit Division and administrative travel	16.5
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Contractual - FY 88

1. Advertising campaign, withholding requirements, income tax filing	45.0
2. Postage	30.0
3. Printing	5.0
4. Telephone charges	15.0
5. Messenger Services	2.0
6. Computer terminal maintenance	.5
7. Publications	.5

Total Contractual	98.0
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<u>Supplies - FY 88</u>	.5
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<u>Equipment - FY 88</u>	5.0
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Total Expenditures	139.7
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STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: CS HB 154 (SA)
Publish Date: _____

Revision Date: _____
Title: Individual Income Tax

Agency Affected: Revenue
BRU: Treasur

Sponsor: _____
Requestor: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		32.8				
TRAVEL						
CONTRACTUAL		44.6				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		77.4				

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		77.4				
FEDERAL FUNDS						
OTHER						
TOTAL		77.4				

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Cameron Kashani, Revenue Analyst Phone: 465-3795
Division: Legislative Finance Division Date: 4/20/87

Approved by Commissioner: _____ Date: _____
Agency: _____

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

Division of Treasury
Fiscal Note Analysis

Assumptions:

1. Cash Management Section will develop the RFP and the contract to lockbox the monthly employers' withholding tax deposits, 17,500 payments per month.
2. Cash Management Section will perform the depository functions of the remittances attached to individual tax returns. 100,000 per year.
3. Cash Management Section will process all returned items (NSF checks, etc.). 1,500 per year.
4. Processing and deposit of penalty and interest payments.
5. Cash Management Section will provide the accounting to AKSAS and reconciliation between the bank, AKSAS, and the Department of Revenue's system for the tax payments on a consolidated basis.

Personal Services - FY 88

1 PFT Accounting Tech I, R12, @ \$2718/Mo including salary and benefits for 7 months	19.0
1 PPT Accounting Clerk II, R9, @ \$2310/Mo including salary and benefits for 6 months	13.8
Total Personal Services	32.8

Contractual - FY 88

Lockbox contract	44.6
Total Expenditures	77.4

SUMMARY of all
decisions

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CS HB 154 (SA)
Publish Date: _____

REQUEST _____

Revision Date: 5/1/87
Title: An act relating to the taxation
of income derived by individuals
Sponsor: Governor
Requestor: _____

Agency Affected: Revenue
BRU: Audit, Enforcement, Pub. Svcs., Admn
Svcs., Commissioner, Treasury, Research
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	892.1	2265.3	2662.9	2673.7	2685.0
TRAVEL	-	46.4	73.5	84.2	84.5	84.9
CONTRACTUAL	-	645.8	1415.4	1538.9	1544.0	1547.9
SUPPLIES	-	11.7	37.5	39.9	40.4	40.9
EQUIPMENT	-	221.1	289.1	78.3	52.0	52.0
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	1817.1	4080.8	4404.2	4394.6	4410.7
CAPITAL	-	-	-	-	-	-
REVENUE	-	81,600	249,100	262,500	275,300	282,000

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	1817.1	4080.8	4304.2	4294.6	4310.7
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	100.0	100.0	100.0
TOTAL	-	1817.1	4080.8	4404.2	4304.6	4410.7

POSITIONS:

FULL-TIME	-	33	64	67	67	67
PART-TIME	-	1	4	4	4	4
TEMPORARY	-	0	27	27	27	27

ANALYSIS: Attach a separate page if necessary

Prepared By: Steven E. Kettel
Division: Audit

Phone: 465-2320
Date: 5/1/87

Approved by Commissioner: [Signature]
Agency: _____

Date: 5/1/87

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Continuation for Fiscal Note/Bill Analysis

CS HB 154

Making the PFD and Longevity Bonus non-taxable results in the revenue decreases shown in Table 1.

Table 1 compares the 1988-1992 revenue projections resulting from the committee substitute (CS HB 154) with the original bill (HB 154).

Table I
Revenue Comparison
(\$ 000)

	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>
HB 154	83,000	255,000	269,000	282,000	290,000
CS HB 154	81,600	249,100	262,500	275,300	282,000

The FY 88 projections are significantly less than the other years because the law is in effect for only one half of the fiscal year. In addition, the only collections during FY 88 will be withholding taxes during the first 6 months since the tax year 1988 returns will not be due until April 1989.

Determination of Fiscal Year, Net Receipts

1. A historical analysis of cash flows from the Alaska individual income tax indicated tax overpayments of about 25%. These overpayments result in refunds when returns are submitted in January through April of the year immediately following the tax year.
2. For the first year (FY88) we assume that lags in the submission and processing of withholding and estimated payments result in 26.7 percent of total annual collections being received during the first two quarters of tax year 1988 (i.e. the last two quarters of FY 88).
3. The calculation is:
$$\$244.6 \text{ million} \times 1.25 \times .267 = \$81.6 \text{ million}$$
4. In the first half of subsequent fiscal years there will be receipts (e.g. withholding, estimated payments) from the current tax year as well as collections of liabilities from the previous tax year.

The tax rate on the upper tax bracket would have to be raised from the proposed 5.7% to 6.1% to make the substitute bill raise the same revenue as the HB 154 proposal.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CS HB 154(SA)
Publish Date: _____

REQUEST _____
Revision Date: _____
Title: State Individual Income Tax
Sponsor: _____
Requestor: _____

Agency Affected: Revenue
BRU: Audit
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	171.2	560.7	560.7	560.7	560.7
TRAVEL	-	6.5	14.0	14.0	14.0	14.0
CONTRACTUAL	-	54.0	113.6	113.6	113.6	113.6
SUPPLIES	-	4.5	11.0	11.0	11.0	11.0
EQUIPMENT	-	17.2	52.0	52.0	52.0	52.0
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	253.4	751.3	751.3	751.3	751.3
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	253.4	751.3	751.3	751.3	751.3
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	253.4	751.3	751.3	751.3	751.3

POSITIONS:

FULL-TIME	-	7	16	16	16	16
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: See attached

Prepared By: Steve E. Kelly
Division: Audit

Phone: 465-2320
Date: 3/13/87

Approved by Commissioner: J. Malone
Agency: _____

Date: 3/16/87

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

INDIVIDUAL INCOME TAX
FISCAL NOTE ANALYSIS

Assumptions

The Audit Division will administer the individual income tax laws to insure compliance with Alaska Statutes. Although calendar year tax returns will not be due until 1989, a withholding tax system must be in place and operative by January 1, 1988. Additional staff must be hired and fully trained to accomplish the following:

1. Compliance. This function will be accomplished by utilizing both tax examiner and auditor staff. Tax examiners, more typically, will handle desk review and less complex issues. Auditors will complete field audits and deal with more sophisticated and complex tax issues.
2. Appeals Coordination. These positions will be staffed by both tax examiners and auditors depending on the complexity and issues involved.
3. Payroll Withholding. This function will be accomplished by staffing of tax examiners to reconcile employers quarterly withholding, returns, monthly deposits and annual statements. They will maintain and reconcile the employees W-2's to the employers returns.
4. Return Examination and Processing. This function will be completed by clerks and tax examiners. The filed returns will be checked for accuracy and completeness. Payments will be posted to the appropriate returns, and desk reviews will be completed to process the returns. Selected returns will be forwarded to an auditor for examination.
5. Public Education and Staff Training. This function will be performed by audit level staff members. Public education of the individual income tax laws and filing requirements will be accomplished through seminars conducted in various locations throughout the state and by training staff members dealing with the public. Staff training is necessary to maintain a competent level of employee and educate staff to the new and changing tax laws.

A schedule of estimated costs to operate the Audit Division programs are as follows. These costs are based on 1987 dollars and do not attempt to factor in inflation. These estimates are preliminary and presented solely to present to the reader a basic idea of the areas within this division which will be impacted by passage of this legislation.

	<u>FY 38</u>	<u>FY 89</u>
<u>Personal Services</u>		
1 Revenue Auditor IV	41.4	55.2
1 Tax Examiner III	27.3	36.4
1 Tax Examiner II	24.1	32.2
1 Tax Examiner I	21.3	28.4
1 Clerk IV	20.1	26.8
1 Clerk Typist III	19.1	25.4
1 Clerk Typist II	17.9	23.9
2 Revenue Auditor III		96.4
2 Tax Examiner II		64.1
2 Clerk Typist III		50.9
2 Revenue Auditor I		72.8
1 Appeals Officer III		<u>48.2</u>
	<u>\$171.2</u>	<u>\$560.7</u>
<u>Travel and Per Diem</u>		
	<u>\$ 6.5</u>	<u>\$ 14.0</u>
	<u>\$ 6.5*</u>	<u>\$ 14.0</u>
<u>Contractual</u>		
Training	4.0	14.5
Wang Terminals & Software	<u>50.0</u>	<u>99.1</u>
	<u>\$ 54.0</u>	<u>\$113.6</u>

*This figure reflects a one time travel cost for employer training to be conducted in various locations throughout the State in conjunction with the Public Services Division.

Individual Income Tax
Fiscal Impact

A. System Requirements

- | | |
|--|--|
| 1. Technical Analysis | No expenditures |
| 2. Generate Forms | No expenditures |
| 3. Educate and Assist Public | Expenditures covered by regular audit functions |
| 4. Receive Returns | No expenditures |
| 5. Process Cash for Deposit | No expenditures |
| 6. Microfilm Returns | No expenditures |
| 7. Establish Edit Selection Criteria | Expenditures covered by regular audit functions |
| 8. Perform Visual Edit | No expenditures |
| 9. Data Capture Return Information | No expenditures |
| 10. Perform Computer Edit | No expenditures |
| 11. Ensure Compliance with Filing Requirements | No expenditures |
| 12. Establish Refund/Credit to Next Program | No expenditures; Expenditures covered by regular audit functions |
| 13. Document Filing or Destruction | No expenditures |
| 14. Perform Office Audit | 7 positions |

a) Personal Service Costs

<u>POSITIONS</u>	<u>RANGE</u>	<u>MONTHLY SALARY</u>	<u>ANNUAL SALARY WITH BENEFITS</u>
Revenue Auditor IV	20	3,564	55,170
Tax Examiner III	14	2,353	36,424
Tax Examiner II	12	2,072	32,075
Tax Examiner I	10	1,835	28,405
Clerk IV	9	1,731	26,796
Clerk Typist III	8	1,631	25,448
Clerk Typist II	7	1,545	<u>23,917</u>

TOTAL PERSONAL SERVICE EXPENDITURES

\$228,235

b) Contractual: 6 terminals, IOP, Memory upgrade, Communications	\$ 50,000
c) Supplies: miscellaneous	4,500
d) Training	4,000
e) Equipment: microfilm r/p, printer, desks, chairs, etc.	<u>23,000</u>

TOTAL EXPENDITURES \$309,735

15. Perform Field Audit

a) Personal Service Costs

JUNEAU - 3 POSITIONS

<u>POSITIONS</u>	<u>RANGE</u>	<u>MONTHLY SALARY</u>	<u>ANNUAL SALARY WITH BENEFITS</u>
Revenue Auditor III	18	3,113	\$ 48,189
Tax Examiner II	12	2,072	32,075
Clerk Typist III	8	1,631	<u>25,448</u>
TOTAL PERSONAL SERVICE EXPENDITURES			<u>\$105,712</u>

b) Contractual: 3 terminals, Communications	\$ 18,000
c) Supplies: miscellaneous	2,000
d) Training	3,000
e) Equipment: desks, chairs, etc.	11,000
f) Travel	<u>5,000</u>

TOTAL EXPENDITURES \$144,712

ANCHORAGE - 4 POSITIONS

a) Personal Service Costs

<u>POSITIONS</u>	<u>RANGE</u>	<u>MONTHLY SALARY</u>	<u>ANNUAL SALARY WITH BENEFITS</u>
Revenue Auditor I	14	2,353	\$ 36,424
Revenue Auditor I	14	2,353	36,424
Revenue Auditor III	18	3,113	48,189
Clerk Typist III	8	1,631	<u>25,448</u>

TOTAL PERSONAL SERVICE EXPENDITURES \$146,485

b) Contractual: 4 terminals, Communications	\$ 20,500
c) Supplies: miscellaneous	3,500
d) Training	5,000
e) Equipment: desks, chairs, etc.	13,000
f) Travel	<u>6,000</u>

TOTAL EXPENDITURES \$194,485

APPEALS - 2 POSITIONS

a) Personal Service Costs

<u>POSITIONS</u>	<u>RANGE</u>	<u>MONTHLY SALARY</u>	<u>ANNUAL SALARY WITH BENEFITS</u>
Appeals Officer III	18	3,113	\$ 48,189
Tax Examiner II	12	2,072	32,075

TOTAL PERSONAL SERVICE EXPENDITURES \$80,264

b) Contractual: 2 terminals, Communications	\$ 10,625
c) Supplies: miscellaneous	1,000
d) Training	2,500
e) Equipment: desks, chairs, etc.	5,000
f) Travel	<u>3,000</u>

TOTAL EXPENDITURES \$102,389

GRAND TOTAL EXPENDITURES \$751,321

STATE OF ALASKA 1987 LEGISLATIVE SESSION

FISCAL NOTE

Bill Version: HB 154 SA

Publish Date: _____

REQUEST

Revision Date: March 13, 1987

Title: An Act for the taxation of
income derived by individuals,
partnerships and fiduciaries

Sponsor: House Rules Committee

Requestor: _____

Agency Affected: Revenue

BRU: Enforcement

Components: Enforcement--Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	65.0	256.2	559.6	559.6	559.6
TRAVEL	-	11.9	28.0	52.3	52.3	52.3
CONTRACTUAL	-	6.4	19.5	137.0	137.0	137.0
SUPPLIES	-	.3	1.6	3.5	3.5	3.5
EQUIPMENT	-	28.9	47.7	26.3	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	112.5	353.0	778.7	752.4	752.4
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	112.5	353.0	678.7	652.4	652.4
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Program Receipts)	-	-	-	100.0	100.0	100.0
TOTAL	-	112.5	353.0	778.7	752.4	752.4

POSITIONS:

FULL-TIME	-	5	10	14	14	14
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Please see the attached analysis.

Prepared By: Thomas C. Williams

Division: Enforcement Division

Phone: 465-2366

Date: March 13, 1987

Approved by Commissioner: [Signature]

Agency: _____

Date: 3/16/87

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

ALASKA DEPARTMENT OF REVENUE
ENFORCEMENT DIVISION
FISCAL NOTE ANALYSIS FOR HB 154
March 13, 1987

ASSUMPTIONS

1. There are approximately 15,000 employers and 100,000 families which will be required to file under an income tax bill.
2. Withholding will begin January 1, 1988. A significant number of delinquencies on first quarter returns will not appear until June 1, 1988.
3. Individual returns will begin January 15, 1989. A significant number of delinquencies will not appear until July 1, 1989.
4. The Audit Division estimates they will generate 5,000 billings per year. Approximately 10% will be appealed; 30% will be paid; and the remaining 60% (or 3,000 billings) will become delinquent.
5. The average taxpayer case consists of 2.5 billings resulting in 1,200 additional taxpayer cases. Old case work levels will decrease by approximately 100 cases by July 1, 1989.

Current Number of Taxpayer Cases	785
Projected Inventory Decline	<u>(100)</u>
Subtotal	685
Additional Inventory	<u>1,200</u>
Expected Inventory at July 1, 1989	<u>1,885</u>

6. The maximum workable inventory for Tax Collection Specialist and Revenue Enforcement Officer II positions is 120 taxpayer cases. The maximum workable inventory for a Revenue Enforcement Officer III is 70 taxpayer cases. (Please see the attached workload analysis.)
7. The necessary travel by each field Revenue Enforcement Officer will be one week long trip per quarter. Accordingly, travel for each current Revenue Enforcement Officer will increase by one week long trip per quarter.
8. Workstations are currently available for the new position in Juneau and for two of the new positions in Anchorage.

ALASKA DEPARTMENT OF REVENUE
 ENFORCEMENT DIVISION
FISCAL NOTE ANALYSIS FOR HB 154
 March 13, 1987

COMPUTATIONS--FY '88

Personal Services

1	Revenue Enforcement Officer III (range 18, @ 49.0/year)	16.9
1	Revenue Enforcement Officer II (range 16, @ 42.8/year)	14.8
2	Tax Collection Specialist II (range 12, @ 33.6/year)	23.0
1	Accounting Clerk III (range 10, @ 30.0/year)	<u>10.3</u>

Total FY '88 Personal Services 65.0

Travel

2	Revenue Enforcement Officers to IRS Phase I training		
	Transportation (2 trips @ \$500)		1.0
	Per Diem (2 trips x 42 days @ \$80/day)		6.7
3	Revenue Enforcement Officers x 1 trip @ quarter		
	Transportation (5 trips @ \$1,000)		3.0
	Per Diem (3 trips x 5 days @ \$80/day)		<u>1.2</u>

Total FY '88 Travel 11.9

Contractual Services

	Increased toll costs (5 employees @ \$150/mo)	3.0
	Printing for forms, letterhead, etc.	3.0
	Increased postage costs (estimated @ \$100/mo)	<u>.4</u>

Total FY '88 Contractual Services 6.4

Commodities

	Paper, pens, etc. (5 employees x 1/4 year @ \$250/year)	<u>.3</u>
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Total FY '88 Commodities .3

Equipment

2	Workstations for Support Personnel	@ \$5,273.73	10.6
2	Swivel-Tilt Chairs with arms	@ \$640.81	1.3
1	File cabinets (5 drawer legal w/lock)	@ \$341.35	.3
2	12 digit Desk Calculators (printing)	@ \$135.03	.3
3	Wang Computer Terminals	@ \$4,900.00	14.7
3	Okidata u82a Microline Printers	@ \$330.00	1.0
2	Telephones	@ \$343.00	<u>.7</u>

Total FY '88 Equipment Costs 28.9

Total FY '88 Costs 112.5

ALASKA DEPARTMENT OF REVENUE
 ENFORCEMENT DIVISION
FISCAL NOTE ANALYSIS FOR HB 154
 March 13, 1987

Computations--FY '89

Personal Services

1	Revenue Enforcement Officer IV (range 20, @ 58.8/year)	29.4
2	Tax Collection Specialist II (range 12, @ 34.4/year)	17.2
1	Accounting Clerk III (range 10, @ 30.8/year)	7.7
1	Clerk Typist III (range 8, @ 27.6/year)	6.9
	Positions hired during FY '88	195.0

Total FY '89 Personal Services 256.2

Travel

5	Revenue Enforcement Officers x 1 trip @ quarter	
	Transportation (20 trips @ \$1,000)	20.0
	Per Diem (20 trips x 5 days @ \$80/day)	8.0

Total FY '89 Travel 28.0

Contractual Services

	Increased toll costs (10 employees @ \$150.00/month)	11.3
	Printing for forms, letterhead, etc.	4.0
	Increased postage costs (estimated @ \$350.00/month)	4.2

Total FY '89 Contractual Services 19.5

Commodities Paper, pens, etc. (10 employees @ \$250/year) 1.6

Equipment

5	Workstations for Support Personnel @ \$5,273.73	26.4
5	Swivel-Tilt Chairs with arms @ \$640.81	3.2
2	File cabinets (5 drawer legal w/lock) @ \$341.35	.7
5	12 digit Desk Calculators (printing) @ \$135.03	.7
3	Wang Computer Terminals @ \$4,900.00	14.7
1	Okidata u82 Microline Printers @ \$330.00	.3
5	Telephones @ \$343.00	1.7

Total FY '89 Equipment Costs 47.7

Total FY '89 Costs \$ 353.0

ALASKA DEPARTMENT OF REVENUE
 ENFORCEMENT DIVISION
FISCAL NOTE ANALYSIS FOR HB 154
 March 13, 1987

Computations--FY '90

Personal Services

1	Revenue Enforcement Officer III (range 18, @ 50.4/year)	50.4
2	Revenue Enforcement Officer II (range 16, @ 42.8/year)	85.6
1	Tax Collection Specialist II (range 12, @ 33.6/year)	33.6
	Positions hired during FY '88 and FY '89	390.0

Total FY '90 Personal Services 559.6

Travel

3	Revenue Enforcement Officers to IRS Phase I training Transportation (3 trips @ \$500)	1.5
	Per Diem (3 trips x 42 days @ \$80/day)	10.2
9	Revenue Enforcement Officers x 1 trip @ quarter Transportation (29 trips @ \$1,000)	29.0
	Per Diem (29 trips x 5 days @ \$80/day)	11.6

Total FY '90 Travel 52.3

Contractual Services

Out-of-state collection agency contract	100.0
Increased toll costs (14 employees @ \$150.00/month)	25.2
Printing for forms, letterhead, etc.	7.0
Increased postage costs (estimated @ \$400.00/month)	4.8

Total FY '90 Contractual Services 137.0

Commodities

Paper, pens, etc.	(14 employees @ \$250/year)	3.5
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Total FY '90 Commodities 3.5

Equipment

4	Workstations for Support Personnel @ \$5,273.73	21.1
4	Swivel-Tilt Chairs with arms @ \$640.81	2.6
2	File cabinets (5 drawer legal w/lock) @ \$341.35	.7
4	12 digit Desk Calculators (printing) @ \$135.03	.5
4	Telephones @ \$343.00	1.4

Total FY '90 Equipment Costs 26.3

Total FY '90 \$ 778.7

ALASKA DEPARTMENT OF REVENUE
 ENFORCEMENT DIVISION
STATE INCOME TAX POSITION IMPLEMENTATION SCHEDULE
 As of March 13, 1987

	<u>Total</u>	<u>JNU</u>	<u>ANC1</u>	<u>ANC2</u>
<u>Staffing as of July 1, 1987</u>	2 REO IV 1 REO III 2 REO II 4 TCS II 1 AC III 2 CT III	1 REO IV 1 REO III 3 TCS II 1 AC III 1 CT III	1 REO IV 2 REO II 1 TCS II 1 CT III	
<u>Total Positions 07/01/87</u>	12	7	5	-0-
<u>FY '88</u>				
Hire positions by 03/01/88 and have employees fully functional by 06/01/88	1 REO III 1 REO II 2 TCS II 1 AC III	1 REO II	1 REO III 2 TCS II 1 AC III	
<u>Positions Added in FY '88</u>	5	1	4	-0-
<u>FY '89</u>				
Hire positions by 01/01/89 and have employee fully functional by 04/01/89	1 REO IV			1 REO IV
Hire positions by 04/01/89 and have employees fully functional by 07/01/89	2 TCS II 1 AC III 1 CT III			2 TCS II 1 AC III 1 CT III
<u>Positions Added in FY '89</u>	5	-0-	-0-	5
<u>FY '90 (if workload warrants)</u>				
Hire position by 07/01/89 and have employee fully functional by 10/01/89	1 REO III 2 REO II 1 TCS II			1 REO III 2 REO II 1 TCS II
<u>Positions Added in FY '90</u>	4	-0-	-0-	4
<u>FY '91</u>				
Evaluate potential needs during the Fall of 1989 while preparing the FY '91 budget.				
<u>Total Positions Added</u>	14	1	4	9
<u>TOTAL POSITIONS REQUIRED</u>	26	8	9	9

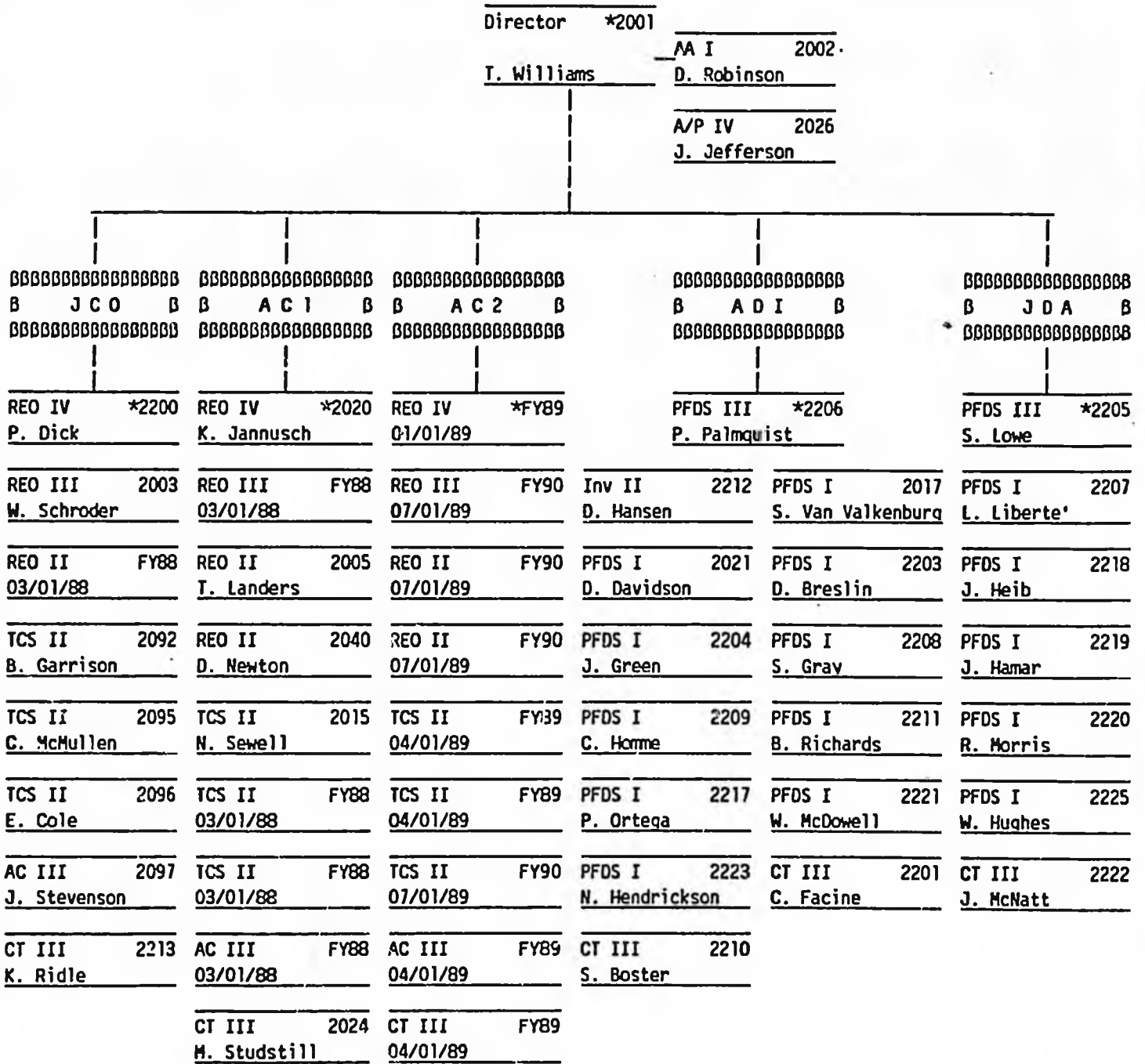
ALASKA DEPARTMENT OF REVENUE
 ENFORCEMENT DIVISION
WORKLOAD LEVELS UNDER HB 154
 As of March 13, 1987

	Staffing Levels								
	As of 07/01/87	+	FY 88 Addds	+	FY 89 Addds	+	FY 90 Addds	=	As of 07/01/89
<u>Collectors</u>									
Tax Collection Specialists	4		2		2		1		9
Revenue Enforcement Officer IIs	2		1		-0-		2		5
Revenue Enforcement Officer IIIs	1		1		-0-		1		3
<u>Total Collectors</u>	7		4		2		4		17
<u>Support Staff</u>									
Supervisors/Technical Advisors	2		-0-		1		-0-		3
Accounting Clerks	1		1		1		-0-		3
Clerk Typists	2		-0-		1		-0-		3
<u>Total Support Staff</u>	5		1		3		-0-		9
<u>Total Staffing</u>	12		5		5		4		26

Taxpayer Case Load Levels					
Tax Collection Specialists	480	240	240	120	1,080
Revenue Enforcement Officer IIs	240	120	-0-	240	600
Revenue Enforcement Officer IIIs	70	70	-0-	70	210
<u>Total Taxpayer Case Load</u>	790	430	240	430	1,890
<u>Taxpayer Cases as of 03/09/87</u>	785				

Billing Case Load Levels					
Tax Collection Specialists	1,200	600	600	300	2,700
Revenue Enforcement Officer IIs	600	300	-0-	600	1,500
Revenue Enforcement Officer IIIs	175	175	-0-	175	525
<u>Total Billing Case Load</u>	1,975	1,075	600	1,075	4,725
<u>Billings as of 03/09/87</u>	1,963				

ALASKA DEPARTMENT OF REVENUE
ENFORCEMENT DIVISION
FY 90 ORGANIZATION UNDER HB 154
With March 13, 1987 Incumbents



Legend

- AC1: Anchorage Collections Office #1
- AC2: Anchorage Collections Office #2
- ADI: Anchorage Dividend Investigations
- JCO: Juneau Collections Office
- JDA: Juneau Dividend Appeals

*: Supervisory Responsibilities

Positions Added

- FY 88 Additions: 4 in AC1, 1 in JCO
- FY 89 Additions: 5 in AC2
- FY 90 Additions: 4 in AC2

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB154(SA)
Publish Date: _____

REQUEST _____

Revision Date: 3/13/87
Title: State Individual Income Tax

Agency Affected: Revenue
BRU: Administrative Services

Sponsor: _____
Requestor: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	529.0	1097.1	1171.0	1171.0	1171.0
TRAVEL	-	10.0	8.0	8.0	8.0	8.0
CONTRACTUAL	-	402.9	1028.1	1068.6	1068.6	1068.6
SUPPLIES	-	5.5	18.0	18.0	18.0	18.0
EQUIPMENT	-	163.2	158.2	-0-	-0-	-0-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	1110.6	2309.4	2265.6	2265.6	2265.6
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	1110.6	2309.4	2265.6	2265.6	2265.6
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	1110.6	2309.4	2265.6	2265.6	2265.6

POSITIONS:

FULL-TIME	-	19	28	27	27	27
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	27	27	27	27

ANALYSIS: Attach a separate page if necessary

(See attached)

Prepared By: Ervin B. Jones
Division: Administrative Services

Phone: 465-2313
Date: 3/13/87

Approved by Commissioner: [Signature]
Agency: Revenue

Date: 3/16/87

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Department of Revenue
Administrative Services Division
Fiscal Note Analysis
Individual Income Tax Bill
3/13/87

Assumptions:

1. The Administrative Services Division will be responsible for the following functions relative to the Alaska Individual Income Tax Withholding System and the Alaska Individual Income Tax Return Processing System.
 - a) Design, purchase and distribute all necessary tax returns and related forms.
 - b) Process all tax returns, including mail handling, microfilming, document review, data capture and filing.
 - c) Process all remittances of tax due which is received with tax returns.
 - d) Design, program, test, document, and maintain the automated Alaska Individual Income Tax Withholding System and Alaska Individual Income Tax Return Processing System.
 - e) Process and account for all individual income tax refunds to individuals.
 - f) Establish an automated billing subsystem for routine tax deficiencies, penalty and interest.
 - g) Acquire and maintain computer capacity to accommodate the two systems and the access required by the department's users.
2. The Department of Revenue will contract with a bank to provide a "lock-box" function, with employees depositing all individual income taxes withheld on a monthly basis.
3. The Department of Administration's data processing chargeback system will require that the Department of Revenue budget for the cost of data processing resources used by the withholding system and returns processing system. The total chargeback is budgeted in Administrative Services.
4. The Permanent Fund Dividend program will stay intact through FY92, in its current form.
5. The processing of Withholding and Individual Income Tax returns will be automated as much as possible.
6. The Alaska Individual Income Tax Withholding System must be in place before January 1, 1988.
7. The Alaska Individual Income Tax Return Processing System must be in place before January 1, 1989.
8. The fiscal note includes the incremental cost of providing space for the employees and equipment required by the department.

9. After reviewing the fiscal analyses of all divisions, an estimate of the additional computer resources needed has been made. This cost assumes:
 - a) The withholding and income tax processing systems will reside on DOA's mainframe computer and will be programmed in command-level CICS.
 - b) To gain the tremendous advantages in programming development offered by the Wang VS, Revenue will purchase a software package which allows an analyst/programmer to write programs on the Wang VS and have them translated to command level CICS to run on the mainframe, which offers economical storage and processing for large files.
10. Given the existing federal tax law, this bill requires all persons receiving a permanent fund dividend to file an Alaska Individual Income Tax return. However, for purposes of this fiscal analysis, it is assumed that the final version would not require filing by a person whose only source of income is the Alaska Permanent Fund Dividend. Thus, most of Alaska's children would not have to file. If this proves not to be the case, there will be an incremental cost of processing the additional 180,000 tax returns.

Program Summary:

The Alaska Individual Income Tax will require the creation of two major processing systems:

- 1) Alaska Individual Income Tax Withholding System.
- 2) Alaska Individual Income Tax Return Processing System.

In addition to designing, programming and maintaining the two above mentioned automated systems, the Administrative Services Division will process, review, microfilm, and data capture approximately 70,000 withholding forms and 275,000 Alaska Individual Income Tax returns annually. Refund warrants will be issued on approximately 213,750 of the returns filed. In addition, approximately 25,000 individual letters will be prepared, mailed, and controlled in response to persons who file incomplete tax returns or whose tax returns result in a mathematical adjustment.

Finally, the addition of such a major program to the Department of Revenue will definitely impact the ability of the Administrative Services Division to provide general administrative support services with the existing staff.

The Administrative Services Division will require staffing as early as FY88 in order to design and establish the computerized processing systems envisioned, and to produce the forms required. In late FY88, staffing will come on board to process the Withholding reports and returns. In FY89, additional staff will be needed to support the Alaska Individual Income Tax Return Processing System. The analysis below shows the estimated expenditures for FY88 - FY92.

FY88

1. Positions:

A. Data Processing:

1 PFT Analyst/Programmer V, R21,
@ \$4,856/Mo including salary and
benefits for 12 months = \$58,272

2 PFT Analyst/Programmer IV, R19,
@ \$4,281/Mo each including salary
and benefits for 12 months = 102,744

2 PFT Analyst/Programmer III, R17,
@ \$3,730/Mo each including salary
and benefits for 6 months = 44,760

The above analyst programmer team will design, program, and maintain the two major systems mentioned above, including all subsystems and interfaces with the existing Revenue systems and the Alaska State Accounting System.

These systems will provide for a minimum of the following:

Alaska Individual Income Tax Withholding System

- * Online system comparable to the federal system with monthly deposits, quarterly returns, and an annual reconciliation.
- * Direct deposit system at a "lock-box" bank by employers.
- * Automatic generation of:
 - quarterly packets of:
 - * monthly deposit coupons
 - * quarterly tax returns
 - notices of tax deficiencies, penalty and interest
 - standard correspondence
 - management reporting data.
- * Interface with accounts receivable system and Alaska Individual Income Tax Return Processing System.

Alaska Individual Income Tax Return Processing System

- * document locator number system
- * return data capture
- * online systems
 - access/inquiry
 - address changes
 - status change system
 - generation of out cards
 - use of microfilm vs hard copy for review
 - automated calculation checks
 - generation of reduced refund notices with appeal rights
 - generation of automated billings for deficiencies, penalty and interest with appeal rights
- * interface with accounts receivable system (A/R)
- * interface with AIITWHS to verify claimed withholding
- * history file
- * possibility of multi-year file for easy access to information on prior year activity, etc.
- * check writing for refunds
- * management reporting data

B. Document Processing:

1. Mailroom

1 PFT Clerk IV, R9, @ \$2,343/Mo
including salary and benefits for
3 months = \$7,029

This position will augment the existing mailroom staff to perform the task of receiving, opening, sorting, and distributing an additional:

- * approximately 70,000 pieces of mail due to the Alaska Individual Income Tax Withholding System (17,500 employers times four quarterly returns.
- * handling, sorting and posting of additional outgoing/incoming mail as follows:
 - approximately 7,000 missing information letters, billing notices, and correspondence with employers.

2. Manual Review

1 PFT Tax Examiner III, R14, @
\$3,124/Mo including salary and
benefits for 5 months = \$15,620

2 PFT Document Processor I, R7, @
\$2,118/Mo including salary and
benefits for 3 months = 12,708

These positions will manually review all Withholding Tax returns filed based on a predetermined criterion.

- * identify incomplete returns
- * send out automatically generated missing information letters and billing notices

3. Microfilming

1 PFT Document Processor I, R7 @
\$2,118/Mo including salary and
benefits for 3 months = \$6,354

These positions will augment the existing microfilm staff to microfilm, assign document locator numbers, and date stamp 100% of Withholding Tax returns filed.

4. Data Capture

2 PFT Data Processing Clerk I, R8,
@ \$2,222/Mo including salary and
benefits for 3 months = \$13,332

These positions will augment the existing Data Entry staff to data capture and verify captured data of 100% of returns filed.

C. General Departmental Support Services

1 PFT Chief, Income Tax Operations, R23, @ \$5,558/Mo including salary and benefits for 12 months	=	\$66,696
1 PFT Personnel Assistant II, R14, @ \$3,115/Mo including salary and benefits for 12 months	=	37,380
1 PFT Clerk Typist III, R8, @ \$2,222/Mo including salary and benefits for 12 months	=	26,664
1 PFT Supply Officer II, R16 @ \$3,515/Mo including salary and benefits for 12 months	=	43,180
2 PFT Accounting Clerk III, R10, @ \$2,468/Mo including salary and benefits for 12 months	=	59,232
1 PFT Publications Specialist I, R13, @ \$2,915/Mo including salary and benefits for 12 months		34,980

These positions will augment the existing general administration support staff for the additional programs and related 100+ new employees.

* Personnel:

- classification of positions and respond to reclassification requests
- maintain payroll and leave records
- process registers, and arrange interviews
- handle grievances, information requests, typing tests, etc.

* Fiscal:

- increase in travel requests
- general distributions
- handling increase in cancelled warrants

* Supply and purchasing:

- increase in supply orders for paper intensive organization
- Purchases increase:
 - * general equipment
 - * computer terminals, printers
 - * maintenance contracts
 - * general office supplies
- Property Control (terminals, furniture, calculators, etc. will increase

- * Forms management:
 - preparation of Individual Income Tax booklet each year (considerably more complex than PFD booklet)
 - preparation of employment withholding forms
 - miscellaneous support forms:
 - * missing information letter
 - * denial forms
 - * check stock (refunds)

- * General:
 - general supervision and management of major additional line program in division, in addition to:
 - * permanent fund dividend program
 - * shared taxes
 - * administrative services to the department

TOTAL PERSONAL SERVICES \$529.0

2. Other Expenditures:

a) Travel:

on-site review of selected tax return processing systems in other states \$4.0

training for analyst/programmers in command level CICS and Wang VS Cobol. \$6.0

TOTAL TRAVEL \$10.0

b) Contractual:

Terminals

1. 3 Wang 4250 workstations	\$18,216
2. 3 Wang emulator boards	2,415
3. 2 Wang 4230 key-punch terminals, 2 months	1,800
4. Microfilmer, with maintenance, 3 months	3,792
5. 4 phones, centrex costs, local and long distance	5,390
6. printing: Withholding Returns, Deposit Coupons, envelopes, calendars, W-4's, etc.	42,000
7. postage	22,000
8. chargeback for computer time from DOA	91,600
9. Wang/IBM development package (NETRON-CAP) with maintenance	123,500
10. Wang/IBM remote access software with maintenance	5,240
11. Wang Disk Pack cleaning	700
12. IBM Control Unit maintenance	600

13. Wang VS-100 I.O.P. maintenance	360
14. Wang VS-100 Memory maintenance	720
15. Wang VS-100 Disk Drive maintenance	2,256
16. DOR's additional office space requirements	<u>102,354</u>

TOTAL CONTRACTUAL \$402.9

c) Supplies:

Computer, microfilming, duplicating, general consumption \$5.5

d) Equipment:

1) Kodak film cabinet	\$1,025
2) Kodak film carrousel	225
3) Wang VS-100 IOP (2)	7,200
4) Wang VS-100 Memory (6 MB)	32,400
5) Wang VS-100 disk drive (628 MB)	27,000
6) Wang Disk Packs (8)	4,800
7) IBM Control Unit	8,000
8) Additional systems furniture	72,827
9) Operational seating	4,750
10) File cabinets, calculators, etc.	<u>5,000</u>

TOTAL Equipment \$163.2

TOTAL EXPENDITURES \$1,110.6

3. Funding - General funds

4. Section Cost Analysis - N/A

Computations - N/A

Economic Impact - N/A

Impact on Local Government - N/A

FY89

1. Positions:

A. Data Processing:

1 PFT Analyst/Programmer V, R21,
@ \$4,856/Mo including salary and
benefits for 12 months = \$58,272

2 PFT Analyst/Programmer IV, R19,
@ \$4,281/Mo each including salary
and benefits for 12 months = 102,744

2 PFT Analyst/Programmer III, R17,
@ \$3,730/Mo each including salary
and benefits for 12 months = 89,520

The above analyst programmer team will design, program, and maintain the two major systems mentioned above, including all subsystems and interfaces with the existing Revenue systems and the Alaska State Accounting System.

These systems will provide for a minimum of the following:

Alaska Individual Income Tax Withholding System

- * Online system comparable to the federal system with monthly deposits, quarterly returns, and an annual reconciliation.
- * Direct deposit system at a "lock-box" bank by employers.
- * Automatic generation of:
 - quarterly packets of:
 - * monthly deposit coupons
 - * quarterly tax returns
 - notices of tax deficiencies, penalty and interest
 - standard correspondence
 - management reporting data.
- * Interface with accounts receivable system and Alaska Individual Income Tax Return Processing System.

Alaska Individual Income Tax Return Processing System

- * document locator number system
- * return data capture
- * online systems
 - access/inquiry
 - address changes
 - status change system
 - generation of out cards
 - use of microfilm vs hard copy for review
 - automated calculation checks
 - generation of reduced refund notices with appeal rights
 - generation of automated billings for deficiencies, penalty and interest with appeal rights

- * interface with accounts receivable system (A/R)
- * interface with AIITWHS to verify claimed withholding history file
- * possibility of multi-year file for easy access to information on prior year activity, etc.
- * check writing for refunds
- * management reporting data

B. Document Processing:

1. Mailroom

1 PFT Clerk IV, R9, @ \$2,343/Mo
including salary and benefits for
12 months = \$28,116

1 PFT Clerk II, R7, @ \$2,118/Mo
including salary and benefits
for 6 months = 12,708

These positions will augment the existing mailroom staff to perform the task of handling, opening, sorting, and distributing an additional:

- * approximately 275,000 Individual Income tax returns filed per year.
- * approximately 70,000 pieces of mail due to the Individual Income Tax Withholding System.
- * posting, handling and sorting of additional outgoing mail as follows:
 - approximately 7,000 missing information letters, billing notices, etc.

2. Validation

1 PFT Data Processing Clerk I,
R8, @ \$2,222/Mo including
salary and benefits for 6 months = \$13,332

This position will manually validate all the Alaska Withholding and Individual Income Tax Returns accompanied with a payment.

- * separate checks and returns
- * validate checks and returns
- * forward checks to Treasury
- * forward returns to microfilming

3. Manual Review

1 PFT Tax Examiner III, R14, @
\$3,124/Mo including salary and
benefits for 12 months = \$37,488

2 PFT Document Processor I, R7, @
\$2,118/Mo each including salary and
benefits for 12 months = 50,832

4 PFT Document Processor I, R7, @
\$2,118/Mo each including salary
and benefits for 6 months = 50,832

20 TEMP Document Processor I, R7, @
\$1,569/Mo each including salary and
benefits for 6 months = 188,280

These positions will manually review all Withholding and Individual Income Tax returns filed based on a predetermined criterion.

- * identify incomplete returns
- * send out automatically generated missing information letters
- * identify returns for desk examination

4. Microfilming

1 PFT Document Processor I, R7 @
\$2,118/Mo including salary and
benefits for 6 months = \$12,708

This position will augment the existing microfilm staff to microfilm, assign document locator numbers, and date stamp 100% of Withholding and Individual Income Tax returns filed.

5. Data Capture

1 PFT Data Processing Clerk III, R11
@ \$2,613/Mo including salary and
benefits for 6 months = \$15,678

2 PFT Data Processing Clerk I, R8,
@ \$2,222/Mo each including salary
and benefits for 12 months = 53,328

1 PFT Data Processing Clerk I, R8
@ \$2,222/Mo including salary and
benefits for 6 months = 13,332

7 TEMP Data Processing Clerk I,
R8 @ \$1,657/Mo each including
salary and benefits for 6 months = 69,594

These positions will augment the existing Data Capturing staff to data capture and verify captured data of 100% of Withholding and Individual Income Tax returns filed.

C. General Departmental Support Services

1 PFT Chief, Income Tax Operations,
R23, @ \$5,558/Mo including salary
and benefits for 12 months = \$66,696

1 PFT Personnel Assistant II, R14,
 @ \$3,115/Mo including salary and
 benefits for 12 months = 37,380

1 PFT Personnel Assistant I, R12,
 @ \$2,773/Mo including salary and
 benefits for 12 months = 33,270

2 PFT Accounting Clerk III, R10,
 @ \$2,468/Mo each including salary
 and benefits for 12 months = 59,232

1 PFT Clerk Typist III, R8, @
 \$2,222/Mo including salary and
 benefits for 12 months = 26,664

1 PFT Publications Specialist I,
 R13, @ \$2,915/Mo including salary
 and benefits for 12 months = 34,980

1 PFT Supply Officer II, R16,
 @ \$3,515/Mo including salary and
 benefits for 12 months = 42,180

These positions will augment the existing general administration support staff for the additional programs and related 100+ new employees.

* Personnel:

- classification of positions and respond to reclassification requests
- maintain payroll and leave records
- process registers, and arrange interviews
- handle grievances, information requests, typing tests, etc.

* Fiscal:

- increase in travel requests
- general distributions
- handling increase in cancelled warrants

* Supply and purchasing:

- increase in supply orders for paper intensive organization
- Purchases increase:
 - * general equipment
 - * computer terminals, printers
 - * maintenance contracts
 - * general office supplies
- Property Control (terminals, furniture, calculators, etc. will increase.

* Forms management:

- preparation of Individual Income Tax booklet each year (considerably more complex than PFD booklet)

- preparation of employment withholding forms
- miscellaneous support forms:
 - * missing information letter
 - * denial forms
 - * check stock (refunds)

* **General:**

- general supervision and management of major additional line program in division, in addition to:
 - * permanent fund dividend program
 - * shared taxes
 - * administrative services to the department

TOTAL PERSONAL SERVICES

\$1,097.1

2. Other Expenditures:

a) Travel:

training, increased EEO travel, data processing coordination

\$8.0

b) Contractual:

1. 11 Wang 4250 workstations	\$66,792
2. 11 Wang emulator boards	8,855
3. 9 Wang 4230 workstations	48,600
4. 1 Wang DWS 55 printer	3,636
5. Printing - tax booklets, "L" letters, W/H forms, check stock, envelopes, etc.	202,000
6. Postage - booklets, letters, W/H forms, etc.	95,475
7. 2 Kodak Microfilmers with maintenance	30,336
8. 2 Kodak Reader/Printers	13,704
9. IBM Copier with maintenance	10,308
10. 20 phones, centrex costs, local and long distance	26,960
11. Risk management	600
12. Pitney Bowes 6500 System with maintenance	7,284
13. Chargeback for computer time from DOA	286,000
14. Wang Disk Pack cleaning	700
15. IBM Control Unit maintenance	600
16. Wang VS-100 I.O.P maintenance	360
17. Wang VS-100 Memory maintenance	720
18. Wang VS-100 Disk Drive maintenance	2,256
19. Wang/IBM remote access maintenance	240
20. Wang/IBM development package (NCTRON-CAP) with maintenance	15,000