

68

HLG:

HB 335

-

HB 423

60

The transit system should be under public ownership and control. Actual management, however, might be provided through contracts to private concerns. The transit system must be an organizational entity separate from the Borough. We believe this should be as a transit utility, not an authority, subject to the budgetary controls of the Borough Assembly, yet with greater autonomy of operation than have the municipal utilities presently serving the City and the Borough.

It will be necessary to have legislation granting authority to the City or Borough to operate public transportation systems, and we support the Guess-Bowman House Bill #335 which would grant this authority and we would ask consideration that this bill permit any transit utility operating solely within a single Borough be exempt from regulations of the Alaska Transportation Commission. We support Bill #334 which would provide state revenue to cities and boroughs providing transit facilities.

4. THAT THE TRANSIT SYSTEM REMAIN FLEXIBLE SO THAT ROUTES AND FARE STRUCTURE IF ANY CAN BE ALTERED EASILY WITH NO DELAY FROM A REGULATORY AUTHORITY.

As mentioned earlier, Anchorage, in the past, has experienced several attempts and failures at public transportation systems. While these systems have failed for various reasons, the major re-occurring reason is that they could not fill their intended function - that of providing a flexible and reliable system that gave adequate service to all potential riders.

Flexibility in the transit system as it is described here encompasses schedules, fares, routes, vehicles and policies.

The need for flexibility of service, scheduling, routes, etc., which we feel is an essential feature of a service-oriented transit utility requires that management be able to respond immediately to the changing conditions. This would be impossible if all changes must be approved by a presently overburdened Alaska Transportation Commission. Fiscal control and contractual authority might well be delegated to a board by the Assembly for a period of five years, and then review of this authority should be evaluated by the Assembly at the end of that time to determine whether such a board should be continued, altered or be done away with.

To provide this flexibility the operation of the system must be continually monitored. The monitoring envisioned must be capable of signaling when there is a need for a change, it must not be costly, and it must be easy to understand and use.

5. THAT IMMEDIATE STEPS BE TAKEN TO SECURE FEDERAL FINANCING TO ESTABLISH A TRANSIT SYSTEM FOR ANCHORAGE.

Fortunately, the Federal government has at long last offered to assist urban areas in creating public transportation systems. It encourages the development of public transportation systems in all urban areas of the country through the Urban Mass Transportation Act of 1964. This act provides Federal grants to municipalities for the creation of public transportation systems.

Funds can be obtained from the Urban Mass Transit Administration of the Department of Transportation through the Federal Grant Program. These federal grants can be used to obtain buses, commuter rail cars, support equipment, and facilities. Anchorage can qualify for Department of Transportation Grants to fund at least two-thirds of the cost incurred to plan and develop a public transportation system.

6. THAT A PUBLIC TRANSPORTATION SYSTEM, WHERE POSSIBLE, BE DESIGNED TO COMPLEMENT THE EXISTING GREATER ANCHORAGE AREA BOROUGH SCHOOL BUS PROGRAM.

We do not feel that the existing school buses could effectively serve as a public transit conveyance. The reasons for this are numerous. However, we do think that a public transit system properly designed and routed can alleviate some transportation demands now made on the school bus program.

A financial arrangement might be made whereby the School District could provide financial assistance to the public transit system for payment of the pupils who would ride transit buses in lieu of regular school buses.

7. THAT THE CONCEPT OF THE AMATS PROGRAM OF SUPPLYING DATA AND PROVIDING INFORMATION ON THE TRANSPORTATION NEEDS OF ANCHORAGE BE CONTINUED.

While the subcommittee has expressed some opposition to the recently presented AMATS plan we do feel there is a need for continued transportation planning. However, we feel that a complete transportation network which provides for public transit requirements as well as continuing public participation must be a part of that planning.

The AMATS corridor concept has merit if it will be considered as a corridor reserved for unspecified transportation modes and not strictly for the exclusive use of the private automobile.

Realizing that there are others who wish to be heard I have not expanded in great detail on some of the positions with you, and hope to receive many comments at our forthcoming public meeting.

Realizing that there are others who wish to be heard I have not expanded in great detail on some of the positions presented here. However, we would be pleased to discuss these and other positions with you, and hope to receive many comments at our forthcoming public meeting.

Thank you.

Copies of our position will be forwarded to your committee by the Borough Planning Department.

HB

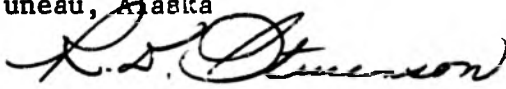
401

# MEMORANDUM

## State of Alaska

TO:  The Honorable Mike Miller, Chairman  
Local Government Committee  
Alaska State House of Representatives  
Juneau, Alaska

DATE : April 13, 1971

FROM:   
R. D. Stevenson  
Deputy Commissioner  
Department of Revenue  
Juneau, Alaska

SUBJECT: House Bill No. 401  
Business License Tax

I am transmitting eight copies of a report prepared by L. P. Carroll, Chief, Miscellaneous Tax Section, Department of Revenue, concerning the effect on Treasury as concerns House Bill No. 401, an Act relating to business license tax.

If you have any questions on the materia<sup>s</sup> submitted, kindly advise and Mr. Carroll will be available.

RDS:eh

Attachments (8)

## MEMORANDUM

## State of Alaska

TO: 

R. D. Stevenson  
Deputy Commissioner  
Department of Revenue

DATE : April 12, 1971

FROM:

L. P. Carroll, Chief *LR*  
Miscellaneous Tax Section

SUBJECT: Legislative Research  
House Bill 401

House Bill 401 accomplishes the following:

1. Repeals collection of the gross receipts tax (other than the original \$25.00 license fee) by the State in all organized cities and boroughs.
2. Permits organized boroughs, cities of any class within boroughs, or cities in the unorganized borough which are school districts to impose, by ordinance, a gross receipts tax levied at one-half of one percent on all gross receipts.
3. Permits the State to collect and retain gross receipts tax based at one-half of one percent on all gross earned within the unorganized borough and provides for assessment of 100% penalty in cases where returns are not filed or fees paid, unless it is shown that the failure is due to reasonable cause and not to wilful neglect.

Effect on Treasury:

As the effective date of the Legislation is 1/1/72, we can anticipate little or no changes in the revenues estimated for F/Y 1972. The gross receipts tax due on the 1971 gross is received in this office during the period February 28, 1972 through April 30, 1972 and added to the revenues derived from the sale of an estimated 18,000 licenses valued at \$450,000 should result in our estimate of \$6,150,000.

F/Y 1973 will be the first year reflecting impact to the Treasury and to the revenues derived by cities and boroughs.

At this time we have not prepared estimates of the business license shared revenues for F/Y 1973 based on present rates and methods of collection and distribution. For purposes of this report the following assumptions are made.

F/Y 1973 Cities	\$1,779.440	= Estimated Sharing Present Plan
F/Y 1973 Boroughs	\$1,120.560	= Estimated Sharing Present Plan
F/Y 1973 Total	\$2,900,000	

April 12, 1971

Further reference is made to the attached copy of the business license revenue estimates through F/Y 1976. The revised estimate for F/Y 1973 discloses \$6,695,000.

Accordingly, under present rates and distribution formula the following may be illustrated:

<u>Shares</u>	<u>Amounts</u>	<u>% of Total</u>
Cities	\$1,779,440	
Boroughs	1,030,000	
SubTotal	\$2,900,000	43.34
State Portion	3,795,000	56.66
Total Estimate	\$6.695,000	100.00%

We estimate that 75% of the tax in excess of the basic \$25.00 license fee is attributable to those businesses grossing in excess of \$100,000.00. Accordingly, the following is illustrated at the increased rate of 1/2% on all gross:

<u>F/Y</u>	<u>Estimated # of Licenses</u>	<u>Basic Fee \$</u>	<u>Balance \$ To Gross Tax</u>	<u>75% to Taxpayers Over 100,000</u>	<u>At New Rate</u>	<u>Total Tax Excluding Lic. Fee</u>
1973	19,000	475,000	6,220,000	4,665,000	9,330,000	10,885,000

Applying present allocation figures on the revised tax shown above which excludes the basic license fee, and adding an estimated amount for those taxpayers now grossing less than \$20,000 and paying no tax, who would be liable under the proposed legislation the following may be shown:

Total Taxes Excluding License Fees	- \$10,885,000
Estimated Amount for Present Non-Due Returns	- 150,000
Total Subject to Sharing	<u>\$11,035,000</u>

* Based on Present Distribution Percentage	
* Total Share to Cities & Boroughs	----- \$ 4,781,465
* Total Share to State	----- 6,253,535
Total Taxes at 1/2%	----- <u>\$11,035,000</u>

Realizing that the figures shown above for Cities and Boroughs represents only 60% or 3/5 of the actual tax involved, if the local governments were to impose, administer and collect the tax at a full rate of 1/2 of 1% and retain 100% of such taxes the estimated results for F/Y 1973 would be as follows:

A. Shared Revenue to Cities & Boroughs (New Rate - Self Administered)	----- \$ 7,969,110
B. Balance for State	----- 3,065,890
C. Total Tax at 1/2%	<u>\$11,035,000</u>

Thus, the following may be shown for F/Y 1973:

Cities & Boroughs New Rate (Self Administered)	-	\$7,969,110
Cities & Boroughs Under Present Formula	-	<u>2,900,000</u>
Increase to Cities & Boroughs (Self Administered)		\$5,069,110
Estimated State Revenue (Present System)		\$3,795,000
Estimated State Revenue Proposed System Tax Only	\$3,065,890	
Estimated State Revenue Proposed System License Fees	<u>475,000</u>	
Total State Revenue Proposed System		\$3,540,890
Estimated Loss to General Fund		<u>\$ (254,110)</u>

Problems of Administration:

Assuming that we will collect and share the 1971 gross receipts tax (due 2/28/72) under our existing procedure, there is sufficient time to allow for the redesign of the tax reporting form for calendar year 1972 due 2/28/73. We will no doubt mail reporting forms to all licensees in the State and require only those businesses that earned gross in the unorganized borough to file returns. The 100% penalty clause should assist in assuring that businesses fitting this category file returns.

It should be made a part of this Legislation that all licenses, returns, and taxes due under the Business License Act for years prior to the effective date of the Legislation (including the 1971 gross receipts tax), are valid and that the Department of Revenue is fully empowered to collect all delinquent accounts including any which may be disclosed in subsequent audit investigations.

It is noted that a full three year period should be allowed for completion of business under the existing Business License Act and shared revenue program. Adoption of this Legislation will preclude the preparation of the annual gross receipt report beyond calendar year 1972.

We feel that the Legislation is manageable and will rely on field audit staff for assistance in taxpayer compliance. Barring inception of the field audit program, we will require the addition of a Revenue Agent and Tax Examiner II to our existing staff for field audit work and orderly phase-in of the new program. A complete administrative cost analysis will be made available upon request.

The Miscellaneous Tax Section Chief is available should any questions arise concerning the estimates contained herein.

LPC:fd

Attachments

STATE OF ALASKA  
Dept. of Administration  
Budget & Management Div.

SCHEDULE OF REVENUES  
5-Year Projection

AGENCY	Revenue	04
OPERATING PROGRAM	Collection & Receipt	00
ACTIVITY	State General	00
FUNCTION	Receipt	00

CASH FLOW FOR THE FISCAL YEAR ENDING JUNE 30, 1972

RECEIPT TITLE Alaska Business License Tax RECEIPT CODE 105 FUND 100

ACTUAL	ESTIMATED						
F.Y. 1970 (1)	F.Y. 1971 Budget Estimate (2)	F.Y. 1971 Revised Estimate (3)	F.Y. 1972 Revised Estimate (4)	F.Y. 1973 Revised Estimate (5)	F.Y. 1974 Revised Estimate (6)	F.Y. 1975 Revised Estimate (7)	F.Y. 1976 (8)
\$ 5,060,522	\$ 5,300,000	\$ 5,414,000	\$ 6,150,000	\$ 6,695,000	\$ 7,029,000	\$ 7,141,000	\$ 7,594,000

F.Y. 1971-1972 CASH FLOW BY MONTH - (Block (4) Above)

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
\$ 82,410	\$ 59,650	\$ 46,130	\$ 39,980	\$ 39,980	\$ 49,200	
JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
\$ 222,630	\$ 511,060	\$ 3,736,740	\$ 261,990	\$ 995,070	\$ 105,160	\$ 6,150,000

CITATION: AS 43.70.010-120

RATE: The initial license fee for businesses is \$25.00 per year.  
Additional rates on gross receipts are:  
\$20,000 to \$100,000      1/2 of 1 per cent  
\$100,000 and Over      1/4 of 1 per cent

A 2 per cent rate is levied on the net income of banks, trust companies and savings and loan associations.

ALLOCATION: All revenues from the Alaska Business License Tax are paid into the General Fund. Sixty per cent of the amounts collected within the boundaries of any municipality or organized borough are returned to that political subdivision by Legislative appropriation.

STATE OF ALASKA  
 Dept. of Administration  
 Budget & Management Div.

STATEMENT OF PROGRAM

For the Fiscal Year Ending Juno 30, 1972

		CODE
AGENCY	Revenue	04
OPERATING PROGRAM	Collection & Receipt	00
ACTIVITY	State General	00
FUNCTION	Receipt	00

**BASIS FOR ESTIMATE:** Revenue Estimates reflect net collections before sharing with political subdivisions and are based on present license fees considering all statutorily allowed exemptions. Estimates of revenue shown are computed on the basis of a 7% growth rate compounded annually to cover normal anticipated growth plus additional revenues in Fiscal Years 1972, 1973, 1974 and 1975 to cover the non-recurring impact of the North Slope Pipeline Construction Project. These estimates are based on the best available information secured from the Industry and could be substantially effected in the event that the pipeline permit is not forthcoming within a reasonably early time schedule. The estimate for FY 1975 and FY 1976 represents residual receipts and are based on a more normal growth pattern.

A review of actual and estimated revenues for the past five fiscal years is as follows:

<u>Fiscal Year</u>	<u>Actual Net Collections</u>	<u>Revenue Estimates</u>	<u>% of Revenue Estimate Realized</u>
1969-70	\$ 5,060,522	\$ 4,500,000	112.46%
1968-69	4,148,756	3,897,000	106.46%
1967-68	3,833,223	3,411,400	112.37%
1966-67	3,328,030	3,660,000	90.93%
1965-66	3,223,557	3,034,000	106.22%
Totals	\$ 19,594,088	\$ 18,502,400	105.69%

A review of the growth rate of actual revenues for the past five fiscal years is as follows:


<u>Fiscal Year</u>	<u>Actual Net Collections</u>	<u>Dollar Increase Over Preceding Fiscal Year</u>	<u>% Increase Over Preceding Fiscal Year</u>
1969-70	\$ 5,060,522	\$ 911,766	21.97%
1968-69	4,148,756	315,533	8.23%
1967-68	3,833,223	505,193	15.18%
1966-67	3,328,030	104,473	3.24%
1965-66	3,223,557	281,305	9.56%
1964-65	2,942,252	Base Year	Base Year

# MEMORANDUM

## State of Alaska

TO:  The Honorable Mike Miller, Chairman  
Local Government Committee  
Alaska State House of Representatives  
Juneau, Alaska

DATE : April 13, 1971

FROM:   
R. D. Stevenson  
Deputy Commissioner  
Department of Revenue  
Juneau, Alaska

SUBJECT: House Bill No. 401  
Business License Tax

I am transmitting eight copies of a report prepared by L. P. Carroll, Chief, Miscellaneous Tax Section, Department of Revenue, concerning the effect on Treasury as concerns House Bill No. 401, an Act relating to business license tax.

If you have any questions on the material submitted, kindly advise and Mr. Carroll will be available.

RDS:eh

Attachments (8)

## MEMORANDUM

## State of Alaska

TO:  R. D. Stevenson  
Deputy Commissioner  
Department of Revenue

DATE : April 12, 1971

FROM: L. P. Carroll, Chief *LR*  
Miscellaneous Tax Section

SUBJECT: Legislative Research  
House Bill 401

House Bill 401 accomplishes the following:

1. Repeals collection of the gross receipts tax (other than the original \$25.00 license fee) by the State in all organized cities and boroughs.
2. Permits organized boroughs, cities of any class within boroughs, or cities in the unorganized borough which are school districts to impose, by ordinance, a gross receipts tax levied at one-half of one percent on all gross receipts.
3. Permits the State to collect and retain gross receipts tax based at one-half of one percent on all gross earned within the unorganized borough and provides for assessment of 100% penalty in cases where returns are not filed or fees paid, unless it is shown that the failure is due to reasonable cause and not to wilful neglect.

Effect on Treasury:

As the effective date of the Legislation is 1/1/72, we can anticipate little or no changes in the revenues estimated for F/Y 1972. The gross receipts tax due on the 1971 gross is received in this office during the period February 23, 1972 through April 30, 1972 and added to the revenues derived from the sale of an estimated 18,000 licenses valued at \$450,000 should result in our estimate of \$6,150,000.

F/Y 1973 will be the first year reflecting impact to the Treasury and to the revenues derived by cities and boroughs.

At this time we have not prepared estimates of the business license shared revenues for F/Y 1973 based on present rates and methods of collection and distribution. For purposes of this report the following assumptions are made.

F/Y 1973 Cities	\$1,779,440	= Estimated Sharing Present Plan
F/Y 1973 Boroughs	\$1,120,560	= Estimated Sharing Present Plan
F/Y 1973 Total	\$2,900,000	

April 12, 1971

Further reference is made to the attached copy of the business license revenue estimates through F/Y 1976. The revised estimate for F/Y 1973 discloses \$6,695,000.

Accordingly, under present rates and distribution formula the following may be illustrated:

<u>Shares</u>	<u>Amounts</u>	<u>% of Total</u>
Cities	\$1,779,440	
Boroughs	1,030,000	
SubTotal	\$2,900,000	43.34
State Portion	3,795,000	56.66
Total Estimate	\$6,695,000	100.00%

We estimate that 75% of the tax in excess of the basic \$25.00 license fee is attributable to those businesses grossing in excess of \$100,000.00. Accordingly, the following is illustrated at the increased rate of 1/2% on all gross:

<u>F/Y</u>	<u>Estimated # of Licenses</u>	<u>Basic Fee \$</u>	<u>Balance \$ To Gross Tax</u>	<u>75% to Taxpayers Over 100,000</u>	<u>At New Rate</u>	<u>Total Tax Excluding Lic. Fee</u>
1973	19,000	475,000	6,220,000	4,665,000	9,330,000	10,885,000

Applying present allocation figures on the revised tax shown above which excludes the basic license fee, and adding an estimated amount for those taxpayers now grossing less than \$20,000 and paying no tax, who would be liable under the proposed legislation the following may be shown:

Total Taxes Excluding License Fees	- \$10,885,000
Estimated Amount for Present Non-Due Returns	- 150,000
Total Subject to Sharing	<u>\$11,035,000</u>

\* Based on Present Distribution Percentage

* Total Share to Cities & Boroughs	-----	\$ 4,781,465
* Total Share to State	-----	6,253,535

Total Taxes at 1/2%	-----	\$11,035,000
---------------------	-------	--------------

Realizing that the figures shown above for Cities and Boroughs represents only 60% or 3/5 of the actual tax involved, if the local governments were to impose, administer and collect the tax at a full rate of 1/2 of 1% and retain 100% of such taxes the estimated results for F/Y 1973 would be as follows:

A. Shared Revenue to Cities & Boroughs (New Rate - Self Administered)	-----	\$ 7,969,110
B. Balance for State	-----	3,065,890
C. Total Tax at 1/2%		<u>\$11,035,000</u>

Thus, the following may be shown for F/Y 1973:

Cities & Boroughs New Rate (Self Administered)	-	\$7,969,110
Cities & Boroughs Under Present Formula	-	<u>2,900,000</u>
Increase to Cities & Boroughs (Self Administered)		\$5,069,110
Estimated State Revenue (Present System)		\$3,795,000
Estimated State Revenue Proposed System Tax Only	\$3,065,890	
Estimated State Revenue Proposed System License Fees	<u>475,000</u>	
Total State Revenue Proposed System		\$3,540,890
Estimated Loss to General Fund		\$ (254,110)

Problems of Administration:

Assuming that we will collect and share the 1971 gross receipts tax (due 2/28/72) under our existing procedure, there is sufficient time to allow for the redesign of the tax reporting form for calendar year 1972 due 2/28/73. We will no doubt mail reporting forms to all licensees in the State and require only those businesses that earned gross in the unorganized borough to file returns. The 100% penalty clause should assist in assuring that businesses fitting this category file returns.

It should be made a part of this Legislation that all licenses, returns, and taxes due under the Business License Act for years prior to the effective date of the Legislation (including the 1971 gross receipts tax), are valid and that the Department of Revenue is fully empowered to collect all delinquent accounts including any which may be disclosed in subsequent audit investigations.

It is noted that a full three year period should be allowed for completion of business under the existing Business License Act and shared revenue program. Adoption of this Legislation will preclude the preparation of the annual gross receipt report beyond calendar year 1972.

We feel that the Legislation is manageable and will rely on field audit staff for assistance in taxpayer compliance. Barring inception of the field audit program, we will require the addition of a Revenue Agent and Tax Examiner II to our existing staff for field audit work and orderly phase-in of the new program. A complete administrative cost analysis will be made available upon request.

The Miscellaneous Tax Section Chief is available should any questions arise concerning the estimates contained herein.

LPC:fd

Attachments

STATE OF ALASKA  
Dept. of Administration  
Budget & Management Div.

SCHEDULE OF REVENUES  
5-Year Projection

CODE

AGENCY	Revenue	04
OPERATING PROGRAM	Collection & Receipt	00
ACTIVITY	State General	00
FUNCTION	Receipt	00

CASH FLOW FOR THE FISCAL YEAR ENDING JUNE 30, 1972

RECEIPT TITLE Alaska Business License Tax RECEIPT CODE 105 FUND 100

ACTUAL	ESTIMATED						
F.Y. 1970 (1)	F.Y. 1971 Budget Estimate (2)	F.Y. 1971 Revised Estimate (3)	F.Y. 1972 Revised Estimate (4)	F.Y. 1973 Revised Estimate (5)	F.Y. 1974 Revised Estimate (6)	F.Y. 1975 Revised Estimate (7)	F.Y. 1976 (8)
\$ 5,060,522	\$ 5,300,000	\$ 5,414,000	\$ 6,150,000	\$ 6,695,000	\$ 7,029,000	\$ 7,141,000	\$ 7,594,000

F.Y. 1971-1972 CASH FLOW BY MONTH - (Block (4) Above)

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
\$ 82,410	\$ 59,650	\$ 46,130	\$ 39,980	\$ 39,980	\$ 49,200	
JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
\$ 222,630	\$ 511,060	\$ 3,736,740	\$ 261,990	\$ 995,070	\$ 105,160	\$ 6,150,000

CITATION: AS 43.70.010-120

RATE: The initial license fee for businesses is \$25.00 per year.  
Additional rates on gross receipts are:  
\$20,000 to \$100,000                      1/2 of 1 per cent  
\$100,000 and Over                            1/4 of 1 per cent

A 2 per cent rate is levied on the net income of banks, trust companies and savings and loan associations.

ALLOCATION: All revenues from the Alaska Business License Tax are paid into the General Fund. Sixty per cent of the amounts collected within the boundaries of any municipality or organized borough are returned to that political subdivision by Legislative appropriation.

STATEMENT OF PROGRAM

For the Fiscal Year Ending June 30, 1972

		CODE
AGENCY	Revenue	04
OPERATING PROGRAM	Collection & Receipt	00
ACTIVITY	State General	00
FUNCTION	Receipt	00

BASIS FOR ESTIMATE: Revenue Estimates reflect net collections before sharing with political subdivisions and are based on present license fees considering all statutorily allowed exemptions. Estimates of revenue shown are computed on the basis of a 7% growth rate compounded annually to cover normal anticipated growth plus additional revenues in Fiscal Years 1972, 1973, 1974 and 1975 to cover the non-recurring impact of the North Slope Pipeline Construction Project. These estimates are based on the best available information secured from the Industry and could be substantially effected in the event that the pipeline permit is not forthcoming within a reasonably early time schedule. The estimate for FY 1975 and FY 1976 represents residual receipts and are based on a more normal growth pattern.

A review of actual and estimated revenues for the past five fiscal years is as follows:

<u>Fiscal Year</u>	<u>Actual Net Collections</u>	<u>Revenue Estimates</u>	<u>% of Revenue Estimate Realized</u>
1969-70	\$ 5,060,522	\$ 4,500,000	112.46%
1968-69	4,148,756	3,897,000	106.46%
1967-68	3,833,223	3,411,400	112.37%
1966-67	3,328,030	3,660,000	90.93%
1965-66	3,223,557	3,034,000	106.22%
Totals	\$ 19,594,088	\$ 18,502,400	105.69%

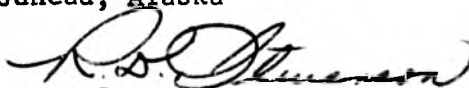
A review of the growth rate of actual revenues for the past five fiscal years is as follows:

<u>Fiscal Year</u>	<u>Actual Net Collections</u>	<u>Dollar Increase Over Preceding Fiscal Year</u>	<u>% Increase Over Preceding Fiscal Year</u>
1969-70	\$ 5,060,522	\$ 911,766	21.97%
1968-69	4,148,756	315,533	8.23%
1967-68	3,833,223	505,193	15.18%
1966-67	3,328,030	104,473	3.24%
1965-66	3,223,557	281,305	9.56%
1964-65	2,942,252	Base Year	Base Year

**MEMORANDUM****State of Alaska**

TO: [ The Honorable Mike Miller, Chairman  
Local Government Committee  
Alaska State House of Representatives  
Juneau, Alaska

DATE : April 13, 1971

FROM:   
R. D. Stevenson  
Deputy Commissioner  
Department of Revenue  
Juneau, Alaska

SUBJECT: House Bill No. 401  
Business License Tax

I am transmitting eight copies of a report prepared by L. P. Carroll, Chief, Miscellaneous Tax Section, Department of Revenue, concerning the effect on Treasury as concerns House Bill No. 401, an Act relating to business license tax.

If you have any questions on the material submitted, kindly advise and Mr. Carroll will be available.

RDS:eh

Attachments (8)

## MEMORANDUM

## State of Alaska

TO: 

R. D. Stevenson  
Deputy Commissioner  
Department of Revenue

DATE : April 12, 1971

FROM:

L. P. Carroll, Chief *LC*  
Miscellaneous Tax Section

SUBJECT: Legislative Research  
House Bill 401

House Bill 401 accomplishes the following:

1. Repeals collection of the gross receipts tax (other than the original \$25.00 license fee) by the State in all organized cities and boroughs.
2. Permits organized boroughs, cities of any class within boroughs, or cities in the unorganized borough which are school districts to impose, by ordinance, a gross receipts tax levied at one-half of one percent on all gross receipts.
3. Permits the State to collect and retain gross receipts tax based at one-half of one percent on all gross earned within the unorganized borough and provides for assessment of 100% penalty in cases where returns are not filed or fees paid, unless it is shown that the failure is due to reasonable cause and not to wilful neglect.

Effect on Treasury:

As the effective date of the Legislation is 1/1/72, we can anticipate little or no changes in the revenues estimated for F/Y 1972. The gross receipts tax due on the 1971 gross is received in this office during the period February 28, 1972 through April 30, 1972 and added to the revenues derived from the sale of an estimated 18,000 licenses valued at \$450,000 should result in our estimate of \$6,150,000.

F/Y 1973 will be the first year reflecting impact to the Treasury and to the revenues derived by cities and boroughs.

At this time we have not prepared estimates of the business license shared revenues for F/Y 1973 based on present rates and methods of collection and distribution. For purposes of this report the following assumptions are made.

F/Y 1973 Cities	\$1,779.440	= Estimated Sharing Present Plan
F/Y 1973 Boroughs	\$1,120.560	= Estimated Sharing Present Plan
F/Y 1973 Total	<u>\$2,900,000</u>	

April 12, 1971

Further reference is made to the attached copy of the business license revenue estimates through F/Y 1976. The revised estimate for F/Y 1973 discloses \$6,695,000.

Accordingly, under present rates and distribution formula the following may be illustrated:

<u>Shares</u>	<u>Amounts</u>	<u>% of Total</u>
Cities	\$1,775,440	
Boroughs	1,030,000	
SubTotal	\$2,900,000	43.34
State Portion	3,795,000	56.66
Total Estimate	\$6,695,000	100.00%

We estimate that 75% of the tax in excess of the basic \$25.00 license fee is attributable to those businesses grossing in excess of \$100,000.00. Accordingly, the following is illustrated at the increased rate of 1/2% on all gross:

<u>F/Y</u>	<u>Estimated # of Licenses</u>	<u>Basic Fee \$</u>	<u>Balance \$ To Gross Tax</u>	<u>75% to Taxpayers Over 100,000</u>	<u>At New Rate</u>	<u>Total Tax Excluding Lic. Fee</u>
1973	19,000	475,000	6,220,000	4,665,000	9,330,000	10,885,000

Applying present allocation figures on the revised tax shown above which excludes the basic license fee, and adding an estimated amount for those taxpayers now grossing less than \$20,000 and paying no tax, who would be liable under the proposed legislation the following may be shown:

Total Taxes Excluding License Fees	- \$10,885,000
Estimated Amount for Present Non-Due Returns	- 150,000
Total Subject to Sharing	<u>\$11,035,000</u>

* Based on Present Distribution Percentage	
* Total Share to Cities & Boroughs	----- \$ 4,781,465
* Total Share to State	----- 6,253,535
Total Taxes at 1/2%	----- \$11,035,000

Realizing that the figures shown above for Cities and Boroughs represents only 60% or 3/5 of the actual tax involved, if the local governments were to impose, administer and collect the tax at a full rate of 1/2 of 1% and retain 100% of such taxes the estimated results for F/Y 1973 would be as follows:

A. Shared Revenue to Cities & Boroughs (New Rate - Self Administered)	----- \$ 7,969,110
B. Balance for State	----- 3,065,890
C. Total Tax at 1/2%	<u>\$11,035,000</u>

Thus, the following may be shown for F/Y 1973:

Cities & Boroughs New Rate (Self Administered)	-	\$7,969,110
Cities & Boroughs Under Present Formula	-	<u>2,900,000</u>
Increase to Cities & Boroughs (Self Administered)		\$5,069,110
Estimated State Revenue (Present System)		\$3,795,000
Estimated State Revenue Proposed System Tax Only	\$3,065,890	
Estimated State Revenue Proposed System License Fees	<u>475,000</u>	
Total State Revenue Proposed System		\$3,540,890
Estimated Loss to General Fund		<u>\$ (254,110)</u>

Problems of Administration:

Assuming that we will collect and share the 1971 gross receipts tax (due 2/28/72) under our existing procedure, there is sufficient time to allow for the redesign of the tax reporting form for calendar year 1972 due 2/28/73. We will no doubt mail reporting forms to all licensees in the State and require only those businesses that earned gross in the unorganized borough to file returns. The 100% penalty clause should assist in assuring that businesses fitting this category file returns.

It should be made a part of this Legislation that all licenses, returns, and taxes due under the Business License Act for years prior to the effective date of the Legislation (including the 1971 gross receipts tax), are valid and that the Department of Revenue is fully empowered to collect all delinquent accounts including any which may be disclosed in subsequent audit investigations.

It is noted that a full three year period should be allowed for completion of business under the existing Business License Act and shared revenue program. Adoption of this Legislation will preclude the preparation of the annual gross receipt report beyond calendar year 1972.

We feel that the Legislation is manageable and will rely on field audit staff for assistance in taxpayer compliance. Barring inception of the field audit program, we will require the addition of a Revenue Agent and Tax Examiner II to our existing staff for field audit work and orderly phase-in of the new program. A complete administrative cost analysis will be made available upon request.

The Miscellaneous Tax Section Chief is available should any questions arise concerning the estimates contained herein.

LPC:fd

Attachments

STATE OF ALASKA  
Dept. of Administration  
Budget & Management Div.

SCHEDULE OF REVENUES  
5-Year Projection

AGENCY	Revenue	04
OPERATING PROGRAM	Collection & Receipt	00
ACTIVITY	State General	00
FUNCTION	Receipt	00

CASH FLOW FOR THE FISCAL YEAR ENDING JUNE 30, 1972

RECEIPT TITLE Alaska Business License Tax RECEIPT CODE 105 FUND 100

ACTUAL	ESTIMATED						
F.Y. 1970 (1)	F.Y. 1971 Budget Estimate (2)	F.Y. 1971 Revised Estimate (3)	F.Y. 1972 Revised Estimate (4)	F.Y. 1973 Revised Estimate (5)	F.Y. 1974 Revised Estimate (6)	F.Y. 1975 Revised Estimate (7)	F.Y. 1976 (8)
\$ 5,060,522	\$ 5,300,000	\$ 5,414,000	\$ 6,150,000	\$ 6,695,000	\$ 7,029,000	\$ 7,141,000	\$ 7,594,000

F.Y. 1971-1972 CASH FLOW BY MONTH - (Block (4) Above)

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
\$ 82,410	\$ 59,650	\$ 46,130	\$ 39,980	\$ 39,980	\$ 49,200	
JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
\$ 222,630	\$ 511,060	\$ 3,736,740	\$ 261,990	\$ 995,070	\$ 105,160	\$ 6,150,000

CITATION: AS 43.70.010-120

RATE: The initial license fee for businesses is \$25.00 per year.  
Additional rates on gross receipts are:  
\$20,000 to \$100,000                      1/2 of 1 per cent  
\$100,000 and Over                         1/4 of 1 per cent

A 2 per cent rate is levied on the net income of banks, trust companies and savings and loan associations.

ALLOCATION: All revenues from the Alaska Business License Tax are paid into the General Fund. Sixty per cent of the amounts collected within the boundaries of any municipality or organized borough are returned to that political subdivision by Legislative appropriation.

STATEMENT OF PROGRAM

		CODE
AGENCY	Revenue	04
OPERATING PROGRAM	Collection & Receipt	00
ACTIVITY	State General	00
FUNCTION	Receipt	00

For the Fiscal Year Ending Juno 30, 1972

BASIS FOR ESTIMATE: Revenue Estimates reflect net collections before sharing with political subdivisions and are based on present license fees considering all statutorily allowed exemptions. Estimates of revenue shown are computed on the basis of a 7% growth rate compounded annually to cover normal anticipated growth plus additional revenues in Fiscal Years 1972, 1973, 1974 and 1975 to cover the non-recurring impact of the North Slope Pipeline Construction Project. These estimates are based on the best available information secured from the Industry and could be substantially effected in the event that the pipeline permit is not forthcoming within a reasonably early time schedule. The estimate for FY 1975 and FY 1976 represents residual receipts and are based on a more normal growth pattern.

A review of actual and estimated revenues for the past five fiscal years is as follows:

<u>Fiscal Year</u>	<u>Actual Net Collections</u>	<u>Revenue Estimates</u>	<u>% of Revenue Estimate Realized</u>
1969-70	\$ 5,060,522	\$ 4,500,000	112.46%
1968-69	4,148,756	3,897,000	106.46%
1967-68	3,833,223	3,411,400	112.37%
1966-67	3,328,030	3,660,000	90.93%
1965-66	3,223,557	3,034,000	106.22%
Totals	\$ 19,594,088	\$ 18,502,400	105.69%

A review of the growth rate of actual revenues for the past five fiscal years is as follows:

<u>Fiscal Year</u>	<u>Actual Net Collections</u>	<u>Dollar Increase Over Preceding Fiscal Year</u>	<u>% Increase Over Preceding Fiscal Year</u>
1969-70	\$ 5,060,522	\$ 911,766	21.97%
1968-69	4,148,756	315,533	8.23%
1967-68	3,833,223	505,193	15.18%
1966-67	3,328,030	104,473	3.24%
1965-66	3,223,557	281,305	9.56%
1964-65	2,922,252	Base Year	Base Year

THE FOLLOWING PAGES WERE TREATED AS  
A UNIT IN THE ORIGINAL FILE.

(5) "ordinary treatment processes" includes

(A) in the case of coal: cleaning, breaking, sizing, and loading for shipment,

(B) in the case of sulphur: pumping to vats, cooling, breaking and loading for shipment,

(C) in the case of iron ore, bauxite, ball and sagger clay, rock asphalt, and minerals which are customarily sold in the form of crude mineral product: sorting, concentrating and sintering to bring to shipping grade and form, and loading for shipment, and

(D) in the case of lead, zinc, copper, gold, silver, platinum metals or fluorspar ores, potash and ores which are not customarily sold in the form of the crude mineral product: crushing, grinding, and beneficiation by concentration (gravity, flotation, amalgamation, electrostatic, or magnetic), cyanidation, leaching, crystallization, precipitation (but excluding electrolytic deposition roasting, thermal or electric smelting or refining), or by substantially equivalent processes or combination of processes used in the separation or extraction of a product from the ore, including the furnacing or quicksilver ore;

(6) "production" means the date on which the initial shipment of products from mining operations is made. (§ 35-1-21(a) (d) (e) ACLA 1949; am § 1 ch 64 SLA 1951; am §§ 1, 2 ch 26 SLA 1953; am § 1 ch 14 SLA 1962)

### Chapter 70. Alaska Business License Act.

Section	Section
10. Exemptions	60. Civil penalty
20. Application for license	70. Security
30. Levy and computation of license fee	80. Disposal of money
40. Review and determination of license tax	90. Regulations
50. Appeals	100. Penal provisions
	110. Definitions
	120. Short title

Sec. 43.70.010. Exemptions. (a) The following gross receipts are exempt from taxation under this chapter:

(1) gross receipts from educational, religious, benevolent, fraternal, or charitable activities, where the entire amount of the receipts is held or expended for these activities, except receipts which are the result of a continuous engaging in a business or occupation otherwise subject to this chapter;

(2) gross receipts from the operation of a hospital;

(3) gross receipts from a municipally owned and operated utility and from operation of a utility by an incorporated utility district, nonprofit association, or nonprofit cooperative;

(4) gross receipts from home handicrafts up to \$500;

(5) gross receipts of a resident wholesale firm registered in the state as a domestic corporation, or otherwise identifiable as a resi-

dent wholesaler, from sale of a finished product to dealers for resale to consumers, where the resale is subject to tax under this chapter;

(6) gross receipts derived from a sale made to a person in a foreign country for shipment out of the United States, except when the goods or products sold are exported in bond for re-entry into the United States;

(7) gross receipts of a manufacturer or processor derived from the sale of his product manufactured or processed in the state, except where the products are sold directly to the consumer;

(8) gross receipts subject to the gross production tax imposed by ch. 55 of this title, except that a person subject to the gross production tax shall obtain a business license and pay the initial \$25 license fee;

(9) gross receipts from the taxes imposed by the state upon the sale of motor fuel;

(10) gross receipts from a consumers' sales tax collected by a taxpayer for the state or a political subdivision of this state.

(b) The word "consumer" as used in this section means the person who, in the ordinary common meaning of the term, ultimately uses goods, and diminishes or destroys their utility.

(c) The exemption from taxation of certain gross receipts as provided in this chapter does not exempt a person from the \$25 initial license fee. (§ 3 ch 43 SLA 1949; am § 2 ch 172 SLA 1957; am § 1 ch 152 SLA 1962)

**Constitutionality.** — See *United States v. Binn*, 1 Alaska 553 (1902), aff'd, 194 U.S. 285, 24 S. Ct. 816, 48 L. Ed. 1087 (1904); *United States v. Standard Oil Co.*, 6 Alaska 351 (1921).

There is nothing in this chapter or the means of enforcement thereof which violates any constitutional privilege. *Territory of Alaska v. Journal Printing Co.*, 15 Alaska 676, 135 P. Supp. 169 (D. Alas. 1955).

**Construction of tax laws and license statutes.**—Tax laws and license statutes should be so construed, if possible, as to avoid double taxation. *United States v. Hill*, 4 Alaska 626 (1912).

**Nature of Business License Act.**—The Alaska Business License Act is an act providing for a tax measured by gross receipts. It is nothing more than that. The statute is a tax statute. It has no regulatory features and is not designed to limit the doing of business in Alaska on the basis of any determination of the fitness of the person subject to the tax to

engage in his business or profession. 1959 Op. Att'y Gen., No. 3.

This chapter is primarily an act for the imposition and collection of a tax for revenue purposes only. *State v. Baker*, Sup. Ct. Op. No. 227 (File No. 428), 399 P.2d 833 (1964), citing *Alaska v. Baker*, 64 Wash. 2d 297, 399 P.2d 1039 (1964).

And construction thereof. — This chapter must be reasonably construed as permitting the collection of an income tax based upon the gross receipts of one engaged in doing business in this state, within the meaning and intent of the Buck Act (4 USC §§ 195—410). *State v. Baker*, Sup. Ct. Op. No. 227 (File No. 428), 399 P.2d 833 (1964), citing *Alaska v. Baker*, 64 Wash. 2d 297, 399 P.2d 1039 (1964).

The highest court of the state of Washington has now ruled that this chapter must be basically construed as an income tax measure within the purview of the Buck Act (4 USC §§ 195—410), from which any regu-

atory provisions for the collection of the tax are severable by AS 09.10.070. *State v. Baker*, Sup. Ct. Op. No. 227 (File No. 428), 393 P.2d 893 (1964).

Act does not conflict with any interest of federal government.—There is nothing in the Alaska Business License Act which is in conflict with any interest of the federal government. 1959 Op. Att'y Gen., No. 3.

It is within ambit of the Buck Act.—The Alaska Business License Act is a tax act which clearly falls within the ambit of the "Buck Act" (4 USC §§ 105-110). 1959 Op. Att'y Gen., No. 3.

Purpose of 1957 amendment.—The content of the 1957 amendment to the Business License Act strongly suggests that the purpose was simply to clarify the 1949 act, and to make it more accurately represent the intent of the legislature. *Ketchikan Spruce Mills v. Dewey*, 17 Alaska 336 (1957).

"Consumer".—The legislature intended the word "consumer" to include only the final purchaser of the finished product. *Ketchikan Spruce Mills v. Dewey*, 17 Alaska 336 (1957).

Form, not substance, is the controlling element under the "legal incidence" test. *Ketchikan Spruce Mills v. Dewey*, 17 Alaska 336 (1957).

Economic burden alone will not vitiate a tax under this section as applied to the federal government. *Ketchikan Spruce Mills v. Dewey*, 17 Alaska 336 (1957).

Legal incidence on seller precludes excluding sales to United States from gross receipts.—Where the legal incidence of the business license tax was upon a corporation engaged in

manufacturing and selling lumber products, its sales to the United States were not excludable from gross receipts because of federal immunity from state taxation. *Ketchikan Spruce Mills v. Dewey*, 17 Alaska 336 (1957).

Where purchaser is final user.—Sales of lumber to the Army and Air Force for the construction of installations in Alaska were not excluded from gross receipts, as the purchasers were the final users and consumers of the lumber. *Ketchikan Spruce Mills v. Dewey*, 17 Alaska 336 (1957).

Gross receipts derived from business done on military reservations are taxable under the Alaska business license tax. 1959 Op. Att'y Gen., No. 3.

Exemptions do not encompass excise taxes.—None of the exemptions listed under this section would encompass excise taxes paid by the taxpayer. 1961 Op. Att'y Gen., No. 8.

Rental receipts for apartments not exempt.—Rental receipts for apartments owned by a religious corporation, or any other corporation, because they are "receipts which are the result of a continuous engaging in a business or occupation otherwise subject to this chapter," are not exempt. 1960 Op. Att'y Gen., No. 25.

Nor business for profit on Indian reserve.—No individuals operating any business for profit on an Indian reserve are exempt for that reason from the provisions of this chapter. 1959 Op. Att'y Gen., No. 11.

Liability of nonresident for company under the Business License Act.—See 1959 Op. Att'y Gen., No. 22.

Sec. 43.70.020. Application for license. (a) For the privilege of engaging in a business in the state, a person shall first apply, upon forms prescribed by the commissioner, and obtain a license so to do, and pay the license fee provided for in § 39 of this chapter. A license issued to a firm for a particular line of business covers all its operations in the state in the line of business regardless of the number of its establishments.

(b) Application for a renewal of a license and payment of the initial fee shall be made before February 1 of each year.

(c) No license may be issued for a period extending beyond the end of the calendar year for which it is issued.

(d) A person engaging in a business subject to licensing provisions of a regulatory nature (for example, the requirement of

posting a bond before beginning business as a collection agency) must, in addition to filing the regular application, required by this section, comply with those regulatory provisions before being entitled to a license under this chapter. (§ 4 ch 43 SLA 1949)

A license confers no right of property. *Ticket Packing Co. v. Harris & Co.*, 5 Alaska 471 (1916).

It merely authorizes the holder to carry on a certain business, but does not grant to the holder any piece of business, any more than the issuance of a saloon license grants to the holder a building in which to conduct a saloon, or the issuance of a mercantile license, a building in which to conduct a store. *Columbia Salmon Co. v. Berg*, 5 Alaska 538 (1916).

Purpose of tax is to raise revenue not to regulate business. — Although this section requires a license for the "privilege" of engaging in a business in Alaska, this language does not render it invalid nor destroy the legislative intent that the purpose of the tax is to raise revenue, and not to regulate any business. *Territory of Alaska v. Journal Printing Co.*, 15 Alaska 676, 135 F. Supp. 169 (D. Alas. 1955).

Only subsection (d) is regulatory. — Subsection (d) of this section of the Alaska Business License Act is clearly regulatory, even though the other provisions of the act are not. The rest of the Alaska Business License Act is a revenue raising law and is not designed for purposes of regulation of business. 1960 Op. Att'y Gen., No. 27.

Sec. 43.70.030. Levy and computation of license fee. (a) The license fee for each business is \$25 plus a sum equal to one-half of one per cent of the gross receipts in excess of \$20,000 from the business during the year for which the license is issued, except that all gross volume in excess of \$100,000 a year is taxed at the rate of one-quarter of one per cent. The annual license fee paid by a professional person to his professional board shall be credited against the initial fee required under this chapter.

(b) The license fee for each national bank and state bank, trust company and savings and loan association is two per cent of its net income. Net income means the taxable income of each such taxpayer before net operating loss deduction and special deductions, computed as required under the Internal Revenue Code of the United States and includes all other income including income from federal, state or municipal obligation. Each of these taxpayers shall submit a copy of the income tax return which it files

Bond requirement is condition precedent to acquiring or retaining license. — Subsection (d) of this section reaffirms the legislature's intent to make fulfillment of the bond requirement a condition precedent to acquiring or retaining a business license. 1960 Op. Att'y Gen., No. 27.

Religious corporation doing business not exempt. — AS 43.70.110 and this section make no provision for the exemption from the license requirement of a religious corporation which is doing business. 1960 Op. Att'y Gen., No. 25.

A religious corporation receiving rents from the renting of an apartment or apartments must obtain an Alaska business license as a condition precedent to engaging in such business. 1960 Op. Att'y Gen., No. 25.

Revocation of license of collection agency. — The state may revoke the license of a collection agency which does not have a proper bond on file with the tax commission. 1960 Op. Att'y Gen., No. 27.

Revocation procedure. — A guide to a workable procedure for license revocation is found in chapter 2 of the Alaska Administrative Procedure Act. 1960 Op. Att'y Gen., No. 27.

Am. Jur. reference. — 33 Am. Jur., Licenses, §§ 32, 31.

with the United States Collector of Internal Revenue and shall notify the commissioner of revenue in writing of any alteration or modification of the federal income tax return and of a recomputation of tax or determination of deficiency. The taxpayer who files his federal return on a fiscal year basis shall in addition submit a statement setting out all information which would be required and reported in a federal income tax return prepared for the calendar year. This statement shall be in the same form as a federal income tax return and the net income shall be computed as required under the Internal Revenue Code. The statement shall be submitted to the commissioner of revenue before the sixteenth day of April after the close of the calendar year.

(c) The license for the privilege of taking orders through use of catalogs and by mail order offices in the state is the same as set out in this chapter for business generally and gross volume of business of those offices includes all orders taken at them whether delivery of the merchandise is made through the offices or not.

(d) The initial fee of \$25 applies to all of the provisions of this section, and shall accompany the application. The balance is due and payable on December 31st of each year and shall be paid before the first day of March following, except that the department may extend the time until the 30th of the following April upon application showing that the extension is necessary to enable the applicant to ascertain the amount of license money due. To enable accurate determination of the balance of the tax due at the end of each year, each person to whom this chapter applies shall keep records, give statements under oath, and make returns which the department requires. Returns are made under penalty of perjury. (§ 5 ch 43 SLA 1949; am § 1 ch 123 SLA 1955; am § 1 ch 101 SLA 1960)

Stated in *State v. Baker*, Sup. Ct.  
Op. No. 227 (File No. 428), 393 P.2d  
893 (1964).

**Sec. 43.70.010. Review and determination of license tax.** (a) As soon as practical after the final payment of the tax, the department shall examine the return and determine the correct amount of the tax and, if an error is found, shall notify the taxpayer of the error and examine the taxpayer's records as authorized in AS 43.05.010, and take other proper steps to determine the amount due.

(b) If an agreement cannot be reached with the taxpayer as to the amount of a license tax, the department may set a time and place of hearing on the question, upon at least 30 days' notice of the hearing by mail to the taxpayer. At the hearing, a person may be required to appear and testify and produce records and other papers as provided in AS 43.05.010.

(c) A person aggrieved by an action of the department may apply in writing to the department within 60 days from the date of the notice of the action, giving notice of the grievance and requesting a hearing.

(d) If the department determines that a fee in excess of the amount due was paid, he shall allow a refund or permit a credit at the option of the taxpayer. If refund is allowed, it shall be made out of the general fund by a voucher approved by the department. (§ 6 ch 43 SLA 1949)

Subsection (b) extends no rights beyond statute of limitations.—It is doubtful that subsection (b) of this section would extend any rights to the taxpayer beyond the time specified in the applicable statute of limitations. *Ketchikan Spruce Mills v. Dewey*, 17 Alaska 336 (1957).

But it does allow raising of question of overpayment after return approved.—Subsection (b) of this section seems to indicate an intention to allow the taxpayer to raise the question of an overpayment of taxes even after the return has been approved by the department under subsection (a). *Ketchikan Spruce Mills v. Dewey*, 17 Alaska 336 (1957).

Taxes voluntarily paid under a mistake of law cannot be recovered. *Ketchikan Spruce Mills v. Dewey*, 17 Alaska 336 (1957).

But the legislature may enact additional remedies for the recovery of illegal or excessive taxes. *Ketchikan Spruce Mills v. Dewey*, 17 Alaska 336 (1957).

And subsection (c) of this section creates such an additional remedy.—*Ketchikan Spruce Mills v. Dewey*, 17 Alaska 336 (1957).

Voluntary payment or payment under mistake of law not a defense in action for partial refund. — In the light of subsection (c) of this section,

proof that the payment was made voluntarily or under a mistake of law is no defense in an action for partial refund of taxes. *Ketchikan Spruce Mills v. Dewey*, 17 Alaska 336 (1957).

Refund due on showing of payment in excess of amount due.—Under this section a taxpayer is entitled to a refund upon the bare showing that he paid an amount in excess of the tax which was due. *Ketchikan Spruce Mills v. Dewey*, 17 Alaska 336 (1957).

And there is no requirement that the tax be paid under protest. *Ketchikan Spruce Mills v. Dewey*, 17 Alaska 336 (1957).

Or that showing of duress must be made.—*Ketchikan Spruce Mills v. Dewey*, 17 Alaska 336 (1957).

Running of interest against sovereign.—Equitable motives have led the majority of courts to recognize tax refunds as an exception to the general rule that interest does not run against a sovereign in the absence of an express statute creating such liability. *Ketchikan Spruce Mills v. Dewey*, 17 Alaska 336 (1957).

Costs against sovereign.—But costs may not be assessed against a sovereign without statutory authority therefor. *Ketchikan Spruce Mills v. Dewey*, 17 Alaska 336 (1957).

**Sec. 43.70.050. Appeals.** If the person is aggrieved by the decision of the department, he may appeal to the superior court in the judicial district where he conducts his business. (§ 7 ch 43 SLA 1949)

Collateral estoppel. — If a later proceeding is concerned with a similar or unlike claim relating to a different tax year, a prior judgment nets as a collateral estoppel only as to those matters in the second proceeding which were actually presented and determined in the first

suit. *State v. Baker*, Sup. Ct. Op. No. 227 (File No. 428), 303 P.2d 893 (1961).

Res judicata. — If a claim of liability or nonliability relating to a particular tax year is litigated, a judgment on the merits is res judicata as to any subsequent proceeding involv-

ing the same claim and the same tax year. *State v. Baker*, Sup. Ct. Op. No. 227 (File No. 428), 393 P.2d 893 (1964).

If another state is called upon to construe a provision of this chapter, that decision is res judicata in an action brought in this state by the

same parties on the same or related issues, until such time as the highest court of that state or an appropriate court of this state places a different construction upon the provision. *State v. Baker*, Sup. Ct. Op. No. 227 (File No. 428), 393 P.2d 893 (1964).

**Sec. 43.70.060. Civil penalty.** (a) If a person fails to file a business license return or pay the fee, as finally determined by the department, unless it is shown that the failure is due to reasonable cause and not to wilful neglect, five per cent is added to the fee for each additional 30 days, or fraction of 30 days, during which the failure continues, but not exceeding 25 per cent in the aggregate. The amount added to the fee shall be collected at the same time and in the same manner and as a part of the fee. If the fee is paid before the discovery of the neglect, the amount added shall be collected in the same manner as the fee. In case of delinquency interest shall be assessed at the rate of six per cent a year. If payment is made by check, bill of exchange, or note which is later returned by the drawee as uncollectible because of insufficient funds or is dishonored by the drawee for any reason, the dishonor is prima facie evidence of nonpayment of the license fee.

(b) If a person fails to apply for a license at the required time or makes, wilfully or otherwise, an erroneous or fraudulent return, the department shall assess the fee from any information it can obtain. This assessment is prima facie good and sufficient for all legal purposes under this chapter. (§ 8 ch 43 SLA 1949; am § 2 ch 128 SLA 1955; am § 6 ch 58 SLA 1971)

**Effect of amendment.** — The 1971 amendment, in the third sentence of subsection (a), deleted "the legal rate of" preceding "interest" and added "at the rate of six per cent a year."

**Section merely regulatory.** — See same catchline in note to AS 43.10.160.

**And severable from other revenue**

**provisions.**—See *State v. Baker*, Sup. Ct. Op. No. 227 (File No. 428), 393 P.2d 893 (1964), citing *Alaska v. Baker*, 61 Wash. 2d 207, 390 P.2d 1009 (1964).

It is designed to persuade taxpayer to comply with chapter. *State v. Baker*, Sup. Ct. Op. No. 227 (File No. 428), 393 P.2d 893 (1964).

**Sec. 43.70.070. Security.** (a) The amount of the fee, interest charge, and penalty imposed under this chapter constitutes a lien in favor of the state upon all the person's property located in the state. The lien arises upon delinquency and continues until the liability for the amount is satisfied or the property is sold at foreclosure sale. The lien is not valid as against a mortgagee, pledgee, purchaser, or judgment creditor until notice of the lien is filed in the office of the recorder in the manner provided for federal tax liens in AS 43.10.090—43.10.150. AS 43.10.090—43.10.150 apply to the tax liens arising under this chapter.

(b) A nonresident person who starts to perform a construction

contract or subcontract, or other line of business in the state and is not known by the department to be the holder of adequate property in the state to secure collection of the license money which will probably accrue under this chapter by virtue of the business shall, in or with his application, state under oath the extent of lienable real and personal property against which the tax may be collected, and other information with respect to description, location and value of the property which the department prescribes. If the value of the property is not equal to three times the amount of the tax for which the applicant will probably be liable to the state, the department shall not issue the license until the applicant files with him a surety bond approved by the attorney general in a penal sum equal to twice the probable amount of the tax for which the applicant will be liable, conditioned upon payment of the tax in full when due, and with interest if not paid before delinquency. The department may waive the bond requirement if the applicant posts other security in the form of collateral acceptable to the department. (§ 9 ch 43 SLA 1949)

Section merely regulatory. — See Ct. Op. No. 227 (File No. 428), 393 P.2d 893 (1964), citing Alaska v. Baker, 61 Wash. 2d 267, 390 P.2d 1009 (1964).

And severable from other revenue provisions. — See State v. Baker, Sup.

Sec. 43.70.080. Disposal of money. All money collected by the department under this chapter shall be deposited in the general fund. The Department of Revenue shall refund to each organized borough and each city of any class 60 per cent of the money collected in the local government. (§ 11 ch 43 SLA 1949; am § 4 ch 155 SLA 1962; am § 74 ch 69 SLA 1970)

Effect of amendment. — The 1970 amendment substituted "each" for "an" preceding "organized borough," inserted "and each," and deleted "incorporated or independent school district, or public utility districts" preceding "60 per cent" in the second sentence.

Legislative committee report. — For report on ch. 69, SLA 1970 (HB 694), see 1970 House Journal Supplement No. 2, p. 7.

Validity of refunds to incorporated cities. — See 1960 Op. Atty Gen., No. 5.

Sec. 43.70.090. Regulations. The department may adopt regulations necessary to determine and collect the fees imposed and to enforce this chapter. (§ 12 ch 43 SLA 1949)

Sec. 43.70.100. Penal provisions. (a) It is unlawful for a person to (1) willfully evade a tax under this chapter; (2) fail to make a return or keep or produce a record required under § 30 of this chapter; (3) make a false or fraudulent return or false statement with intent to defraud the state or evade payment of the tax; or (4) aid or abet another in an attempt to evade payment of the tax.

(b) It is unlawful for an executive officer or agent of a corpo-

ration or agent of a person to make or permit to be made for his principal a false return or false statement in answer to an inquiry from the department with the intent to evade the payment of the tax under this chapter.

(c) A person who violates this section is guilty of a misdemeanor, and upon conviction is punishable by a fine of not more than \$1,000, or by imprisonment for not more than one year, or by both.

(d) In a prosecution under this chapter, no person otherwise competent as a witness is privileged from testifying on the ground that his testimony may incriminate him. However, no indictment or prosecution shall afterwards be brought against the witness on account of an offense or transaction concerning which he testifies as a witness. In a prosecution under this chapter, the attorney general may, with the consent of the department, compromise the case by accepting from the defendant a sum not less than the tax, interest on the tax, and all costs and expenses. (§ 10 ch 43 SLA 1949)

**Exclusiveness of remedy.**--Where a statute provides for the payment of a license fee as the condition of doing any specified business, and also provides that a violator of the act shall, upon conviction, be punished by fine or imprisonment, the remedy by prosecution and punishment so prescribed by the statute is exclusive, unless there is some special provision of law which permits the prosecution of a civil action to recover the license fee. *United States v. Jourden*, 193 F. 975 (9th Cir. 1912).

**Sec. 43.70.110. Definitions.** In this chapter, unless the context otherwise requires, the following words have the meanings indicated.

(1) "Business" includes all activities or acts, personal, professional, or corporate, engaged in or caused to be engaged in, or following or engaging in a trade, profession, or business, including receipts from advertising services, rental of personal or real property, construction, processing, or manufacturing, but excluding fisheries businesses, fishermen, liquor licenses, insurance businesses, mining, and coin-operated amusement and gaming machines, calling or vocation, with the object of financial or pecuniary gain, profit or benefit, either direct or indirect, and not exempting subactivities producing marketable commodities or services used or consumed in the main business activity, each of which subactivities shall be considered business. The giving or supplying of services as an employee and the furnishing of property, services, substances, or things, by a person who does not hold himself out as regularly engaging in those transactions, does not constitute business under the meaning of this chapter.

(2) "Gross receipts" means receipts from sources in the state, whether in the form of money, credits, or other valuable consideration received from engaging in or conducting a business without de-

ducting the cost of the property sold, the cost of the materials used, labor or service cost, interest paid, taxes, losses, or any other expense, except that "gross receipts" does not include cash discounts allowed and taken on sales, and sales refunds, either in cash or by credit, uncollectible accounts written off, and payments received in final liquidation of accounts included in the gross receipts of a previous return made by the person. Receipts from sales, wherever made, of goods, wares, and merchandise manufactured or processed or originating in the state are considered a part of gross receipts from sources in the state, and the holder of a state license under this chapter doing business inside and outside the state is liable under this chapter as to that portion of his gross receipts attributable to his Alaska operation. "Gross receipts" also includes all amounts paid or assigned to subcontractors. Individuals representing firms taxed under this chapter on volume of business done, working as agents on commission instead of as employees, may compute their gross receipts as equal to their gross commissions.

(3) "Income year" means calendar year. If a person carries on business during a part only of the income year, "income year" means the period within the income year during which the person carries on business.

(4) "Person" includes an individual, firm, partnership, joint adventure, association, corporation, estate trust, business trust, receiver, or any group or combination acting as a unit. (§ 2 ch 43 SLA 1949; am § 1 ch 172 SLA 1957)

Intent to tax all businesses proportionately. — It is apparent that the legislature intended to discard license taxes on specifically enumerated businesses and to tax all businesses proportionately. *Territory of Alaska v. Journal Printing Co.*, 15 Alaska 676, 135 F. Supp. 169 (D. Alas. 1955).

Newspapers are within purview of chapter. — The inclusion of newspapers, along with other businesses, is within the purview of this chapter. *Territory of Alaska v. Journal Printing Co.*, 15 Alaska 676, 135 F. Supp. 169 (D. Alas. 1955).

Newspapers and the business of newspaper publishing are not made exempt from the ordinary forms of taxation for the support of local government by the provisions of the 13<sup>th</sup> and 14<sup>th</sup> amendments to the United States Constitution. *Territory of Alaska v. Journal Printing Co.*, 15 Alaska 676, 135 F. Supp. 169 (D. Alas. 1955).

Contractors' work for federal government not exempt. — Although the

Pribilof Islands constitute a special reservation, within the meaning of the Buck Act, the operations of businesses, including performing contractors' work for the federal government, are not exempt from state taxation. 1959 Op. Att'y Gen., No. 22.

Mere contracts between private persons or corporations and the United States do not necessarily render the former essential governmental agencies and confer upon them freedom from state taxation. 1959 Op. Att'y Gen., No. 22.

The principle of immunity from state and local taxation is generally based upon the direct ownership or use and control of the property by the United States, and does not extend to the business, property, or income of contractors who are doing work for the federal government for the purpose of gain. 1959 Op. Att'y Gen., No. 22.

Use of part of home for business property. — Person receiving in excess of \$1500 gross per year from the

supplying of part of their home to others and who claim business deductions on their Alaska income tax return for that same part of their home are required to obtain an Alaska business license. 1960 Op. Att'y Gen., No. 20.

When an individual claims that part of his property is business property for income tax purposes, that same part of his property does not come within the meaning of the words "personal home" in §§ 1 and 15 of the business license regulations. 1960 Op. Att'y Gen., No. 20.

An individual may not claim a reduction of state income tax on the grounds that part of his home is business property and then escape the state business license tax on the basis that the same part of his home is not a business property but his personal home. 1960 Op. Att'y Gen., No. 20.

Educational, etc., institutions exempt when not "doing business."—The rule is that educational, religious, etc., institutions and hospitals need not pay the business license tax or the initial license fee as long as they refrain from doing "business" as defined in the business license act. 1960 Op. Att'y Gen., No. 25.

But there is no exemption of religious corporation when "doing business."—This section and AS 43.70.020 make no provision for the exemption from the license requirement of a religious corporation which is doing business. 1960 Op. Att'y Gen., No. 25.

Sec. 43.70.120. Short title. This chapter may be cited as the Alaska Business License Act. (§ 1 ch 43 SLA 1949)

### Chapter 75. Fisheries Taxes.

#### Article

1. Salmon Canneries and Certain Fish Processors (§§ 43.75.010—43.75.055)
2. Cold Storage and Other Fish Processors (§§ 43.75.060—43.75.095)
3. Taking of Fisheries Products Which Are Sold Outside Taxing Jurisdiction (§§ 43.75.100—43.75.120)
4. General Provisions (§§ 43.75.130—43.75.135)

#### Article 1. Salmon Canneries and Certain Fish Processors.

<p>Section 10. Fisheries business licenses 20. Application for license 30. Filing return and payment of tax</p>	<p>Section 50. Violations and penalties 60. Security for collection of taxes</p>
---	--

Sec. 43.75.010. Fisheries business licenses. (a) A person engaging or attempting to engage in any of the following lines of business

Thus, rents received by religious corporations are not exempted from the Alaska business license tax. 1960 Op. Att'y Gen., No. 25.

Use of indirect allocation formula. —Where most of the business activities of a company took place in Missouri, it being very difficult to directly allocate that portion of the company's profits or income which was derived from its Alaska operations, the company carried on enough activities in Alaska to become subject to state taxation and these activities could be taxed on an indirect allocation formula. 1959 Op. Att'y Gen., No. 22.

"Gross receipts" includes all receipts within a state regardless of form. — The definition of "gross receipts" in this section indicates a clear legislative intent that, for the purposes of the act, gross receipts should include all of the taxpayer's receipts within the state, whether in the form of money or other valuable considerations. 1961 Op. Att'y Gen., No. 8.

No deduction from gross receipts of motor fuel excise taxes. — Oil companies may not deduct from their gross receipts federal or Alaska motor fuel excise taxes paid or collected on oil products sold for purposes of calculating taxable gross receipts under the Alaska Business License Act. 1961 Op. Att'y Gen., No. 8.

Applied in *Ketchikan Spruce Mills v. Dewey*, 47 Alaska 336 (1937).

THE PRECEDING PAGES WERE TREATED AS  
A UNIT IN THE ORIGINAL FILE.

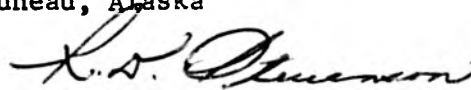
THE FOLLOWING PAGES WERE TREATED AS  
A UNIT IN THE ORIGINAL FILE.

# MEMORANDUM

## State of Alaska

TO:  The Honorable Mike Miller, Chairman  
Local Government Committee  
Alaska State House of Representatives  
Juneau, Alaska

DATE : April 13, 1971

FROM:   
R. D. Stevenson  
Deputy Commissioner  
Department of Revenue  
Juneau, Alaska

SUBJECT: House Bill No. 401  
Business License Tax

I am transmitting eight copies of a report prepared by L. P. Carroll, Chief, Miscellaneous Tax Section, Department of Revenue, concerning the effect on Treasury as concerns House Bill No. 401, an Act relating to business license tax.

If you have any questions on the material submitted, kindly advise and Mr. Carroll will be available.

RDS:eh

Attachments (8)

## MEMORANDUM

## State of Alaska

TO:  R. D. Stevenson  
Deputy Commissioner  
Department of Revenue

DATE : April 12, 1971

FROM: L. P. Carroll, Chief *LR*  
Miscellaneous Tax Section

SUBJECT: Legislative Research  
House Bill 401

House Bill 401 accomplishes the following:

1. Repeals collection of the gross receipts tax (other than the original \$25.00 license fee) by the State in all organized cities and boroughs.
2. Permits organized boroughs, cities of any class within boroughs, or cities in the unorganized borough which are school districts to impose, by ordinance, a gross receipts tax levied at one-half of one percent on all gross receipts.
3. Permits the State to collect and retain gross receipts tax based at one-half of one percent on all gross earned within the unorganized borough and provides for assessment of 100% penalty in cases where returns are not filed or fees paid, unless it is shown that the failure is due to reasonable cause and not to wilful neglect.

Effect on Treasury:

As the effective date of the Legislation is 1/1/72, we can anticipate little or no changes in the revenues estimated for F/Y 1972. The gross receipts tax due on the 1971 gross is received in this office during the period February 28, 1972 through April 30, 1972 and added to the revenues derived from the sale of an estimated 18,000 licenses valued at \$450,000 should result in our estimate of \$6,150,000.

F/Y 1973 will be the first year reflecting impact to the Treasury and to the revenues derived by cities and boroughs.

At this time we have not prepared estimates of the business license shared revenues for F/Y 1973 based on present rates and methods of collection and distribution. For purposes of this report the following assumptions are made.

F/Y 1973 Cities	\$1,779.440	= Estimated Sharing Present Plan
F/Y 1973 Boroughs	\$1,120.560	= Estimated Sharing Present Plan
F/Y 1973 Total	\$2,900,000	

April 12, 1971

Further reference is made to the attached copy of the business license revenue estimates through F/Y 1976. The revised estimate for F/Y 1973 discloses \$6,695,000.

Accordingly, under present rates and distribution formula the following may be illustrated:

<u>Shares</u>	<u>Amounts</u>	<u>% of Total</u>
Cities	\$1,779,440	
Boroughs	1,030,000	
SubTotal	\$2,900,000	43.34
State Portion	3,795,000	56.66
Total Estimate	\$6,695,000	100.00%

We estimate that 75% of the tax in excess of the basic \$25.00 license fee is attributable to those businesses grossing in excess of \$100,000.00. Accordingly, the following is illustrated at the increased rate of 1/2% on all gross:

<u>F/Y</u>	<u>Estimated # of Licenses</u>	<u>Basic Fee \$</u>	<u>Balance \$ To Gross Tax</u>	<u>75% to Taxpayers Over 100,000</u>	<u>At New Rate</u>	<u>Total Tax Excluding Lic. Fee</u>
1973	19,000	475,000	6,220,000	4,665,000	9,330,000	10,885,000

Applying present allocation figures on the revised tax shown above which excludes the basic license fee, and adding an estimated amount for those taxpayers now grossing less than \$20,000 and paying no tax, who would be liable under the proposed legislation the following may be shown:

Total Taxes Excluding License Fees	- \$10,885,000
Estimated Amount for Present Non-Due Returns	- 150,000
Total Subject to Sharing	<u>\$11,035,000</u>

* Based on Present Distribution Percentage	
* Total Share to Cities & Boroughs	----- \$ 4,781,465
* Total Share to State	----- 6,253,535
Total Taxes at 1/2%	----- \$11,035,000

Realizing that the figures shown above for Cities and Boroughs represents only 60% or 3/5 of the actual tax involved, if the local governments were to impose, administer and collect the tax at a full rate of 1/2 of 1% and retain 100% of such taxes the estimated results for F/Y 1973 would be as follows:

A. Shared Revenue to Cities & Boroughs (New Rate - Self Administered)	----- \$ 7,969,110
B. Balance for State	----- 3,065,890
C. Total Tax at 1/2%	<u>\$11,035,000</u>

Thus, the following may be shown for F/Y 1973:

Cities & Boroughs New Rate (Self Administered)	-	\$7,969,110
Cities & Boroughs Under Present Formula	-	<u>2,900,000</u>
Increase to Cities & Boroughs (Self Administered)		\$5,069,110
Estimated State Revenue (Present System)		\$3,795,000
Estimated State Revenue Proposed System Tax Only	\$3,065,890	
Estimated State Revenue Proposed System License Fees	<u>475,000</u>	
Total State Revenue Proposed System		\$3,540,890
Estimated Loss to General Fund		<u>\$ (254,110)</u>

Problems of Administration:

Assuming that we will collect and share the 1971 gross receipts tax (due 2/28/72) under our existing procedure, there is sufficient time to allow for the redesign of the tax reporting form for calendar year 1972 due 2/28/73. We will no doubt mail reporting forms to all licensees in the State and require only those businesses that earned gross in the unorganized borough to file returns. The 100% penalty clause should assist in assuring that businesses fitting this category file returns.

It should be made a part of this Legislation that all licenses, returns, and taxes due under the Business License Act for years prior to the effective date of the Legislation (including the 1971 gross receipts tax), are valid and that the Department of Revenue is fully empowered to collect all delinquent accounts including any which may be disclosed in subsequent audit investigations.

It is noted that a full three year period should be allowed for completion of business under the existing Business License Act and shared revenue program. Adoption of this Legislation will preclude the preparation of the annual gross receipt report beyond calendar year 1972.

We feel that the Legislation is manageable and will rely on field audit staff for assistance in taxpayer compliance. Barring inception of the field audit program, we will require the addition of a Revenue Agent and Tax Examiner II to our existing staff for field audit work and orderly phase-in of the new program. A complete administrative cost analysis will be made available upon request.

The Miscellaneous Tax Section Chief is available should any questions arise concerning the estimates contained herein.

LPC:fd

Attachments

STATE OF ALASKA  
Dept. of Administration  
Budget & Management Div.

SCHEDULE OF REVENUES  
5-Year Projection

AGENCY	Revenue	04
OPERATING PROGRAM	Collection & Receipt	00
ACTIVITY	State General	00
FUNCTION	Receipt	00

CASH FLOW FOR THE FISCAL YEAR ENDING JUNE 30, 1972

RECEIPT TITLE Alaska Business License Tax RECEIPT CODE 105 FUND 100

ACTUAL	ESTIMATED						
F.Y. 1970 (1)	F.Y. 1971 Budget Estimate (2)	F.Y. 1971 Revised Estimate (3)	F.Y. 1972 Revised Estimate (4)	F.Y. 1973 Revised Estimate (5)	F.Y. 1974 Revised Estimate (6)	F.Y. 1975 Revised Estimate (7)	F.Y. 1976 (8)
\$ 5,060,522	\$ 5,300,000	\$ 5,414,000	\$ 6,150,000	\$ 6,695,000	\$ 7,029,000	\$ 7,141,000	\$ 7,594,000

F.Y. 1971-1972 CASH FLOW BY MONTH - (Block (4) Above)

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
\$ 82,410	\$ 59,650	\$ 46,130	\$ 39,980	\$ 39,980	\$ 49,200	
JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
\$ 222,630	\$ 511,060	\$ 3,736,740	\$ 261,990	\$ 995,070	\$ 105,160	\$ 6,150,000

CITATION: AS 43.70.010-120

RATE: The initial license fee for businesses is \$25.00 per year.  
Additional rates on gross receipts are:  
\$20,000 to \$100,000 1/2 of 1 per cent  
\$100,000 and Over 1/4 of 1 per cent

A 2 per cent rate is levied on the net income of banks, trust companies and savings and loan associations.

ALLOCATION: All revenues from the Alaska Business License Tax are paid into the General Fund. Sixty per cent of the amounts collected within the boundaries of any municipality or organized borough are returned to that political subdivision by Legislative appropriation.

STATE OF ALASKA  
Dept. of Administration  
Budget & Management Div.

STATEMENT OF PROGRAM

AGENCY	Revenue	04
OPERATING PROGRAM	Collection & Receipt	00
ACTIVITY	State General	00
FUNCTION	Receipt	00

For the Fiscal Year Ending June 30, 1972

BASIS FOR ESTIMATE: Revenue Estimates reflect net collections before sharing with political subdivisions and are based on present license fees considering all statutorily allowed exemptions. Estimates of revenue shown are computed on the basis of a 7% growth rate compounded annually to cover normal anticipated growth plus additional revenues in Fiscal Years 1972, 1973, 1974 and 1975 to cover the non-recurring impact of the North Slope Pipeline Construction Project. These estimates are based on the best available information secured from the Industry and could be substantially effected in the event that the pipeline permit is not forthcoming within a reasonably early time schedule. The estimate for FY 1975 and FY 1976 represents residual receipts and are based on a more normal growth pattern.

A review of actual and estimated revenues for the past five fiscal years is as follows:

<u>Fiscal Year</u>	<u>Actual Net Collections</u>	<u>Revenue Estimates</u>	<u>% of Revenue Estimate Realized</u>
1969-70	\$ 5,060,522	\$ 4,500,000	112.46%
1968-69	4,148,756	3,897,000	106.46%
1967-68	3,833,223	3,411,400	112.37%
1966-67	3,328,030	3,660,000	90.93%
1965-66	3,223,557	3,034,000	106.22%
Totals	\$ 19,594,088	\$ 18,502,400	105.69%

A review of the growth rate of actual revenues for the past five fiscal years is as follows:

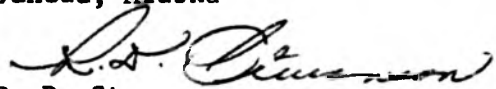
<u>Fiscal Year</u>	<u>Actual Net Collections</u>	<u>Dollar Increase Over Preceding Fiscal Year</u>	<u>% Increase Over Preceding Fiscal Year</u>
1969-70	\$ 5,060,522	\$ 911,766	21.97%
1968-69	4,148,756	315,533	8.23%
1967-68	3,833,223	505,193	15.18%
1966-67	3,328,030	104,473	3.24%
1965-66	3,223,557	281,305	9.56%
1964-65	2,942,252	Base Year	Base Year

# MEMORANDUM

## State of Alaska

TO:  The Honorable Mike Miller, Chairman  
Local Government Committee  
Alaska State House of Representatives  
Juneau, Alaska

DATE : April 13, 1971

FROM:   
R. D. Stevenson  
Deputy Commissioner  
Department of Revenue  
Juneau, Alaska

SUBJECT: House Bill No. 401  
Business License Tax

I am transmitting eight copies of a report prepared by L. P. Carroll, Chief, Miscellaneous Tax Section, Department of Revenue, concerning the effect on Treasury as concerns House Bill No. 401, an Act relating to business license tax.

If you have any questions on the material submitted, kindly advise and Mr. Carroll will be available.

RDS:eh

Attachments (8)

## MEMORANDUM

## State of Alaska

TO: 

R. D. Stevenson  
Deputy Commissioner  
Department of Revenue

DATE : April 12, 1971

FROM:

L. P. Carroll, Chief *LC*  
Miscellaneous Tax Section

SUBJECT: Legislative Research  
House Bill 401

House Bill 401 accomplishes the following:

1. Repeals collection of the gross receipts tax (other than the original \$25.00 license fee) by the State in all organized cities and boroughs.
2. Permits organized boroughs, cities of any class within boroughs, or cities in the unorganized borough which are school districts to impose, by ordinance, a gross receipts tax levied at one-half of one percent on all gross receipts.
3. Permits the State to collect and retain gross receipts tax based at one-half of one percent on all gross earned within the unorganized borough and provides for assessment of 100% penalty in cases where returns are not filed or fees paid, unless it is shown that the failure is due to reasonable cause and not to wilful neglect.

Effect on Treasury:

As the effective date of the Legislation is 1/1/72, we can anticipate little or no changes in the revenues estimated for F/Y 1972. The gross receipts tax due on the 1971 gross is received in this office during the period February 28, 1972 through April 30, 1972 and added to the revenues derived from the sale of an estimated 18,000 licenses valued at \$450,000 should result in our estimate of \$6,150,000.

F/Y 1973 will be the first year reflecting impact to the Treasury and to the revenues derived by cities and boroughs.

At this time we have not prepared estimates of the business license shared revenues for F/Y 1973 based on present rates and methods of collection and distribution. For purposes of this report the following assumptions are made.

F/Y 1973 Cities	\$1,779,440	= Estimated Sharing Present Plan
F/Y 1973 Boroughs	\$1,120,560	= Estimated Sharing Present Plan
F/Y 1973 Total	\$2,900,000	

April 12, 1971

Further reference is made to the attached copy of the business license revenue estimates through F/Y 1976. The revised estimate for F/Y 1973 discloses \$6,695,000.

Accordingly, under present rates and distribution formula the following may be illustrated:

<u>Shares</u>	<u>Amounts</u>	<u>% of Total</u>
Cities	\$1,779,440	
Boroughs	1,030,000	
SubTotal	<u>\$2,900,000</u>	43.34
State Portion	<u>3,795,000</u>	56.66
Total Estimate	\$6,695,000	100.00%

We estimate that 75% of the tax in excess of the basic \$25.00 license fee is attributable to those businesses grossing in excess of \$100,000.00. Accordingly, the following is illustrated at the increased rate of 1/2% on all gross:

<u>F/Y</u>	<u>Estimated # of Licenses</u>	<u>Basic Fee \$</u>	<u>Balance \$ To Gross Tax</u>	<u>75% to Taxpayers Over 100,000</u>	<u>At New Rate</u>	<u>Total Tax Excluding Lic. Fee</u>
1973	19,000	475,000	6,220,000	4,665,000	9,330,000	10,885,000

Applying present allocation figures on the revised tax shown above which excludes the basic license fee, and adding an estimated amount for those taxpayers now grossing less than \$20,000 and paying no tax, who would be liable under the proposed legislation the following may be shown:

Total Taxes Excluding License Fees	- \$10,885,000
Estimated Amount for Present Non-Due Returns	- <u>150,000</u>
Total Subject to Sharing	<u><u>\$11,035,000</u></u>

\* Based on Present Distribution Percentage

* Total Share to Cities & Boroughs	-----	\$ 4,781,465
* Total Share to State	-----	6,253,535

Total Taxes at 1/2%	-----	\$11,035,000
---------------------	-------	--------------

Realizing that the figures shown above for Cities and Boroughs represents only 60% or 3/5 of the actual tax involved, if the local governments were to impose, administer and collect the tax at a full rate of 1/2 of 1% and retain 100% of such taxes the estimated results for F/Y 1973 would be as follows:

A. Shared Revenue to Cities & Boroughs (New Rate - Self Administered)	-----	\$ 7,969,110
B. Balance for State	-----	3,065,890
C. Total Tax at 1/2%		<u>\$11,035,000</u>

Thus, the following may be shown for F/Y 1973:

Cities & Boroughs New Rate (Self Administered)	-	\$7,969,110
Cities & Boroughs Under Present Formula	-	<u>2,900,000</u>
Increase to Cities & Boroughs (Self Administered)		\$5,069,110
Estimated State Revenue (Present System)		\$3,795,000
Estimated State Revenue Proposed System Tax Only	\$3,065,890	
Estimated State Revenue Proposed System License Fees	<u>475,000</u>	
Total State Revenue Proposed System		\$3,540,890
Estimated Loss to General Fund		\$ (254,110)

Problems of Administration:

Assuming that we will collect and share the 1971 gross receipts tax (due 2/28/72) under our existing procedure, there is sufficient time to allow for the redesign of the tax reporting form for calendar year 1972 due 2/28/73. We will no doubt mail reporting forms to all licensees in the State and require only those businesses that earned gross in the unorganized borough to file returns. The 100% penalty clause should assist in assuring that businesses fitting this category file returns.

It should be made a part of this Legislation that all licenses, returns, and taxes due under the Business License Act for years prior to the effective date of the Legislation (including the 1971 gross receipts tax), are valid and that the Department of Revenue is fully empowered to collect all delinquent accounts including any which may be disclosed in subsequent audit investigations.

It is noted that a full three year period should be allowed for completion of business under the existing Business License Act and shared revenue program. Adoption of this Legislation will preclude the preparation of the annual gross receipt report beyond calendar year 1972.

We feel that the Legislation is manageable and will rely on field audit staff for assistance in taxpayer compliance. Barring inception of the field audit program, we will require the addition of a Revenue Agent and Tax Examiner II to our existing staff for field audit work and orderly phase-in of the new program. A complete administrative cost analysis will be made available upon request.

The Miscellaneous Tax Section Chief is available should any questions arise concerning the estimates contained herein.

LPC:fd

Attachments

STATE OF ALASKA  
 Dept. of Administration  
 Budget & Management Div.

SCHEDULE OF REVENUES  
 5-Year Projection

AGENCY	Revenue	04
OPERATING PROGRAM	Collection & Receipt	00
ACTIVITY	State General	00
FUNCTION	Receipt	00

CASH FLOW FOR THE FISCAL YEAR ENDING JUNE 30, 1972

RECEIPT TITLE Alaska Business License Tax RECEIPT CODE 105 FUND 100

ACTUAL	ESTIMATED						
F.Y. 1970 (1)	F.Y. 1971 Budget Estimate (2)	F.Y. 1971 Revised Estimate (3)	F.Y. 1972 Revised Estimate (4)	F.Y. 1973 Revised Estimate (5)	F.Y. 1974 Revised Estimate (6)	F.Y. 1975 Revised Estimate (7)	F.Y. 1976 (8)
\$ 5,060,522	\$ 5,300,000	\$ 5,414,000	\$ 6,150,000	\$ 6,695,000	\$ 7,029,000	\$ 7,141,000	\$ 7,594,000

F.Y. 1971-1972 CASH FLOW BY MONTH - (Block (4) Above)

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
\$ 82,410	\$ 59,650	\$ 46,130	\$ 39,980	\$ 39,980	\$ 49,200	
JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
\$ 222,630	\$ 511,060	\$ 3,736,740	\$ 261,990	\$ 995,070	\$ 105,160	\$ 6,150,000

CITATION: AS 43.70.010-120

RATE: The initial license fee for businesses is \$25.00 per year.  
 Additional rates on gross receipts are:  
 \$20,000 to \$100,000 1/2 of 1 per cent  
 \$100,000 and Over 1/4 of 1 per cent

A 2 per cent rate is levied on the net income of banks, trust companies and savings and loan associations.

ALLOCATION: All revenues from the Alaska Business License Tax are paid into the General Fund. Sixty per cent of the amounts collected within the boundaries of any municipality or organized borough are returned to that political subdivision by Legislative appropriation.

STATEMENT OF PROGRAM

AGENCY	Revenue	04
OPERATING PROGRAM	Collection & Receipt	00
ACTIVITY	State General	00
FUNCTION	Receipt	00

For the Fiscal Year Ending June 30, 1972

**BASIS FOR ESTIMATE:** Revenue Estimates reflect net collections before sharing with political subdivisions and are based on present license fees considering all statutorily allowed exemptions. Estimates of revenue shown are computed on the basis of a 7% growth rate compounded annually to cover normal anticipated growth plus additional revenues in Fiscal Years 1972, 1973, 1974 and 1975 to cover the non-recurring impact of the North Slope Pipeline Construction Project. These estimates are based on the best available information secured from the Industry and could be substantially effected in the event that the pipeline permit is not forthcoming within a reasonably early time schedule. The estimate for FY 1975 and FY 1976 represents residual receipts and are based on a more normal growth pattern.

A review of actual and estimated revenues for the past five fiscal years is as follows:

<u>Fiscal Year</u>	<u>Actual Net Collections</u>	<u>Revenue Estimates</u>	<u>% of Revenue Estimate Realized</u>
1969-70	\$ 5,060,522	\$ 4,500,000	112.46%
1968-69	4,148,756	3,897,000	106.46%
1967-68	3,833,223	3,411,400	112.37%
1966-67	3,328,030	3,660,000	90.93%
1965-66	3,223,557	3,034,000	106.22%
Totals	\$ 19,594,088	\$ 18,502,400	105.69%

A review of the growth rate of actual revenues for the past five fiscal years is as follows:

<u>Fiscal Year</u>	<u>Actual Net Collections</u>	<u>Dollar Increase Over Preceding Fiscal Year</u>	<u>% Increase Over Preceding Fiscal Year</u>
1969-70	\$ 5,060,522	\$ 911,766	21.97%
1968-69	4,148,756	315,533	8.23%
1967-68	3,833,223	505,193	15.18%
1966-67	3,328,030	104,473	3.24%
1965-66	3,223,557	281,305	9.56%
1964-65	2,942,252	Base Year	Base Year

THE PRECEDING PAGES WERE TREATED AS  
A UNIT IN THE ORIGINAL FILE.

HB

402

*File*

# STATE OF ALASKA

WILLIAM A. EGAN, GOVERNOR

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER / POUCH 5 — JUNEAU 99801

March 29, 1972

The Honorable George H. Hohman  
Chairman, House Finance Committee  
and  
The Honorable Mike Miller  
Chairman, House Local Government Committee  
Alaska State Capitol  
Juneau, Alaska 99801

Dear Sirs:

We respectfully request that you make the following amendments to  
House Bill No. 402:

1. Page 3, line 1: Strike "conformation" and insert "confirmation."
2. Page 3, line 13: After the word "subscribe" insert the word "to."
3. Page 3, line 16: Strike the word "lieutenant."
4. Page 3, line 21: Strike the word "bank" and insert "bond bank authority."
5. Page 3, line 22: Following the sentence ending with the word "quorum," add the following sentence: "A quorum must always include the Commissioner of Revenue."
6. Page 3, line 23: Strike the word "bank" and insert the words "bond bank authority."
7. Page 3, line 24: Strike all material after the word "directors" through end of sentence in line 25 and insert a period after "directors" in line 24.
8. Page 4, line 2: After the first word "surety" insert the word "bond."
9. Page 4, lines 5 and 6: Strike the words "and approved by the attorney general."
10. Page 4, line 18: Strike the word "bank" and insert the words "bond bank authority."
11. Page 5, line 16: Strike the word "to."
12. Page 5, line 25: Strike the word "to."

13. Page 7, line 21: Strike the words "or for investment except" and insert the words "except for investment."
14. Page 8, line 28: Strike the word "bank" and insert the words "bond bank authority."
15. Page 9, lines 27 and 28: Strike the words "payable solely from revenues or funds pledged or available for their payment as authorized in this chapter" and insert the words "general obligations of the authority to which the full faith and credit of the authority are pledged to the payments thereof, except to the extent provided by the resolution authorizing the issuance thereof."
16. Page 10, line 19: Strike the word "proceedings" and insert the word "proceeding."
17. Page 10, line 28: Strike the word "INVESTMENT" and insert the word "INVESTMENTS."
18. Page 11, line 21: Add a comma after the word "authority."
19. Page 12, line 3: A new paragraph (1) to read "The purchase of municipal bonds;" and renumber succeeding paragraphs (1), (2), and (3) as (2), (3), and (4).
20. Page 13, line 15: Strike the word "bank" and insert the words "bond bank authority."
21. Page 14, line 27: After the final comma insert the words "and as to the."
22. Page 18, line 8: Strike the word "and."
23. Page 18, line 12: Strike the word "bank" and insert the words "bond bank authority."
24. Page 18, line 22: After the word "documentation" strike all language through line 26 and insert the words "required by the authority."
25. Page 19, line 25: Strike the word "bank" and insert the words "bond bank authority."
26. Page 19, line 29: Strike the period and add the following language to the end of the section: "for deposit in the reserve fund for reasons other than certification pursuant to this chapter."

27. Page 20, line 2: After the word "reserve" insert the words "as defined in (b) of this section."
28. Page 20, line 5: Strike through line 7 and insert new (d) as follows:  
"(d) Money at any time in the reserve fund may be invested in the same manner and on the same conditions as permitted for investment of funds belonging to the state or held in the treasury pursuant to Section 37.10.070, provided that the authority may agree with the bond holders to further limit these investments."
29. Page 20, line 9: Strike the words "the par value."
30. Page 21, line 6: Strike all material beginning on line 6 through Page 22, line 16.
31. Pages 22 and 23, line 27: Strike all words beginning with "If" through Page 23, line 4.
32. Page 23, line 22: Strike the word "bank" and insert the words "bond bank authority."
33. Page 26, line 6: After the word "would" insert the word "not."
34. Page 27, line 22: Strike paragraphs (3) and (4) entirely. Insert new paragraph (3) to read:  
"(3) "municipal bond" means a bond or note or evidence of debt which constitutes a direct and general obligation of a political subdivision of the state all the taxable property within which is subject to taxation to pay the bond, note or evidence of debt and the interest without limitation as to rate or amount."
35. Page 27, line 28: Strike "(5)" and insert "(4)."
36. Page 28, line 2: Strike "(6)" and insert "(5)."
37. Page 28, line 4: Strike "(7)" and insert "(6)."
38. Page 28, line 6: Strike the word "its."
39. Page 28, line 6: Strike the words "or notes."
40. Page 28, line 7: Strike "(8)" and insert "(7)."
41. Page 28, line 9: Strike "(9)" and insert "(8)."

Very truly yours,

*Eric E. Wohlforth*

Eric E. Wohlforth, Commissioner

THE FOLLOWING DOCUMENT(S) MAY NOT FILM  
LEGIBLY BECAUSE OF POOR QUALITY OF THE  
ORIGINAL.

MEMORANDUM

TO : [Illegible]

FROM : [Illegible]

SUBJECT : [Illegible]

# Alaska State Legislature



## House of Representatives

April 16, 1971

George - Enclosed is a communication from Fairbanks indicating the actual expense of their allowance to oldtimers in the area of property taxes. As you can see from the attached clipping, the conditions of their allowance are not identical to those in House Bill 296 but they are sufficiently similar to give some guidance.

Also enclosed are some additional computations from some other communities which indicate a wide field of estimates. It is precisely because an allowance such as this might vary greatly from community to community that a majority of the committee favors the state picking up the tab.

If you use Fairbanks as an average and extrapolate the Fairbanks experience through a population of 300,000 persons, you can probably come up with a workable ballpark figure for the first year.

Mike

### Enclosures:

Clipping - Fairbanks News Miner  
March 22, 1971 ltr. to Dan Casey  
March 25, 1971 Memo to M. Miller  
March 31, 1971 Memo to B. Mallott  
April 6, 1971 estimates  
April 6, 1971 Cordova telegram  
April 5, 1971 Palmer telegram

REPRESENTATIVE MIKE MILLER

#### COMMITTEES

CHAIRMAN, LOCAL GOVERNMENT COMMITTEE  
MEMBER, RULES AND STATE AFFAIRS COMMITTEE

HB

423

Introduced: 4/13/71  
Referred: Local Government

1 IN THE HOUSE

BY COLLETTA AND GUESS

2 HOUSE BILL NO. 423

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the involvement of young people  
7 in local government and school governance; and pro-  
8 viding for an effective date."

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

10 \* Section 1. PURPOSE. It is the intent of the legislature in enacting  
11 this statute to provide an opportunity for the young people of Alaska to  
12 become involved in the institutions and processes of local government and  
13 school governance comparable to that embodied in legislation under considera-  
14 tion at the 1971 session of the legislature providing for participation in  
15 the executive branch of state government.

16 \* Sec. 2. AS 07.40 is amended by adding new sections to read:

17 ARTICLE 2. INVOLVEMENT OF YOUNG PEOPLE  
18 IN BOROUGH GOVERNMENT.

19 Sec. 07.40.020. ESTABLISHMENT OF COMMISSION. A borough assembly  
20 may by ordinance create a commission on the involvement of young  
21 people in borough government.

22 Sec. 07.40.021. COMPOSITION AND CHAIRMAN. The commission may  
23 consist of not more than nine members, drawn from fields of public  
24 affairs, education, the sciences, the professions, other fields of  
25 private endeavor, from the state or local service, and three additional  
26 members from the 17 through 22 age group, and shall include women and  
27 representatives of minority groups. The members shall be appointed  
28 by the borough assembly in the manner prescribed by ordinance without  
29 regard to political affiliation and shall serve at the pleasure of

1 that body. One member shall be designated by the assembly as chairman  
2 of the commission.

3 Sec. 07.40.022. COMPENSATION AND PER DIEM. Members of the  
4 commissio: serve without compensation but are entitled to per diem  
5 and travel expenses as may be authorized by ordinance.

6 Sec. 07.40.023. FUNCTIONS OF THE COMMISSION. (a) The commis-  
7 sion shall establish procedures to enable it to recommend annually to  
8 the assembly a group of promising young men and women from whom the  
9 assembly may select interns and youth voting members of borough boards  
10 and commissions. The commission, in establishing these procedures,  
11 shall enlist the aid of borough residents who are actively interested  
12 in working with young people. Following adoption of the procedures,  
13 the commission shall accept applications from individuals and nomina-  
14 tions for consideration, and <sup>shall</sup> ~~may~~ interview all applicants or nominees.

15 (b) Recommendations of the commission shall be limited to young  
16 people who

17 (1) have a capacity, desire, interest, ability and potential  
18 for leadership and service to the community and to the state;

19 (2) will have attained the age of 17 but not the age of 22  
20 before the beginning of their service.

21 (c) Annually, the commission shall evaluate the program and  
22 shall submit a written report to the assembly.

23 Sec. 07.40.024. INTERNS. An intern may be appointed to serve  
24 on the staff of the assembly or the borough executive for a period of  
25 time prescribed by the assembly, with a maximum of one year. He may  
26 be assigned responsibilities in any office, department or agency of  
27 the borough. Service will begin at a time prescribed by the assembly.  
28 Interns shall be appointed without regard to political affiliation,  
29 ~~and an intern may not participate in partisan political activities~~

1 ~~during the term of his appointment as an intern.~~ Salaries shall be  
2 individually established by the assembly on the basis of prior experi-  
3 ence and the responsibilities of the position to which the intern is  
4 assigned.

5 Sec. 07.40.025. APPOINTMENT TO BOROUGH BOARDS AND COMMISSIONS.

6 (a) Notwithstanding AS 39.05.100 or a provision of law relating to  
7 age, the assembly may appoint any <sup>17 thru 21 yrs old</sup> borough resident to a borough board  
8 or commission if recommended by the borough youth involvement commis-  
9 sion.

10 (b) A young person recommended by the commission may be appointed  
11 to borough boards or commissions with special qualifications for  
12 membership of the proposed nominee, except for his age, meets the  
13 required qualifications set by law.

14 (c) An individual appointed to a borough board or commission  
15 under this section is entitled to the rights, privileges and responsi-  
16 bilities of other members, and his appointment is subject to confirma-  
17 tion by the assembly when required by law. No additional seat on a  
18 borough board or commission is created by virtue of secs. 20 - 25 of  
19 this chapter.

20 \* Sec. 3. AS 29.95 is amended by adding new sections to read:

21 ARTICLE 2. INVOLVEMENT OF YOUNG PEOPLE

22 IN CITY GOVERNMENT.

23 Sec. 29.95.020. ESTABLISHMENT OF COMMISSION. A city council by  
24 ordinance may create a commission on the involvement of young people  
25 in city government.

26 Sec. 29.95.021. COMPOSITION AND CHAIRMAN. The commission may  
27 consist of not more than nine members, drawn from fields of public  
28 affairs, education, the sciences, the professions, other fields of  
29 private endeavor, from the state or local service, and three additional

1 members from the 17 through 22 age group, and shall include women and  
2 representatives of minority groups. The members shall be appointed  
3 by the city council in the manner prescribed by ordinance without  
4 regard to political affiliation and shall serve at the pleasure of  
5 that body. One member shall be designated by the council as chairman  
6 of the commission.

7 Sec. 29.95.022. COMPENSATION AND PER DIEM. Members of the  
8 commission serve without compensation but are entitled to per diem  
9 and travel expenses as may be authorized by ordinance.

10 Sec. 29.95.023. FUNCTIONS OF THE COMMISSION. (a) The commission  
11 shall establish procedures to enable it to recommend annually to the  
12 council a group of promising young men and women from whom the council  
13 may select interns and youth voting members of city boards and commis-  
14 sions. The commission, in establishing these procedures, shall enlist  
15 the aid of city residents who are actively interested in working with  
16 young people. Following adoption of the procedures, the commission  
17 shall accept applications from individuals and nominations for consider-  
18 ation, and ~~may~~ <sup>shall</sup> interview all applicants or nominees.

19 (b) Recommendations of the commission shall be limited to young  
20 people who

21 (1) have a capacity, desire, interest, ability and potential  
22 for leadership and service to the community and to the state;

23 (2) will have attained the age of 17 but not the age of  
24 22 before the beginning of their service.

25 (c) Annually, the commission shall evaluate the program and  
26 shall submit a written report to the council.

27 Sec. 29.95.024. INTERNS. An intern may be appointed to serve  
28 on the staff of the council or the city executive for a period of time  
29 prescribed by the council, with a maximum of one year. He may be

1 assigned responsibilities in any office, department or agency of the  
2 city. Service shall begin at a time prescribed by the council. Interns  
3 shall be appointed without regard to political affiliation, and an  
4 ~~intern may not participate in partisan political activities during the~~  
5 ~~term of his appointment as an intern.~~ Salaries shall be individually  
6 established by the council on the basis of prior experience and the  
7 responsibilities of the position to which the intern is assigned.

8 Sec. 29.95.025. APPOINTMENT TO CITY BOARDS AND COMMISSIONS. (a)  
9 Notwithstanding AS 39.05.100 or a provision of law relating to age,  
10 the council may appoint any <sup>17 through 21 year old</sup> city resident to a city board or commission  
11 if recommended by the city youth involvement commission.

12 (b) A young person recommended by the commission may be appointed  
13 to city boards or commissions with special qualifications for member-  
14 ship if the proposed nominee, except for his age, meets the required  
15 qualifications set by law.

16 (c) An individual appointed to a borough board or commission  
17 under this section is entitled to the rights, privileges and responsi-  
18 bilities of other members, and his appointment is subject to confirma-  
19 tion by the council when required by law. No additional seat on a  
20 city board or commission is created by virtue of secs. 20 - 25 of this  
21 chapter.

22 \* Sec. 4. AS 14.14 is amended by adding new sections to read:

23 ARTICLE 3. INVOLVEMENT OF YOUNG PEOPLE  
24 IN SCHOOL GOVERNANCE.

25 Sec. 14.14.300. ESTABLISHMENT OF COMMITTEE. A school board may  
26 create a committee or other advisory body on the involvement of young  
27 people in school governance.

28 Sec. 14.14.301. COMPOSITION AND CHAIRMAN. The committee may  
29 consist of not more than nine members, drawn from the fields of public

1 affairs, education, the sciences, the professions, other fields of  
2 private endeavor, from the state or local service, and three additional  
3 members from the 17 through 22 age group, and shall include women and  
4 representatives of minority groups. The members shall be appointed  
5 by the board in the manner prescribed by the board without regard  
6 to political affiliation and shall serve at the pleasure of that body.  
7 One member shall be designated by the board as chairman of the  
8 committee.

9 Sec. 14.14.302. COMPENSATION AND PER DIEM. Members of the  
10 committee or other advisory body serve without compensation but are  
11 entitled to per diem and travel expenses as may be authorized by the  
12 board.

13 Sec. 14.14.303. FUNCTIONS OF THE COMMITTEE. (a) The committee  
14 shall establish procedures to enable it to recommend annually to the  
15 board a group of promising young men and women from whom the board may  
16 select interns and youth voting members of district committees or  
17 other advisory bodies. The committee, in establishing these procedures,  
18 shall enlist the aid of district residents who are actively interested  
19 in working with young people. Following adoption of the procedures,  
20 the committee shall accept applications from individuals and nomina-  
21 tions for consideration, and <sup>shall</sup> ~~may~~ interview all applicants or nominees.

22 (b) Recommendations of the committee shall be limited to young  
23 people who

24 (1) have a capacity, desire, interest, ability and potential  
25 for leadership and service to the community and to the state;

26 (2) will have attained the age of 17 but not the age of  
27 22 before the beginning of their service.

28 (c) Annually, the committee shall evaluate the program and shall  
29 submit a written report to the board.

1           Sec. 14.14.304. INTERNS. An intern may be appointed to serve  
2 on the staff of the board or the district administrator for a period  
3 of time prescribed by the board, with a maximum of one year. He may  
4 be assigned responsibilities in any office, department or agency of  
5 the district. Service will begin at a time prescribed by the board.  
6 Interns shall be appointed without regard to political affiliation, ~~and~~  
7 ~~an intern may not participate in partisan political activities during~~  
8 ~~the term of his appointment as an intern.~~ Salaries shall be  
9 individually established by the board on the basis of prior experience  
10 and the responsibilities of the position to which the intern is  
11 assigned.

12           Sec. 14.14.305. APPOINTMENT TO DISTRICT COMMITTEES OR OTHER  
13 ADVISORY BODIES. (a) Notwithstanding AS 39.05.100 or a provision of  
14 law relating to age, the board may appoint any <sup>17 thru 21 yr old</sup> district resident to  
15 a district committee or advisory body if recommended by the youth  
16 involvement committee.

17           (b) A young person recommended by the committee may be appointed  
18 to district committees or advisory bodies with special qualifications  
19 for membership if the proposed nominee, except for his age, meets the  
20 required qualifications set by law.

21           (c) An individual appointed to a district committee or advisory  
22 body under this section is entitled to the rights, privileges and  
23 responsibilities of other members, and his appointment is subject to  
24 confirmation by the board when required by law. No additional seat  
25 on a district committee or advisory body is created by virtue of  
26 secs. 300 - 305 of this chapter.

27           Sec. 14.14.306. In secs. 300 - 306 of this chapter

28           (1) "board" means the governing body of a borough or city  
29 school district, or the Board of Directors for the State-Operated

1 Schools;

2 (2) "district" means a borough or city school district or  
3 the state-operated school system.

4 ~~\* Sec. 5. AS 43.18.010 is amended by adding a new subsection to read:~~

5 ~~(j) During each fiscal year, the state shall pay to an organized~~  
6 ~~borough, city or school district which provides a youth involvement~~  
7 ~~in government program under AS 07.40.020 - 07.40.025, AS 29.95.020 -~~  
8 ~~29.95.025, or AS 14.14.300 - 14.14.306, an amount equal to five per~~  
9 ~~cent of the total amount granted during the preceding fiscal year~~  
10 ~~under AS 43.18 to finance the youth involvement in government program.~~  
11 ~~In the case of school districts within a city or borough, or city and~~  
12 ~~borough school districts, the city or borough shall share its alloca-~~  
13 ~~tion under this subsection with the school district in proportion to~~  
14 ~~the number of interns that the school district has to the total number~~  
15 ~~of interns in the program, obtained by adding together the interns~~  
16 ~~appointed by the city, borough and school district.~~

17 ~~\* Sec. 6.~~<sup>5</sup> This Act takes effect on the day after its passage and approv-  
18 al or on the day it becomes law without approval.

Memo: HB 423

Page 3, line 6--AS 39.05.100

Subsection A states that all appointments to state boards or commissions shall have been before the last general election:

- (1) a registered voter if the appoint<sup>n</sup>ment is at large
- (2) a registered voter of the proper judicial district if the appointments are by judicial district

Subsection B states that if a member of a state board or commission ceases to be a resident of the state he will resign his position. The cessation of residency is defined.

HB 423: TESTIMONY OF JAMES SINNETT  
MEMBER OF THE GOVERNOR'S COMMISSION ON THE INVOLVEMENT OF  
YOUNG PEOPLE IN GOVERNMENT AND PRESIDENT OF THE GREATER  
ANCHORAGE YOUNG DEMOCRATS.

IT SEEMS, IT IS NOT FASHIONABLE IN AMERICA TODAY TO SPEAK HIGHLY OF OUR COUNTRY AS A "STRONGHOLD OF DEMOCRACY" OR TO TALK IN GLOWING TERMS OF THE "AMERICAN DREAM." AS WE, AS A PEOPLE, BECOME MORE HIGHLY EDUCATED AND ACQUIRE A VENEER OF SOPHISTICATEDNESS, WE TEND TO VIEW THOSE MEMBERS OF OUR SOCIETY WHO STILL PROFESS FAITH IN OUR COUNTRY AND ITS UNPARALLELED GREATNESS AS BEING ALMOST RIDICULOUSLY NAIVE. POLITICIANS ARE NOT, AS A GENERAL RULE, REVERED AS GREAT MEN. INDEED, AT TIMES THEY APPEAR TO FUNCTION MERELY AS CONVENIENT SUBJECTS FOR CARTOONS ON THE EDITORIAL PAGES OF OUR NEWSPAPERS. FOURTH OF JULY ORATORY HAS BECOME OUTLAWED ALONG WITH FIRECRACKERS IN MANY REGIONS. YET AMERICANS AS A WHOLE ARE VITALLY CONCERNED WITH THE AFFAIRS OF OUR NATION; AND YOUTH IN PARTICULAR SEEM TO WISH FOR A NEW KIND OF IDEALISM TO BE ABLE TO POINT TO AS OUR COUNTRY'S STANDARD. THOUGH SOME FACTIONS OF THE YOUNGER GENERATION ADVOCATE THE TEARING DOWN AND DISMEMBERMENT OF THE "ESTABLISHMENT" AND A SUBSEQUENT ERECTION OF A NEW KIND OF NATIONAL COMMUNITY, MOST WOULD PREFER TO WORK "WITHIN THE SYSTEM" FOR THE ATTAINING OF THEIR GOALS. THEY SEEK AN EFFECTIVE PLATFORM FROM WHICH TO PRESENT THEIR IDEAS AND AN EFFICIENT ORGANIZATION THROUGH WHICH TO IMPLEMENT THEM.

LAST YEAR THE ALASKA LEGISLATURE IN ITS WISDOM PASSED INTO LAW A BILL THAT PROVIDED THE YOUTH OF ALASKA A VOICE IN THEIR GOVERNMENT AT THE STATE LEVEL: NOT A BILL OF "TOKEN APPRECIATION" BUT, A LAW THAT PROVIDED AN AVENUE FOR THE YOUTH OF ALASKA TO HAVE A FULL AND "MEANINGFUL" VOICE IN THEIR AND ALL ALASKANS FUTURE. THE YOUTH CAN NOW ADD THEIR POSITIVE AND CONSTRUCTIVE VOICE TO ALASKAS STATE GOVERNMENT. WITH THE PASSAGE OF HB 423 THAT VOICE WILL BE BROUGHT TO ALASKAS LOCAL GOVERNMENT.

AN EFFECTIVE GOVERNMENT, WHETHER IT BE STATE OR LOCAL, MUST BE RESPONSIVE TO THE NEEDS OF ITS CONSTITUENTS AND RESPONSIBLE IN THE EXERCISE OF ITS POWER. IT MUST NOT ONLY LOOK TO ITS PRESENT DEVELOPMENT BUT WHAT THAT DEVELOPMENT MEANS TO ITS FUTURE. WE MUST LOOK NOW, AT THIS PERIOD OF TIME IN HISTORY, TOO THE DEVELOPMENT OF OUR FUTURE LEADERS AND THOSE LEADERS ARE THE YOUTH OF ALASKA AND OUR NATION WHO EXPRESS THEIR CONCERN BUT CANNOT FIND THE MEANS OR AVENUES TO IMPLEMENT THOSE CONCERNS. TO BE SUCH A GOVERNMENT IT MUST BE CONSTANTLY ALERT TO THE NEED FOR REFORMING ITS STRUCTURES AND ITS PROCEDURES TO INSURE MAXIMUM OPPORTUNITY FOR MEANINGFUL PARTICIPATION IN THE DEMOCRATIC PROCESS. WITH THE ENACTMENT OF HB 423 I BELIEVE THAT WE WILL PROVIDE ALASKA WITH A BASE ON WHICH TO BUILD A MORE EFFECTIVE GOVERNMENT, WHICH IS RESPONSIVE AND RESPONSIBLE. WE MUST VIEW PARTICIPATION AS THE LIFE BLOOD OF ALASKA AND THE NATION; ANY COMPROMISE WITH THIS THREATENS THE FUTURE OF OUR NATION AND ITS SOCIETY.

IN ITS INTENT, WE FIND HB 423 TO PROVIDE A VIABLE PROGRAM THAT WILL ENSURE THE DEVELOPMENT OF FUTURE LEADERS AND AN EFFECTIVE PLATFORM FROM WHICH THE YOUTH OF ALASKA MAY PRESENT AND IMPLEMENT THEIR IDEAS. THOUGH, IN RESPONSE TO THE WORDING OF HB 423 WE DO FIND THREE POINTS THAT WE WOULD URGE DELETION OF OR WORDING CHANGED.

(1): PAGE 2 LINE 14: , AND MAY INTERVIEW ALL APPLICANTS OR NOMINEES:

THIS SHOULD BE CHANGED TO READ: , AND SHALL INTERVIEW ALL APPLICANTS OR NOMINEES: THIS SECTION SHOULD ALSO BE CHANGED IN ARTICLE 2. CITY GOVERNMENT, AND ARTICLE 3. SCHOOL GOVERNANCE.

(2): PAGE 2 LINE 29 AND PAGE 3 LINE 1: THE FOLLOWING WORDING SHOULD BE DELETED ENTIRELY FROM HB 423: , AND AN INTERN MAY NOT PARTICIPATE IN PARTISAN POLITICAL ACTIVITIES DURING THE TERM OF HIS APPOINTMENT AS AN INTERN. THIS SECTION SHOULD ALSO BE DELETED FROM ARTICLE 2 AND ARTICLE 3.

GENTLEMEN, THERE IS NO LOCAL BOROUGH OR CITY ORDINANCE THAT PROHIBITS CITY OR BOROUGH EMPLOYEES FROM PARTICIPATING IN PARTISAN POLITICS ON THEIR OWN TIME. UNDER THIS BILL AN INTERN SELECTED BY THE LOCAL GOVERNMENTS WOULD IN REALITY ONLY WORK FOR EIGHT HOURS A DAY..AT THE MOST... THEY WOULD BE LIKE ANY OTHER LOCAL GOVERNMENT EMPLOYEE. THEREFORE, AS A YOUTH AND AN ACTIVE MEMBER OF MY COMMUNITY I FIND THIS SECTION TO BE IN CONFLICT WITH WHAT WE TELL THE YOUTH OF AMERICA TO DO, "BECOME INVOLVED" AND WHAT IN REALITY WE ALLOW THEM TO DO. WE ARE CREATING A MINITURE "HATCH ACT" FOR LOCAL GOVERNMENT, THE "HATCH ACT" AS YOU KNOW IS AT THIS MOMENT BEING REVIEWED BY THE FEDERAL COURTS. ARE WE TO DENY TO THE YOUTH THE EQUAL OPPORTUNITY OF PARTICIPATING IN THEIR COMMUNITY, THEIR GOVERNMENT AND THE DEMOCRATIC SELECTION PROCESS. WILL THEY BECOME SECOND CLASS CITIZENS AS ARE THE MANY THOUSANDS OF WORKERS IN THE FEDERAL AND STATE GOVERNMENT. WILL THEY TOO BECOME SUBJECT TO TERMINATION SIMPLY BECAUSE THEY HAVE PUT A STAMP ON A CAMPAIGN ENVELOPE OR KNOCKED ON A DOOR.

(3) WILL THE FIVE PER CENT PAYMENT BY THE STATE TO LOCAL GOVERNMENT BE ENOUGH TO INDUCE THE LOCAL GOVERNMENTS TO PARTICIPATE IN THE PROGRAM. IN PARTICULAR THE LARGER CITY OR BOROUGH GOVERNMENTS.

AND THE QUESTION OF WHETHER THE LOCAL GOVERNMENT BODIES WILL PARTICIPATE CAN BE ANSWERED THIS WAY: "GIVE US THE YOUTH OF ALASKA THIS LAW AND OUR CONCERN AND OUR DESIRE FOR INVOLVEMENT WILL ENSURE IMPLEMENTATION BY LOCAL GOVERNMENT AND THERE WILL REMAIN NO VIABLE EXCUSE BY LOCAL GOVERNMENT TO DENY TO THE YOUTH OF ALASKA A VOICE IN THEIR FUTURE."

IN REGARDS TO HEARINGS ON HB 423 I WOULD LIKE TO MAKE THIS STATEMENT:  
AS EXPRESSED IN MY LETTER TO SPEAKER OF THE HOUSE, GENE GUESS, I WOULD  
ONCE AGAIN LIKE TO REQUEST THAT HEARINGS BE HELD IN: ANCHORAGE, FAIRBANKS  
AND JUNEAU, AND IN ADDITION IF POSSIBLE, BECAUSE OF THE ACTIVE INTEREST  
OF YOUTH IN THE FOLLOWING AREAS, HEARINGS BE HELD IN: KODIAK, PALMER AND  
KETCHIKAN. AND, BECAUSE OF TODAY'S TURNOUT OF YOUTH I AM CONCERN WITH  
THE ADEQUATE PUBLIC NOTICE OF THE HEARINGS IN THE AREAS IN WHICH YOU WILL  
HOLD HEARINGS. I WOULD ASK THAT THE PROCEDURE FROM LAST YEARS STATE INTERN  
HEARINGS BE FOLLOWED: 1. NOTICE BE SENT TO ALL STATE HIGH SCHOOLS  
2. NOTICE BE SENT TO ALL STUDENT GOVERNMENT BODIES 3. NOTICE OF THE HEARING  
BE PUBLISHED IN THE LOCAL NEWSPAPERS OF THOSE AREAS IN WHICH YOU PLAN TO  
HOLD HEARINGS. NOTICE TO ALL STATE NEWS MEDIA.

THE GREATER ANCHORAGE YOUNG DEMOCRATS ARE AT THIS MOMENT COMPLETING A  
STATE WIDE SURVEY ON THE EFFECTS OF HB 423 IN RELATIONSHIP TO EMPLOYMENT.  
THOUGH THE SURVEY IS NOT YET COMPLETE, PRELIMINARY RESULTS SHOW THAT 474  
POSITIONS WOULD BE AVAILABLE STATEWIDE. THIS DOES NOT INCLUDE BOARDS OR  
COMMISSIONS. RESULTS OF THE SURVEY WILL BE MAILED TO THE CHAIRMAN OF  
THE COMMITTEE AS SOON AS THEY ARE COMPLETE.

HB 423 cont. POSSIBLE POSITIONS AVAILABLE TO YOUTH UNDER THE INTENT OF HB 423

"

CITY AND BOROUGH OF JUNEAU: OFFICE OF THE MAYOR.....CLERK TREASURER.....COMPTROLLER....  
PLANNING DIRECTOR.....PUBLIC WORKS DIRECTOR.....HEALTH DEPT...  
12 POSITIONS FIRE DEPT.....LIBRARIAN....POLICE DEPT...RECREATION DEPT.....  
SUPERINTENDENT OF SCHOOLS.

BRISTOL BAY BOROUGH: MANAGER.....SUPT. OF SCHOOLS....FIRE DEPARTMENT

3

3 POSITIONS

FAIRBANKS NORTH STAR BOROUGH:

6 POSITIONS BOROUGH CHAIRMAN....FINANCE DIRECTOR....ATTORNEY OFFICE...  
SUPT. OF SCHOOLS...LIBRARY DIRECTOR...PLANNING DIRECTOR...

GREATER ANCHORAGE AREA BOROUGH:

7 POSITIONS BOROUGH CHAIRMAN...SUPT OF SCHOOLS...PLANNING DIRECTOR...  
ATTORNEY'S OFFICE...FIRE CHIEF...HEALTH DEPT...PUBLIC WORKS  
DEPARTMENT.

GREATER SITKA BOROUGH:

4 POSITIONS BOROUGH CHAIRMAN...SUPT. OF SCHOOLS...ATTORNEY'S OFFICE..  
BOROUGH INSPECTORS OFFICE

HAINES BOROUGH:

4 POSITIONS BOROUGH CHAIRMAN...FIRE DEPARTMENT...SUPT. OF SCHOOLS...  
BOROUGH ATTORNEY'S OFFICE.

KENAI PENINSULA BOROUGH:

6 POSITIONS BOROUGH CHAIRMAN...BOROUGH ATTORNEY'S OFFICE...PLANNING DEPT...  
BOROUGH TREASURER...CIVIL DEFENSE DIRECTOR..SUPT OF SCHOOLS.

KETCHIKAN GATEWAY BOROUGH:

4 POSITIONS BOROUGH CHAIRMAN...SUPT OF SCHOOLS...PLANNING DEPT...  
BOROUGH ATTORNEY'S OFFICE

KODIAK ISLAND BOROUGH:

4 POSITIONS BOROUGH CHAIRMAN.....BOROUGH CLERK-TREASURER...BOROUGH ATTORNEY  
SUPT OF SCHOOLS.

MATANUSKA-SUSITNA BOROUGH:

4 POSITIONS BOROUGH CHAIRMAN....FINANCE DIRECTOR.....SUPT OF SCHOOLS...  
BOROUGH ATTORNEY'S OFFICE

THE ABOVE NOTED POSITIONS ARE THOSE POSITIONS THAT WOULD BE AVAILLABLE UNDER INDIVIDUALS OR DEPARTMENTS AS PRESCRIBED BY THE INTENT OF HB423. SOME OF THE ABOVE LISTED POSITIONS MAY ONLY BE PART TIME AND THEREFORE WOULD NOT MERIT THE HIRING OF A YOUTH ASSITANT.

*Daily News, Anchorage 4/22/71*

## Guess, Colletta Offer Bill to Involve State's Youth in Government

JUNEAU (AP) — Two Anchorage Legislators, one from each party, have introduced a bill in the Alaska House to provide positions for young persons in local government.

They are Republican Mike Colletta, and House Speaker Gene Guess, a Democrat.

Colletta says the measure is similar to the governor's youth in government bill, but it would apply locally instead of at the state level, and would require no local money.

The bill would authorize a borough assembly to create a commission to recommend young persons, 17-22 years old, to serve in government posts. The commission could appoint interns to serve on the staff of the assembly or the borough executive, or

could appoint young persons to borough boards and commissions.

City councils and school boards would be authorized to carry out the same program.

The bill would provide for state support of the program through: revenue sharing, increasing revenue sharing grants 5 per cent for participating local governments.

Colletta said the advantage of his bill is that it would provide opportunities for greater numbers of young persons than would the state youth in government program.

A M E N D M E N T S

IN THE HOUSE

BY COLLETTA

TO: HOUSE BILL NO. 423

AMENDMENT NO. 1

Page 3, line 5: strike out "the state shall pay to"

AMENDMENT NO. 2

Page 8, line 8: after the second comma, insert: "shall utilize"

AMENDMENT NO. 3

Page 8, line 9: after "granted" insert: "by the state"

AMENDMENT NO. 4

Page 8, line 9: strike out "preceding"