

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

5071 HSTA HB 154

1 return under the provisions of the Internal Revenue Code [, IT] shall
2 at the same time file with the department a return setting out

3 (1) the amount of tax due under this chapter, less allow-
4 able credits and payments claimed against the tax; and

5 (2) other information for the purpose of carrying out the
6 provisions of this chapter that [WHICH] the department requires.

7 * Sec. 3. AS 43.20.030(d) is amended to read:

8 (d) A taxpayer [, UPON REQUEST BY THE DEPARTMENT,] shall file
9 with the return [FURNISH TO THE DEPARTMENT] a [TRUE AND] correct copy
10 of the tax return [WHICH THE TAXPAYER HAS] filed with the United
11 States Internal Revenue Service. Every taxpayer shall file an amended
12 return with the department, and remit any additional tax and interest
13 due [NOTIFY THE DEPARTMENT IN WRITING OF ANY ALTERATION IN, OR MODI-
14 FICATION OF, THE TAXPAYER'S FEDERAL INCOME TAX RETURN AND OF A RECOM-
15 PUTATION OF TAX OR DETERMINATION OF DEFICIENCY (WHETHER WITH OR WITH-
16 OUT ASSESSMENT). A FULL STATEMENT OF THE FACTS SHALL ACCOMPANY THIS
17 NOTICE. THE NOTICE SHALL BE FILED] within 60 days after the final
18 determination of the taxpayer's federal tax liability [MODIFICATION,
19 RECOMPUTATION OR DEFICIENCY, AND THE TAXPAYER SHALL PAY THE ADDITIONAL
20 TAX OR PENALTY UNDER THIS CHAPTER]. For purposes of this section, a
21 final determination means [SHALL MEAN] the time that an amended feder-
22 al return is filed or the date a federal [A NOTICE OF DEFICIENCY OR
23 AN] assessment is made [MAILED TO THE TAXPAYER BY THE INTERNAL REVENUE
24 SERVICE, EXCEPT THAT IN NO EVENT WILL THERE BE A FINAL DETERMINATION
25 FOR PURPOSES OF THIS SECTION UNTIL THE TAXPAYER HAS EXHAUSTED RIGHTS
26 OF APPEAL UNDER FEDERAL LAW].

27 * Sec. 4. AS 43.20.031 is amended by adding new subsections to read:

28 (j) The gross income of an individual or a fiduciary is gross
29 income as defined in 26 U.S.C. 61 (Internal Revenue Code), and

1 includes those items specifically included in gross income under 26
2 U.S.C. 71 - 26 U.S.C. 89 (Subtitle A, Ch. 1B, Part II of the Internal
3 Revenue Code) and excludes those items specifically excluded from
4 gross income under 26 U.S.C. 101 - 26 U.S.C. 135 (Subtitle A, Ch. 1B,
5 Part III of the Internal Revenue Code), with the following modifica-
6 tions:

7 (1) a taxpayer who receives a cost-of-living allowance that
8 is exempt from federal income tax shall determine and include that
9 amount as part of the taxpayer's income as if the cost-of-living
10 allowance were not exempt;

11 (2) a taxpayer who receives interest upon obligations of a
12 state, or interest upon obligations of a political or municipal subdivi-
13 sion of a state, that is exempt from federal income tax shall deter-
14 mine and include that amount as part of the taxpayer's income as if
15 the interest were not exempt;

16 (3) gross income does not include longevity bonuses re-
17 ceived under AS 47.45.

18 (k) The following adjustments to the gross income of an indi-
19 vidual or fiduciary are allowed as deductions in arriving at adjusted
20 gross income under this section:

21 (1) the deductions allowable under 26 U.S.C. 62 (Internal
22 Revenue Code)

23 (A) attributable to a trade or business carried on by
24 a taxpayer;

25 (B) from the sale or exchange of property;

26 (C) attributable to property held for the production
27 of rents or royalties;

28 (D) for the premature withdrawal of money from time
29 savings accounts or deposits;

1 (E) for alimony;

2 (2) interest received on obligations of the United States;

3 (3) refunds of state income taxes included in gross income;

4 (4) permanent fund dividends paid under AS 43.23.055.

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

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

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

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

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

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

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

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

1 the state;

2 (2) conducting business, farming, or fishing operations in
3 the state;

4 (3) [REPEALED

5 (4)] a partnership that [WHICH] transacts business in the
6 state;

7 (4) [(5)] a corporation that [WHICH] transacts business in
8 the state and that [WHICH] has elected to file federal returns under
9 26 U.S.C. 1361 - 1379 (Subtitle A, Ch. 1, Subchapter S, Internal
10 Revenue Code) [SUBCHAPTER S OF THE INTERNAL REVENUE CODE];

11 (5) [(6) REPEALED

12 (7)] engaging in any other activity from which income is
13 received, realized, or derived in the state;

14 (6) working for salary or wages in the state;

15 (7) an estate or trust deriving income from sources in the
16 state.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

COMMITTEE ON STATE AFFAIRS

TO: Representative Al Adams, Chair
House Finance

FROM: Representative Fran Ulmer, Chair
House State Affairs

DATE: April 1, 1987

RE: HB 154

The House State Affairs passed CS HB 154 (SA) with a amendment exempting Permanent Fund Dividends and Longevity Bonus payments from taxable income. During the discussion of this bill, Representative Donley suggested that the two tax rates in HB 154 was not progressive enough and requested that a four tier alternative be devised. The Dept. of Revenue has already completed some work on this proposal; however, the figures are not current and reflect changes that are not appropriate to the CS passed out.

I understand that John Hanson from the Department of Revenue has worked with Representative Donley and understands the tax structure he proposes -- namely what the percentages would be at each of the four tax levels. Both Representative Donley and Representative Hoffman expressed interest in some method to distribute more of the tax burden to upper income levels. Perhaps another approach would be to simply add one more tax rate to HB 154, for example, 6 percent for \$75,000 and above.

Please let me know if I can be of any additional assistance on this bill.

STATE OF ALASKA
THE LEGISLATURE

POUCHY STATE CAPITOL
UNIFORM ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 8, 1987

SUBJECT: Contents of committee substitute for HB 154

TO: Representative Fran Ulmer
Chair, State Affairs Committee

FROM: Theresa L. Bannister *TB*
Legislative Counsel

This memo accompanies the final of CSHB 154 (State Affairs) that was requested for the State Affairs Committee.

The CS incorporates the amendments that the committee requested dealing with the treatment of permanent fund dividends and longevity bonuses. In addition to making some minor technical changes, I felt that certain additional changes were necessary for the bill, and was given permission to include them in this final CS. These changes are the following:

1. change of wording of title; title expanded to "taxation of income" because some of the changes in the bill apply to corporate income taxation as well as individual income taxation; addition of reference to individual tax credits because they are a unique entity, not technically connected in the past to income taxation;
2. added "and fiduciaries" to catchline of sec. 43.20.032 in sec. 5 of the CS (page 5), because the subsection (a) discusses fiduciaries;
3. added "for a nonresident or part-year resident individual or fiduciary" in sec. 43.20.032(b) in sec. 5 of the CS (page 5), because although the section catchline indicated that subsection (b) did not apply to corporate taxpayers, subsection (b) was not clear on the point.
4. added "With regard to the tax under AS 43.20.011-(g)-(j)," to the beginning of sec. 43.20.040(d)

Representative Ulmer
April 8, 1987
Page 2

(sec. 7 on page 6), to distinguish the section's coverage from that of AS 43.20.065 that covers corporate taxpayers now;

5. added a new bill section (sec 9.) amending AS 43.20.065 to clarify that it still applies only to corporate taxpayers;

6. deleted the repealer of AS 47.45.120(a) (page 9); that section prohibits income taxation of longevity bonuses; with the deletion, the section is still operative;

7. added repealer of AS 43.05.085 (page 9); the repealed section covers the transmittal of information on individual tax credits, and is no longer needed since individual tax credits are repealed in the CS.

In addition to the above changes, there are some other drafting considerations that I believe should be considered at some point in the progress of the bill. These concern the definitions used in the bill. One example is the effect of the bill's definition of "nonresident" on AS 43.20.051. The definition changes the current application of the section. Although a partner may now be a natural person, corporation, or other entity, the new definition would limit the section to natural persons, a result that may not be desired.

If you wish to discuss an item in this memo further, or if I may be of further assistance, please advise.

TLB:mkr
m10/112

Enclosure

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 6, 1987

SUBJECT: Exclusion of longevity bonuses from gross
income in HB 154

TO: Representative Fran Ulmer
Chair, State Affairs Committee

FROM: Theresa L. Bannister *TLB*
Legislative Counsel

This memo accompanies the amendment that you requested relating to the treatment of longevity bonuses and permanent fund dividends under HB 154. AS 47.45.120 prohibits longevity bonuses from being taxable for income tax purposes. Therefore, the bonuses should not be considered income under the bill. The language of HB 154, however, incorporates the federal definition of gross income. Even with the express language of AS 47.45.120, the use of the federal definition arguably would include longevity bonuses in gross income. Therefore, it is necessary to specifically exclude the bonuses from gross income under the bill.

If I may be of further assistance, please advise.

TLB:mkr
m10/105

Enclosure

A M E N D M E N T

Offered in the HOUSE

By the State Affairs Committee

TO: HB 154

Page 4, line 14:

Delete "."

Insert ";"

Page 4, following line 14:

Insert a new paragraph to read:

"(3) gross income does not include longevity bonuses received under AS 47.45."

Page 4, line 29:

Delete "."

Insert ";"

Page 4, following line 29:

Insert a new paragraph to read:

"(4) permanent fund dividends paid under AS 43.23.055."

HOUSE COMMITTEE REPORT

(7)

Date referred: 2/27/87

FURTHER REFERRALS: Finance

DATE: 4-6-87

The State Affairs Committee has considered HB 154

"An Act relating to the taxation of income derived by individuals; relating to amended tax returns filed by taxpayers; and providing for an effective date."

RECOMMENDS:

- replace with CS HB 154 (SA) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Cliff Davidson

John Ulmer

SIGNING OTHER RECOMMENDATIONS:

W.C. Boush DO NOT PASS

Sam Mendenhall DO NOT PASS

Laura Hoffman DO NOT PASS UNLESS AMENDED

David Smiley DO NOT PASS

Terry Martin Do not Pass

John Ulmer

Chairman's signature

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEA ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

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Chair, State Affairs Committee

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Representative Ulmer
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TLB:mkr
m10/112

Enclosure



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

STATE AFFAIRS COMMITTEE

HOUSE BILL 154

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FISCAL NOTES

- A. DEPARTMENT OF REVENUE: \$1,817,100 EXPENSES; \$83,000,000 REVENUES (TOTAL ALL DIVISIONS)

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 26, 1987

The Honorable Ben Grusendorf
Speaker of the House
Alaska State Legislature
P.O. Box 7
Juneau, AK 99811

Dear Representative Grusendorf:

Under the authority of art. III, sec. 13, of the Alaska Constitution, I am transmitting a bill relating to the taxation of individuals and fiduciaries, and to amended tax returns filed by taxpayers. The bill reinforces an individual income tax.

I know that an income tax is not an instantly popular idea. However, I believe Alaskans want to be in control of our own destiny. I believe we have reached the time when we must reduce our dependence on the price of oil, a price that is not within our control.

I also believe Alaskans want state government to provide a decent and consistent level of public services. An individual income tax is one of the fairest ways of meeting this goal. Those who are most able to pay bear a greater proportion of the burden.

This bill also ensures that nonresidents who take jobs in Alaska make their fair contribution to our state. As explained below, this bill is more effective than our earlier law in making sure that this happens.

I believe that Alaskans are willing to help pay for government if that government is responsive and accountable. I think that an income tax will help make sure that our government listens to its people.

The bill embodies a tax structure that is simple, fair, and relatively easy to administer. The taxpayer need only compute a percentage return. Additionally, the taxpayer deals with "total income" as set out on the federal return, and may make only limited adjustments to that figure. The per-sonal exemptions are then reduced, and the remainder is taxable income.

The income is taxed in two brackets: 3.2 percent and 5.7 percent. By not providing for the full array of familiar deductions historically available in a personal income tax, this bill will tax a comparatively broad tax base. As a result, the tax rate is lower than it would be if deductions were permitted. The tax rates have been established to generate \$250,000,000 over a full year; collections for FY 88 are estimated to be approximately \$85,000,000. Receipts in FY 88 will be from "withholding" only, since returns for calendar year 1988 will not be due until the spring of 1989. FY 88 receipts will not reach one-half of a full year's receipts because of the lag between wages paid and withholding remitted to the state.

An individual's filing status will be the same as on the federal return. The filing status determines how much income is taxed in the lower bracket of 3.2 percent. For individual taxpayers (and fiduciaries), that amount is income of less than \$30,000. For married couples filing a joint return, and for surviving spouses, the amount is income of less than \$50,000; for married individuals filing separate returns, it is income of less than \$25,000. For heads of household, the amount is income of less than \$40,000. Income in excess of these levels is taxed at the higher 5.7 percent rate. Section 1 of the bill sets out the rates for each filing status.

The individual income tax law, before its repeal in 1980, favored nonresidents over residents by taxing nonresident income in the lowest possible tax brackets. This bill remedies that inequity by placing nonresidents on an equal footing with residents. This is accomplished by computing a tax on the entire taxable income of nonresidents from all sources and then determining the fraction of that tax that is attributable to income earned in Alaska. This approach results in apportioning the nonresident's income between the tax brackets rather than lumping it all in the lower bracket. Under the bill, part-year residents will be taxed in the same manner as nonresidents. Section 1 of the bill sets out the method for determining nonresident and part-year resident tax liability, and secs. 5, 6, and 7 of the bill add provisions relating to tax calculation for nonresidents as well as part-year residents.

Section 4 of the bill adds three subsections to AS 43.20.-031, delineating gross income, adjusted gross income, and taxable income. A taxpayer's gross income will correspond with gross income under federal law, with certain modifica-

tions. First, cost-of-living allowances that are exempt from Federal income taxation will be added to the state tax base. Second, interest on state and municipal obligations that is tax exempt at the Federal level will be added to the tax base. A taxpayer's "total income" on the Federal return automatically will incorporate the income from and expenses attributable to a trade or business, the sale of capital assets, and rental and royalty property. Since Federal "gross income" already includes the income from these activities, the bill allows the costs of producing that income as deductions to the same extent as provided under Federal law.

ATTEMPTS TO GROSS INCOME ARE PROHIBITELY LIMITED. Federal law prohibits states from imposing an income tax on interest from United States obligations; therefore, that income is excluded from the tax base. State income tax returns are excluded from the base to eliminate artificial state income. PAYMENT paid and the penalty for the early withdrawal of funds from savings accounts are permitted as deductions since they cannot rationally be regarded as income. NO OTHER DEDUCTIONS OF ANY NATURE ARE ALLOWED.

FEDERAL INCOME IS RETAINED BY REDUCTING ALLOWABLE PERSONAL EXEMPTIONS FROM ADJUSTED GROSS INCOME. The bill uses the Federal rules for qualification for personal exemptions; that is, a taxpayer will qualify for the number of personal exemptions for which the taxpayer qualified under Federal law. The exemption amount is \$3000. Since the Federal exemption is adjusted for inflation, the bill makes it clear that Alaska does not adjust its exemption for inflation. Trusts and trusts will not receive any exemption.

Under sec. 4 of the bill, proposed AS 43.20.031(f), (k), and (l), relating to gross income, adjusted gross income, and taxable income, will appear in an existing statute entitled "Taxable Income of Residents; Deductions; Exemptions." AS 43.20.031. Because those proposed subsections are intended to apply to all taxpayers, resident or not, proposed AS 43.20.031(m) defines "individual" and "fiduciary" to mean resident, nonresident, or part-year resident individuals and estates. If this bill is enacted, the repeal of statutes should change the title of AS 43.20.021 to reflect that the section no longer applies only to residents.

Residents will receive a credit for taxes paid to other states on income earned in the other states. Nonresidents do not receive this credit since the income earned outside the state is not taxed. Those taxpayers qualifying for the permanent fund dividend can elect to have the dividend ap-

plied directly against their tax liability. The Department of Revenue will adopt regulations specifying the procedure for requesting the PFD offset. These provisions appear in proposed AS 43.20.062, in sec. 8 of the bill.

Employers will be required to withhold taxes from their employees' wages, remit the taxes, and file withholding returns and reports with the department. The department will establish the rate of withholding. Employers will be required to furnish employees with wage and tax statements by January 31 of each year or within 30 days after the termination of employment, whichever is earlier. The withholding provisions are in sec. 9 of the bill.

Section 8 of the bill amends AS 43.20.030(6) to require that every taxpayer, whether individual, fiduciary, or corporate, is required to file an amended state tax return within 60 days after filing an amended federal return or within 60 days after a federal assessment. Any additional tax due, together with accrued interest, must also be paid within the 60-day period. The existing language of that subsection requires that a "notice" be filed within the 60 days, and leaves unclear the due date of any additional tax or penalty.

Sections 2 and 10 make conforming changes. Section 11 repeals the provisions relating to tax credits for political contributions and child care (AS 43.20.013), as well as the provision in the longevity bonus program dealing with the taxability of the longevity bonus (AS 47.45.120(a)). The effect of this last repeal is to make taxability of the bonus track federal treatment. If the bonus remains taxable by the United States, the state will also tax it. If it is not taxed by the United States, the state will not tax it. AS 43.20.012 is repealed because it states that AS 43.20 does not apply to individuals or fiduciaries. In addition, that section contains a reference to AS 43.20.013, which is also being repealed in sec. 11 of the bill.

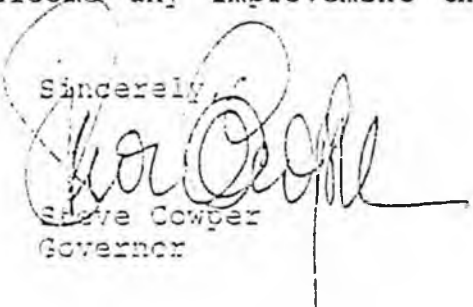
In summary, a taxpayer under this bill would begin with "total federal income," that is, line 23 on the 1986 federal 1040 form. Cost-of-living allowance income and tax exempt interest income would be added, and interest on U.S. obligations, state income tax refunds, alimony paid, and the penalty on early withdrawal of savings from time deposits would be deducted. Personal exemptions would be applied against the result, to produce "taxable income." Withholding, the credit for taxes paid other states, and the PFD offset, would then be applied against the tax liability.

Hon. Ben Grussendorf

Page 5

I believe that an income tax is an essential step in providing secure revenues for public services. I urge your prompt and favorable consideration of this proposal during this legislative session, and welcome any improvement that you may have to offer.

Sincerely,



Steve Cowper
Governor

ALASKA INDIVIDUAL INCOME TAX

BRIEFING PAPER

FEBRUARY 24, 1987

Joint Income Tax Working Group

Department of Revenue

Office of Management and Budget

ALASKA INDIVIDUAL INCOME TAX
BRIEFING PAPER

The Bill embodies a tax structure that is simple, fair and will be relatively easy to administer. The taxpayer need only complete a one page return. Basically, the taxpayer begins with "total income" as set out on the Federal return, and may make only limited adjustments to that figure. The personal exemption or exemptions are then allowed, and the remainder is taxable income. The income is taxed in two brackets: 3.2% and 5.2%. By not providing for the full array of familiar deductions historically available in a personal income tax, this bill will tax a comparatively broad tax base. As a result, the tax rate is lower than it would be if deductions were permitted. The tax rates have been established to generate approximately \$85 million in revenue for FY 88 and \$250 million in subsequent years.

An individual's filing status will be the same as on the Federal return. The filing status determines how much income is taxed in the lower bracket of 3.2%. For individual taxpayers (and fiduciaries), that amount is \$30,000. For married couples filing a joint return and surviving spouses, the amount is \$50,000, for married individuals filing separate returns, it is \$25,000. For heads of household, the amount is \$10,000. Section 4 of the bill sets out the rates for each filing status.

The individual income tax law prior to repeal in 1980 favored nonresidents over residents by taxing nonresident income in the lowest possible tax brackets. This bill would remedy that inequity by placing non-residents on an equal footing with residents. This is accomplished by computing a tax on the taxable income of nonresidents from all sources and then determining the fraction of that tax that is attributable to income earned in Alaska. This approach results in apportioning the nonresident's income among the tax brackets rather than lumping it all in the lowest bracket.

The bill adds three subsections to AS 43.20.031, delineating gross income, adjusted gross income and taxable income. A taxpayer's gross income will correspond with gross income under Federal law with certain modifications. First, most of living allowances that are exempt from Federal income taxation will be added to the state tax base. Second, interest on state and municipal obligations that is tax exempt at the Federal level will be taxable additions to the tax base. A taxpayer's "total income" on the Federal return automatically will incorporate the income from and expenses attributable to a trade or business, the sale of capital assets, and rental and

royalty property. Since federal "gross income" already includes the income from these activities, the bill allows the costs of producing that income as deductions to the same extent as provided under federal law.

Adjustments to gross income are greatly limited. Federal law prohibits states from imposing an income tax on interest from United States obligations; therefore, that income is deducted from the tax base. State income tax refunds are excluded from the base to eliminate artificial state income. Alimony paid and the penalty for the early withdrawal of funds from savings accounts are permitted as deductions since they cannot realistically be regarded as income. No other deductions of any nature are allowed.

Taxable income is calculated by deducting allowable personal exemptions from adjusted gross income. The bill uses the federal rules for qualification for personal exemptions, that is, a taxpayer will qualify for the number of personal exemptions for which the taxpayer qualified under federal law. The exemption amount is \$3,000.00. Since the federal exemption is adjusted for inflation, the bill makes it clear that Alaska does not adjust its exemption for inflation. Estates and trusts will not receive exemptions.

Residents will receive a credit for taxes paid to other states on the income earned in the other states. The credit is limited to a percentage based on the out of state taxable income divided by total taxable income. Nonresidents do not receive this credit since the income earned outside the state is not taxed. Those taxpayers qualifying for the Permanent Fund Dividend can elect to have the dividend applied directly against their tax liability. The Department of Revenue will promulgate regulations specifying appropriate conditions for the PFD offset.

Employers will be required to withhold taxes from their employees and remit the taxes and file withholding returns and reports with the department. The department will establish the rate of withholding. Employers will be required to furnish employees with wage and tax statements by January 31 of each year or within 30 days of the termination of employment.

In summary, a taxpayer under this bill would begin with "total federal income," that is, line 23 on the 1986 Federal 1040 form. Cost of living allowances and tax exempt interest would be added, and interest on U.S. obligations, state income tax refunds, alimony paid, and the penalty on early withdrawal of savings from time deposits would be deducted. Personal exemptions would be applied against the result to produce taxable income. Withholding and estimated tax payments and credits for taxes paid to other states and the PFD offset would then be applied against the tax liability. A flow chart which summarizes the provisions of the bill and how they work is attached along with a draft of an Alaska Resident Individual Income Tax Return.

STATE OF ALASKA
INDIVIDUAL INCOME TAX
WORKING DRAFT

Total Federal Income
1040 Line #23

Add
Federal C.G.L.A.

Add
Tax Exempt
Interest

Less
Interest on
U.S. Obligations

Less
Alimony Paid

Less
Alaska Tax
Refunds

Less
Penalty for Early
Withdrawal of Sav.

Alaska Adjusted Gross Income

Personal
Exemptions

Alaska Taxable Income

Tax
2 Bracket
Rates 3.2/5.7

Credit
Taxes Paid
in Other
States

Payments
Withholding
Est. Tax
PFD Credit

Individual Income Tax Draft
 Taxpayer Revenue Goal--\$150 Billion
 Effective tax rates
 1955

DRAFT*

AGI RANGE	ALL	ALL	ALL	MARRIED	MARRIED	HEAD OF	SINGLE
	RETURNS	RETURNS	RETURNS	JOINT	SEPARATE	HOUSEHOLD	
	PERCENT OF	PERCENT OF	EFFECTIVE	EFFECTIVE	EFFECTIVE	EFFECTIVE	EFFECTIVE
	RETURNS	AGI	TAX RATE	TAX RATE	TAX RATE	TAX RATE	TAX RATE
LOSS	1.33%	-0.10%		0.00%	0.00%	0.00%	0.00%
0 TO 10000	21.15%	7.35%		0.80%	0.10%	0.74%	1.00%
10001 TO 20000	19.72%	8.61%		1.65%	1.05%	1.37%	2.40%
20001 TO 30000	14.45%	10.53%		2.05%	1.51%	2.40%	2.70%
30001 TO 40000	11.47%	11.75%		2.85%	2.17%	2.86%	3.75%
40001 TO 50000	9.48%	12.85%		3.5%	2.40%	3.37%	3.85%
50001 TO 60000	6.87%	10.80%		3.75%	2.55%	3.25%	3.85%
60001 TO 70000	4.88%	9.74%		3.95%	2.81%	3.75%	4.15%
70001 TO 80000	3.80%	7.78%		3.95%	3.17%	3.95%	4.35%
80001 TO 90000	3.01%	5.81%		3.85%	3.45%	4.05%	4.45%
90001 TO 100000	1.85%	4.40%		3.75%	3.65%	4.25%	4.55%
100001 TO 150000	2.81%	5.11%		4.15%	3.97%	4.51%	4.75%
150001 TO 200000	0.81%	2.54%		4.55%	4.35%	4.51%	4.95%
200001 TO 300000	3.25%	1.85%		4.85%	4.35%	4.75%	5.05%
300001 TO 400000	0.15%	0.80%		5.05%	5.05%	5.05%	5.15%
OVER 400000	0.95%	1.75%		5.24%	5.35%	5.35%	5.45%
TOTAL	100.00%	100.00%					

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

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

- Additions Non-residents tax
 * 13000 personal exemption

<i>State or other jurisdiction</i>	<i>Rate range(s) (percent)</i>	<i>1</i>
Alabama.....	2.0 - 5.0(3)	
Arizona(b).....	2.0 - 3.0(7)	
Arkansas.....	1.0 - 7.0(6)	
California(b).....	1.0 - 11.0(11)	
Colorado.....	3.0 - 3.0(11)(7)	
Delaware.....	1.2 - 9.7(14)	
Georgia.....	1.0 - 5.0(6)	
Hawaii.....	2.25 - 11.0(11)	
Idaho.....	2.0 - 7.5(6)(i)	
Illinois.....	2.5	
Indiana.....	3.0	
Iowa(b).....	0.5 - 13.0(13)(k)	
Kansas.....	2.0 - 9.0(3)	
Kentucky.....	2.0 - 5.0(5)	
Louisiana.....	2.0 - 5.0(3)	
Maine(b).....	1.0 - 10.0(3)	
Maryland.....	2.0 - 5.0(4)	
Massachusetts.....	5.1375(m)	
Michigan.....	5.1	
Minnesota(a,b).....	1.0 - 9.5(11)(c)	
Mississippi.....	3.0 - 5.0(3)	
Missouri.....	1.5 - 5.0(10)	
Montana(b).....	2.0 - 11.0(10)	
Nebraska.....	19% of U.S. tax	
New Jersey.....	2.0 - 3.5(3)	
New Mexico.....	1.3 - 3.5(7)	
New York.....	2.0 - 13.5(13)(a)	
North Carolina.....	3.0 - 7.0(5)	
North Dakota.....	2.0 - 9.0(8)(r)	
Ohio.....	0.355- 3.55(3)	
Oklahoma.....	0.5 - 5.0(7)(i)	
Oregon(b).....	4.0 - 10.0(7)	
Pennsylvania.....	2.2	
Rhode Island.....	22.21% of U.S. tax	
South Carolina(b).....	2.0 - 7.0(6)	
Utah.....	2.75 - 7.75(6)	
Vermont.....	25% of U.S. tax(u)	
Virginia.....	2.0 - 5.75(4)	
West Virginia.....	2.1 - 13.0(13)	
Wisconsin(b).....	5.0 - 7.5(4)	
Dist. of Col.	2.0 - 11.0(10)	

ANALYSIS

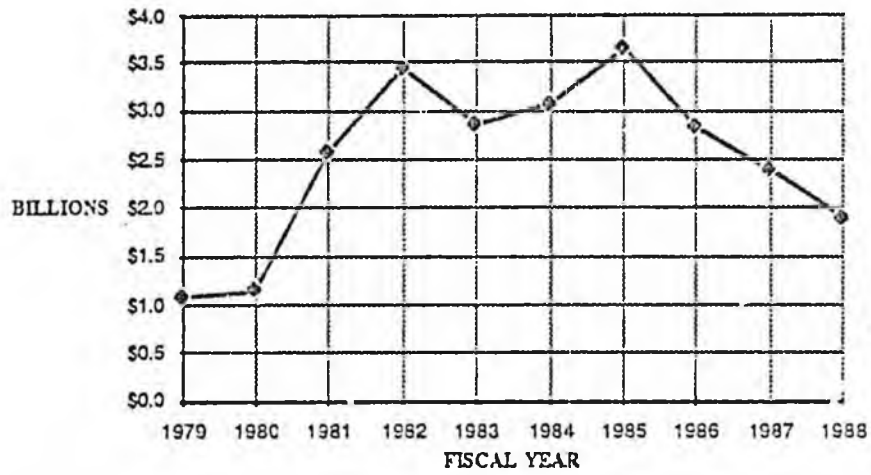
_____BILL NO.

RELATING TO AN INDIVIDUAL INCOME TAX

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

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

STATE SPENDING



FY 79-86 are actual values. The FY 87 estimate reflects operating restrictions. The FY 88 projection reflects Governor's budget proposal.

State of Alaska Financial Plan
Unrestricted General Funds
(Millions of \$)

	FY87	FY88	FY89	FY90	FY91
Revenues		\$1325.0	\$1373.9	\$1398.0	\$1359.0
Adjustment		(36.2) ¹	(17.3) ¹		
		<u>\$1288.8</u>	<u>\$1356.6</u>		
Total GF Outlay	2391.1	1895.5	1817.4	1800.1	1771.8
Deficit/Shortfall	(882.6)	(606.7)	(460.8)	(402.1)	(412.8)
Budget Reserve Fund	425.6				-
Loans Closeouts		25.0			
Funding Source Change, Bradley Lake	50.0				
Individual Income Tax		83.0	255.0	269.0	282.0
ELF Postponement		75.0	91.7	99.7	97.7
License and Fee Increases		50.4	48.8	57.7	52.2
Permanent Fund Earnings	182.0 to 407.0 ²	123.3 to 373.3 ^{2,3}	0 to 65.3 ^{2,3}		
Balance	0	0	0	0	0

...sing oil prices will reduce draws on Permanent Fund Earnings. Budget Reserve Fund will be replenished either through windfalls or draw on Permanent Fund earnings, until cash reserve equals \$600.0.

¹ Decrease in projected revenues is primarily due to full use of Budget Reserve Fund in FY87, causing a decrease in expected interest earnings.

² The amount taken from the Permanent Fund earnings will decrease if oil prices rise.

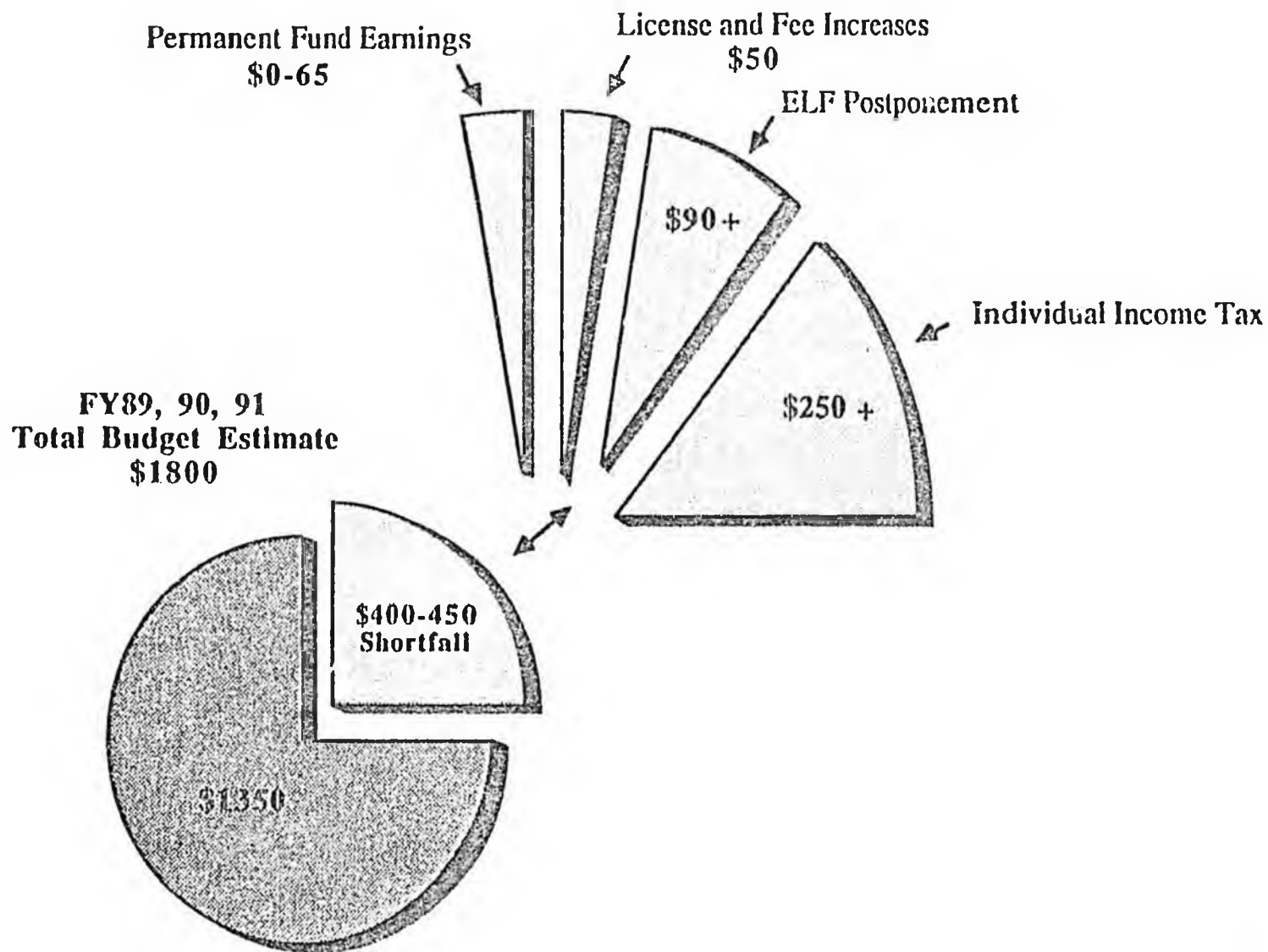
³ The draw could impact dividends and/or inflation proofing.

Revised: 3/2/87

FY89, 90, 91 Budget Shortfall Problem and Solutions

(Unrestricted General Funds)

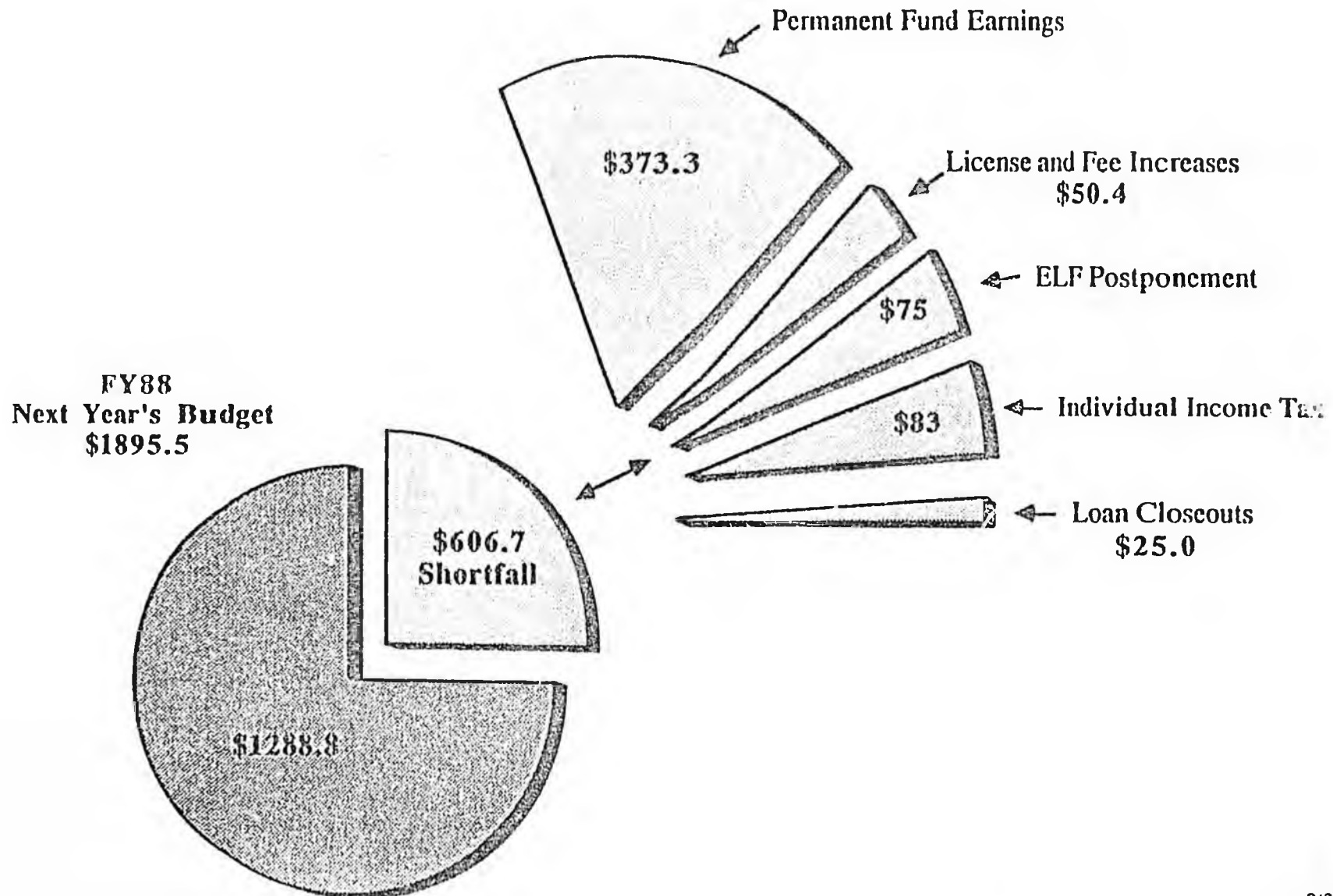
(\$Millions)



FY88 Budget Shortfall Problem and Solutions

(Unrestricted General Funds)

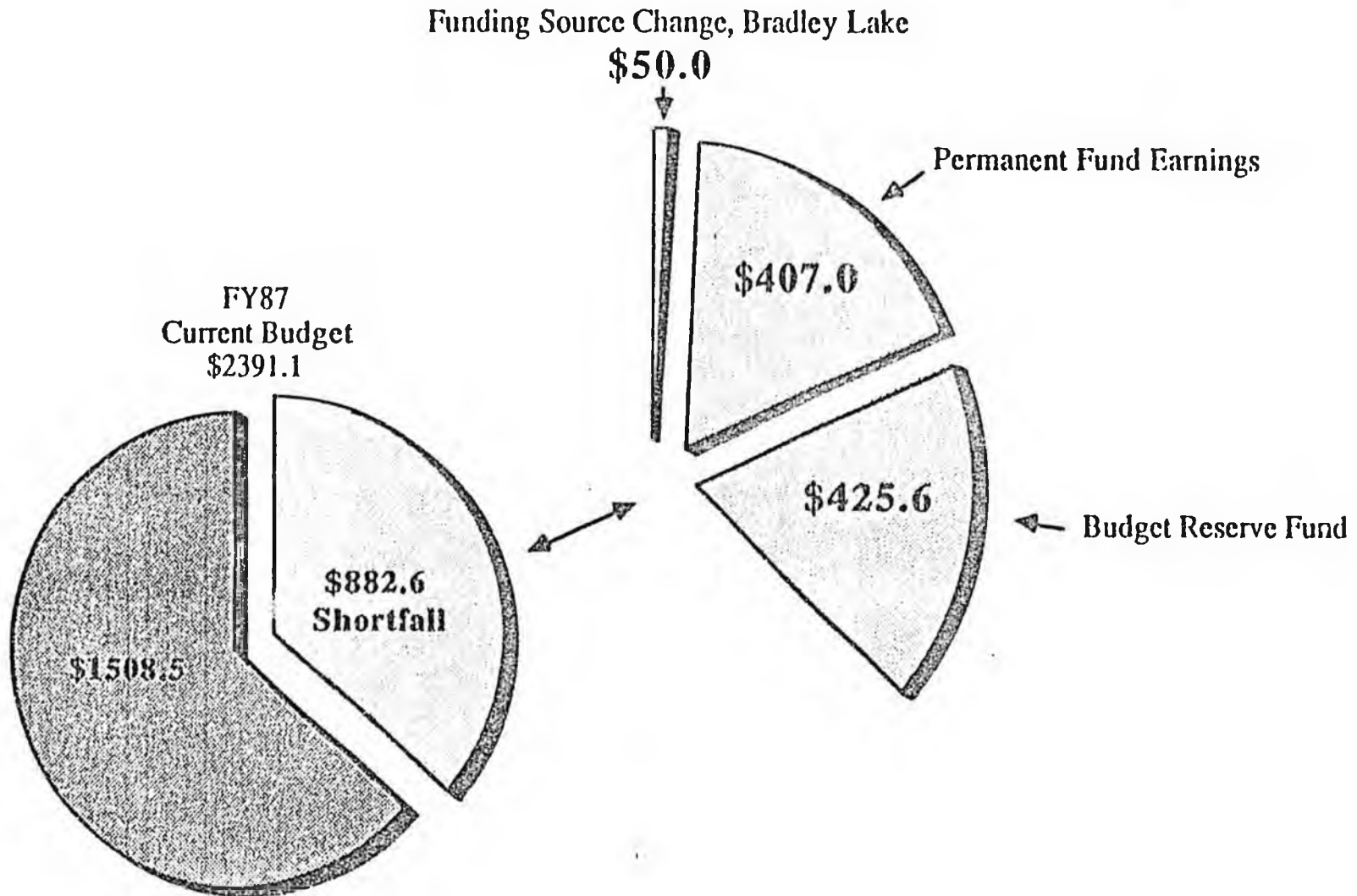
(\$Millions)



FY87 Budget Shortfall Problem and Solutions

(Unrestricted General Funds)

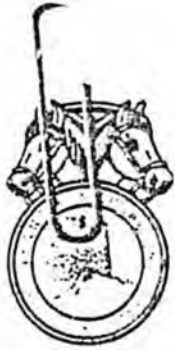
(\$Millions)



6A

PUBLIC RESPONSE

PRO INCOME TAX



General Teamsters Local 959 State of Alaska

Affiliated with the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America

ANCHORAGE, ALASKA 99510, P.O. Box 102092 (907) 333-2311 ROBERT J. SINNETT (Secretary/Treasurer)

FAIRBANKS, ALASKA 99707, P.O. Box 609, (907) 452-8221
JUNEAU, ALASKA 99801, 306 Willoughby, (907) 586-3225
KENAI, ALASKA 99811, P.O. Box 619, (907) 233-4493

RECEIVED FEB 17 1987

February 13, 1987

Representative Fran Ulmer
Alaska State Legislature
Pouch V (MS 3100)
Juneau, AK 99811

Dear Representative Ulmer:

Enclosed please find a copy of a letter I sent to Governor Cowper on the subject of education spending.

I encourage you to vote against any proposed cuts in education funding.

If we must raise taxes to maintain adequate funding for education, you can count on my support and, I believe, the support of all Alaskans. As I mentioned in the letter to Governor Cowper, education is not a frill. We must do whatever we have to in order to maintain funding at an adequate level.

Sincerely,

TEAMSTERS LOCAL 959


Robert J. Sinnett
Secretary-Treasurer

/wj/7B12c/S

Enclosure

MARCH 1, 1987

Senator James Duncan
P.O. Box P.O. Box V
Juneau, AK 99802

RECEIVED MAR 5 1987

Dear Senator Duncan,

I believe that some form of income tax should be enacted before any consideration is given to spending earnings from the Permanent Fund. With an income tax in place the public will be much more critical and vocal about projects that are funded by the legislature.

The tax should be more simple than proposed by the administration and be based simply on a percentage of the federal income tax due. The permanent fund dividend should be contingent on the filing of a tax return, even if no tax is due. If there is no filing the individual should not be eligible for the dividend. Any tax owed would be offset by the dividend.

The permanent fund dividend should eventually be capped at something under \$1,000.


The above proposals would in the short term cost me money, but are necessary to put a cap on the legislature's spending.

As a small contribution to cutting state expenses no response to this letter is necessary.

Sincerely,

Ed Watkins
Edward C. Watkins
1220 Glacier, #307
Juneau, AK 99801

cc: Governor Steve Cowper
Rep. William Hudson
Rep. Fran Ulmer



James E. Fisher
6645 No. Douglas Hwy
Juneau, Ak 99801

2/25/87

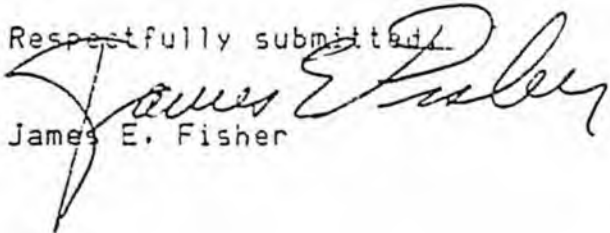
Representative Fran Ulmer
Box V
Juneau, Ak 99811

Dear Representative Ulmer:

To provide some tangible constituent comment about the great need(not want) to stabilize both state services and revenues, I favor:

- 1) reinstatement of the personal income tax; and
- 2) maintenance of such safety services as the funding for shelters providing refuge and counselling for abused women and children. Although I encounter such problems on a frequent basis, I continue to be surprised at the apparent pervasiveness of the problems. I consider such a service to be among the most basic in the state.

Respectfully submitted,



James E. Fisher

Copy for your information.

ROBERT M. ARVIDSON
Box 253
Cordova, Alaska 99574
Feb. 21, 1977

Legislative Finance Committees
Alaska State Legislature
P.O. Box 7
Juneau, Alaska 99811

RECEIVED

Dear Legislators,

This letter is in response to the proposed plan to use \$147 million of Permanent Fund earnings to help erase the deficit. Based on an estimated population of 520,000, this would be an immediate cost of \$282 to each Alaskan.

Another way of using the earnings would be to issue a Supplemental Dividend/Tax Credit of \$720 and impose a combination of taxes on residents and non-residents to increase state revenues and to stimulate the economy.

According to the attached work sheet which is based in part on past Alaska tax precedents (e.g., see the enclosed 1978 \$100 tax credit legislation reference for residents), and in part on the enclosed New York City schedule, a 1% tax on residents and a 3% tax on non-residents (plus a school tax) would yield \$95,570,000 for the General Fund. The Supplemental Dividend/Tax Credit would cost \$166.4 million, but this would still leave \$113.6 million in the Permanent Fund Undistributed Income account.

The plan would pump \$102.4 million into the economy (\$720 Dividends to an estimated 120,000 Alaskans who usually do not have enough income to be liable for taxes—people who need money, like senior citizens, the unemployed, and minimum wage earners). This, in combination with the \$163 million the Senate leadership wants Governor Cowper to release for capital projects, could have a significant impact on the Alaskan economy.

Non-residents would contribute \$71.53 million through a combination of income, school, and earnings taxes. This would be equivalent to the state receiving matched funds for part of our Permanent Fund Earnings.

Proposed taxes for residents are based on 1% of unadjusted average gross earnings of \$70,000 for convenience in illustrating the tax scheme. As a comparison, a single (non-married) Alaskan resident was liable for \$301 on taxable income of \$2800 in 1978 as shown in the enclosed tax table.

The revenue forecast is based on estimated Alaska Personal Income of \$6.993 billion. Average taxes are based on a ceiling of \$99,500 unadjusted income to equal the proposed Dividend of \$720 for the given year (projected \$675 Dividend plus \$720 Dividend/Credit).

Taxes are inevitable if the state is to maintain services and provide for capital improvements. The Supplemental Dividend could be released immediately, based upon last year's residency lists and voluntary submission of Federal tax returns. The plan need not interfere with current annuity proposals.

Sincerely,

Robert M. Arvidson

Encs: as stated.

cc: Senate President, Speaker of the House, Governor Cowper, and Others.

Ⓢ Note: Unvalidation by AK Supreme Court based on number of years a taxpayer reported AK income as violation of

Work sheet for Proposed Tax Plans

NON-RESIDENTS

- Income tax - 1% of Unadjusted Average gross income (UAGI) of \$7,000 for 77,000 wage earners ... \$ 6,930,000
- Income tax - 1% of UAGI of \$30,000 for 10,000 Self-employed ... 3,000,000
- Earnings tax - 2% of \$993 million ... 19,860,000
- School tax @ \$20 ... 1,740,000
- \$ 31,530,000 → \$ 31,530,000

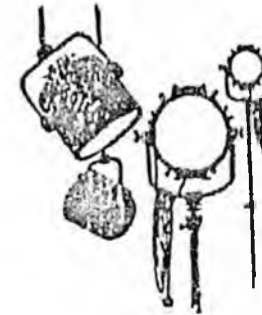
Residents

- 1% of UAGI of \$30,000 for 200,000 taxpayers ... 6,000,000
- School tax @ \$20 ... 4,000,000
- \$ 64,000,000 → \$ 64,000,000

(Note: average estimated resident tax of \$320 equals proposed Supplemental Dividend tax credit)

Total \$ 95,530,000

Feb. 24, 1987



BUSINESS REPRESENTATIVE
HEADQUARTERS
 2510 Arctic Blvd.
 Anchorage, Alaska 99503 2510

208 Wendell
 Room 205
 Fairbanks, Alaska 99701

710 W. 5th Street
 Juneau, AK 99801



March 5, 1987

BUSINESS MANAGER'S REPORT

I just spent eight days in Juneau with the State Executive Board of the AFL-CIO in a legislative conference. It was a very healthy meeting. We had the opportunity to talk to a great many representatives of the House and Senate. The conference was well attended by many other groups. State Federation endorsed a concept of a State income tax which would be similar in nature to what we had in prior years based on those who are able to pay. This would add income to the State of Alaska (if anyone is left) of approximately \$300 million per year. But at the rate the unemployment rolls are increasing and people are leaving the State, that figure may drop dramatically.

A major bill that will affect public employees is House Bill 128. This bill was originally sponsored by Senators Binkley, Faiks, Fischer and Mensley. It boils down to almost destroying the collective bargaining process. Our legislative representatives (we have many good ones who work very hard) have enough problems to take care of without getting into the intricacies of the collective bargaining system. The State has the Department of Administration to negotiate all of these items. The bill would remove from bargaining: (1) Subcontracting, (2) Work week, (3) Geographic differential wage, and (4) Merit increases.



February 14, 1987

Dear Frank Ulmer:

As residents of rural Alaska we are very concerned about the economic future of Alaska. We are supportive of many of Governor Cowper's budget recommendations.

We feel that we can not longer rely solely on the oil revenue. After having had several years of growth funded by oil revenues we are now facing the prospects of numerous cuts in very basic operating expenses such as school support, fish and game management, law enforcement, etc. It is time that Alaskans start paying for the basic services. We urge the legislature to support the reestablishment of state income tax, require communities with a tax base to assume more of the burden of education and that other sources of revenue be explored, such as a "one cent a fish tax" collected for all fish caught in the commercial salmon industry with the revenues to be used solely for management of the industry.

The Anchorage paper has column after column of real estate default notices, the news reports of banking institutions suffering financial problems, and yet the most common solution we have heard from the legislature and from many local governments and school boards is to cut, cut, cut. Many cuts may be necessary but relying on cuts as the only way of balancing the budget will result in mass exodus from the State. Those leaving take not only their skills and talents but also the business they provided to the local stores, theatres, restaurants, etc not to mention the unpaid utility bills and defaulted mortgages. Alaska may become a ghost state.

Some of the cuts that have been recommended such as not funding the State Arts Council, the Public Radio, and RATNET would result in totally isolating rural Alaska from the rest of the state and would all have a very negative impact on the morale and economic future of rural Alaskans. The Public Radio is essential to rural Alaska and should be fully funded.

The legislators have an obligation to be farsighted and creative in finding solutions to the current economic woes other than making drastic cuts. We need solutions that will keep people employed in the state, not solutions that will save money this year but result in more disasterous economic ruin in future years.

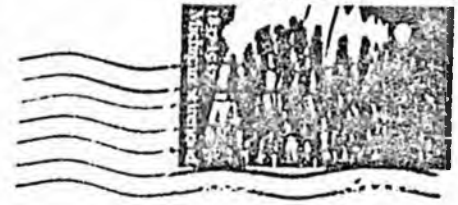
We join Governor Cowper in his mandate to the legislature to find some solutions to the problems this year rather than "patching" through this year with fingers crossed hoping that all will be better next year.

Sincerely
Wesley and Janie Hill
Wesley and Janie Hill

RECEIVED FEB 20 1987

Dear Fran,

I approve of your stand
 on State Inequality.
 As a Senior citizen ^{in need}
 paying for my car ¹⁹⁸⁷
 this year will pay ^{for}
 house taxes, would be
 willing to give up the
 longevity (some people need
 it) of legislators and
 state employees were
 willing to lop off an equal
 sum in their paychecks.
 Most important to all
 of us is for legislators
 to leave permanent
 funds and to ^{leave}
 alone ^{the} ^{state} ^{fund} ^{and} ^{to} ^{leave}
 the ^{state} ^{fund} ^{and} ^{to} ^{leave}
 511 Kennebec, ME 04743
 Juneau, AK 99801



TO Rep. Fran Ulmer
 C/O Pouch V
 Juneau, AK
 99801

RECEIVED MAR 5 1982

170 Davis Ave.
3. 2. 87

Dear Representative Ulmer,

A recent article in the local paper ascited to you the view that a reimpertion of the state income tax was an unfortunate but necessary step.

It seems that your legislative position has so far generated the degree of enthusiasm one usually reserves for laryngitis. Therefore, hopefully not to offend, I would like to offer you two observations: first, from several points of view the proposal makes eminent sense; second, the proposer demonstrates a considerable degree of political courage. And even though your own natural constituency may lead you to a degree of comfort (though not much) there are several senior legislators of the same persuasion who are comfortably, sadly silent.

Constituent acceptance of an income tax is not all variant, nearly as difficult as comads claims,

good luck.

Richard L. Liden

057850

RECEIVED FEB 17 1997

Dear REPRESENTATIVE FRANK LUYER,

Hello. We are appalled at the lack of insight expressed by those who say the individual permanent fund dividend should be capped, or done away with, before an income tax is re-instated. It makes all the sense in the world to distribute the individual dividend and then recollect in income tax.

If the average tax is about a 1000 dollars, with a 575 dollar dividend, after the federal tax reduction, most working Alaskans will come close to breaking even. The advantage to the state is that out-of-state workers will have to leave something here to pay for the services they use, and we will be keeping many more of our federal taxes in Alaska.


Many legislators are saying they are opposed to a tax, when what they really intend is taxing young people and the lower middle class a huge amount of their legitimate income. If a 3% income tax is going to hurt people at a bad time, think how much the working poor will be hurt if the dividend is capped, taxing them 5 to 10% of their legitimate income. Teenagers are watching their politicians talk about taxing them at about 20%, rather than everybody at 3%!

The success of America has been caused by our realizing that power comes from the people (and, in God we Trust). Our great natural resources belong first to the free people, not the government. It is a basic question of Sovereignty and personal legitimacy. It is socialism which believes that resources belong first to the state. The individual dividend is not socialism, capping the individual dividend to fund the government is socialism. (besides for being a grossly unfair tax). The dividend is not free money; how many of us consider the profits from our investments to be free money?

If you want to use the Permanent Fund to peck up the state economy, promote business, advance equal opportunity and an independent economy, respect individual choice; increase the size of the dividend.

If the size of state government can not be cut, we believe an income tax or sales tax is the only responsible way to go.

Mr. - Mrs. Donald Kelly



RECEIVED JAN 28 1987

January 27, 1987

Honorable Fran Ulmer
Representative
P.O. Box V
Juneau, AK 99811

Dear Representative Ulmer:

I'm writing to you to express the opinion shared by myself and many others who I have talked to.

Two of the major revenue raising proposals being looked at by the legislature involve a sales tax and/or an income tax.

SALES TAX:

- 1) is discriminatory to the poor who will have no way to get around paying it;
- 2) carries an unequal burden in areas that already have a local sales tax, such as Juneau, and a lesser burden on places that don't, such as Anchorage;
- 3) works against the "Buy Alaskan" and "Buy Locally" campaigns since it would inflate prices and make it more attractive to purchase items outside of Alaska. This would create a major detriment to Alaskan businesses and many of the goals this state has been working toward;
- 4) is NOT tax deductible under the new federal income tax laws.

INCOME TAX:

- 1) IS tax deductible under the new federal income tax laws, whether you itemize or not. It therefore takes no additional money out of the pockets of Alaskans, but rather diverts money that would go to the federal government back to Alaska;
- 2) carries less or no burden among those who cannot afford such a tax;
- 3) distributes the "burden" evenly among the whole state and imposes no great burden on Alaskan businesses.

It is very clear that the only logical choice between these two is an income tax and that a state sales tax should be strongly rejected as damaging to Alaska's economy. The problem with getting the income tax approved is the "fear" that uninformed Alaskans seem to have. Many

State of Alaska
Steve Cowper, Governor
P.O. Box A
Juneau, AK 99811

Dear Governor Cowper,

Representative Springer came to Nome this week and held several meetings with different groups to try and let the people in this area know what is going on in Juneau.

One of the things he talked about that I thought was very important was the attitude of most of the population, about the State. They seem to think that the State of Alaska is a charity organization. There are a lot of people here who have come up to the State for the easy money. They are going to have to be re-educated now that it is time to come back into the real world, where you are expected to pay for the services that you get and there are no handouts.

The State income tax should be brought back. That seems to be the fairest way to start things off. The people who are most able to pay would pay the most, and the unemployed, etc., would pay the least. My husband and I both work and since we get regular paychecks we would be paying the taxes regularly. Depending on how much a percentage the tax was, we would have that much less take home pay, but we would still be working which is the most important thing of all. One of the arguments that could be made is that by not having a State income tax, we are simply paying more Federal taxes (because State taxes are deductible) and why not pay the money to the State instead of the Federal government?

Then, if the State still does not have enough money to operate, the permanent fund dividend distribution checks should be stopped. A lot of people will scream about that but they must be made to understand that:

- 1) Probably half of that check is going to the Federal government for Federal taxes anyway. So why not operate the State Government with that money instead of the Federal government?
- 2) If you want police and fire protection, roads to drive on, airports (especially in the bush), sanitation, home mortgage programs, schools, revenue sharing with the municipalities, etc. etc., you will have to give up the permanent fund check. It is that simple.

People must be made to understand that the State touches every one of their lives. Every one receives some benefits from the State Government every day. From the schools that their children go to, to the roads they drive on, to the airports the planes use, to their housing and mortgage programs and so on. And these services must be paid for. In the old days we paid for them, and those of us that make this State their home will pay for them again.

Sincerely,

Sandra C. Straub

Sandra C. Straub
Box 986
Nome, AK 99762

cc: EVERYONE

LOU KNICKERBOCKER
9456 La Perouse
Juneau, AK 99801

9456 La Perouse
Juneau, AK 99801
February 28, 1987

Representative Frank Underwood
Pouch V
Juneau, AK 99801

Dear Mr. Underwood:

May I begin by saying I'm pleased to see you supporting income tax. So long as it doesn't cut under the level of those who must pay Federal Income Tax, I think it an excellent idea.

As one who has always used and valued libraries, I want to urge all the help you can give for state library which coordinates cost effective cooperation and sharing of resources of all libraries large and small.

More cuts for state library threaten Federal funds for regional services library services for blind and physically handicapped, the Alaska Library Network Catalog - numerous efforts which get some Federal support.

I have a great concern for school funding in general. Among my fears is that with lowered budgets school libraries and libraries may

I have the most vivid memories of
my own children and now grandchildren's
exuberant joy in using "their" Library!

Let's protect that joy and our children's
literacy as much as we can.

Sincerely,

Mary Lou Knickerbocker

2/25/87

RECEIVED

Hon. Fran Ulmer
House of Representatives
Pouch V
JUNEAU, AK 99811

Dear Fran,

BRavo for your remarks before the Bill Egan Forum. Like several others in attendance, I was delighted with the clarity and forcefulness of your presentation. As a citizen of Juneau (and, more importantly, a life-long citizen of Alaska), I am pleased to be so well-represented.

If you're keeping score, feel free to count this letter as a vote:

- A- In favor of a state income tax;
- B- In favor of at least modifying the ELF;
- C- Opposed to release of capital funds (FY '87), except on an item-by-item basis; and,
- D- of confidence in your ability to make the right decisions when the occasions arise.

MY NAME IS PAT SHAW; I LIVE IN JUNEAU. I AM HERE TO TESTIFY ON THE PERSONAL INCOME TAX PROPOSAL.

IT IS MY OPINION THAT WE SHOULD REINSTITUTE A PERSONAL STATE INCOME TAX FOR THE FOLLOWING REASONS:

- ADDITIONAL REVENUES ARE NEEDED TO FUND AN ADEQUATE LEVEL OF SERVICES
- AN INCOME TAX WOULD BE MORE FAIR THAN A STATE SALES TAX, WHICH SHOULD REMAIN THE PREROGATIVE OF LOCAL UNITS OF GOVERNMENT, OR ENDING THE PERMANENT FUND DIVIDEND PROGRAM
- IT WOULD CAPTURE A LITTLE MONEY FROM OUT-OF-STATE WORKERS
- IT IS A STEP TOWARD BUILDING A RECURRING INCOME BASE ON WHICH A BUDGET COULD BE BUILT RESPONSIBLY

YOU MAY WANT TO KNOW THAT I DO NOT WORK FOR THE STATE OF ALASKA NOR DOES ANY MEMBER OF MY FAMILY. I SUPPORT MYSELF ON A MODEST ~~XXXXXX~~ (BY ALASKA STANDARDS) SALARY AND I DO NOT ENJOY PAYING TAXES ANY MORE THAN THE NEXT PERSON. I DO BELIEVE IN THE FUTURE OF THE STATE OF ALASKA; I WANT TO SEE IMPORTANT SERVICES PROVIDED FOR OUR CITIZENS AND COMMUNITIES AND I KNOW IT IS EXPENSIVE TO PROVIDE SERVICES HERE.

IN SUMMARY, I AM WILLING AND ABLE TO HELP PAY FOR NEEDED SERVICES AND I BELIEVE OTHER FOLKS WHO EARN MONEY HERE SHOULD HELP PAY TOO. IT SEEMS ONLY FAIR AND REASONABLE TO ME.

THANK YOU FOR THE OPPORTUNITY TO TESTIFY BEFORE THE COMMITTEE TODAY.

Pat Shaw
Box 023036
Juneau AK 99802
work 586-1712 586-1457 home



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

COMMITTEE ON STATE AFFAIRS

April 3, 1987

Pat Shaw
Box 022036
Juneau, AK 99802

Dear Pat:

Thank you for leaving a copy of your testimony in support of the personal income tax. I am sorry that you did not get a chance to personally present it to the committee on Wednesday. I will see that it gets into the folders of each committee member.

I believe that one of our top priorities this session must be to secure recurring sources of revenue, both by reinstating the personal income tax and by protecting the Permanent Fund. I appreciate the support I am receiving from you and others around the state. Keep up the good work.

Thank you, Pat!

Sincerely,

A handwritten signature in cursive script, appearing to read "Fran".

Fran Ulmer, Chair
State Affairs Committee

HB 154

My apologies that we took so much time on 3157.



UNIVERSITY OF ALASKA, ANCHORAGE

3211 Providence Drive
Anchorage, Alaska 99508
(907) 786-7710

30 March 1987

INSTITUTE OF SOCIAL AND
ECONOMIC RESEARCH

Representative Fran Ulmer
Chairman, House State Affairs Committee
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Representative Ulmer,

Thank you for the opportunity to testify before your committee on the question of the economic effects of various measures to close the gap between the current levels of state revenues and expenditures. During the hearing, Representative Martin raised a question about two of the numbers used in the analysis I presented, and I want to respond to his concerns in this letter.

The first part of the question was what is the likely number of Alaskan residents who would pay tax if the income tax were reimposed. I used a rough estimate of 250 thousand residents. I can cite two figures in support of my estimate. The first is the Department of Revenue study entitled Revenue Alternatives prepared in December 1986. They use a range of 242 to 265 thousand for the number of returns in 1988 for a reimposed tax. This includes non-resident returns but counts joint returns, which combine the incomes of two separate individuals, as one. Since the number of nonresident returns would probably be less than the number of Alaskans appearing as the second income earner on joint returns, the number of Alaska residents directly impacted by the tax, based on the DOR study, exceeds 250 thousand. The second source is the total federal filings from Alaska in 1982 (residents by definition) which was 206 thousand, again counting joint returns as one. Since the number of joint returns was 89 thousand, the number of income earners directly paying Federal taxes in 1982, when the economy was smaller than it now is, was 295 thousand. This information is contained in another DOR report entitled Federal Income Taxpayer Profile 1978, 1981, 1982.

The second part of the question had to do with the use of the figure of \$27,419 as the average income lost by a government employee as the result of his job being eliminated. In 1984 the



1961 - 1986 • 25 YEARS OF SERVICE

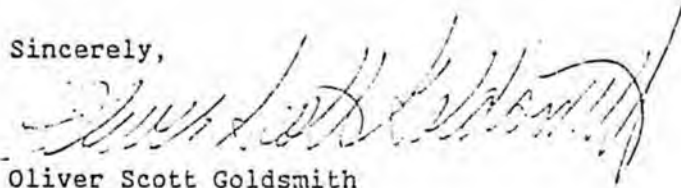
A DIVISION OF THE UNIVERSITY OF ALASKA STATEWIDE SYSTEM OF HIGHER EDUCATION

Representative Fran Ulmer
30 March 1987
Page Two

average annual earnings per employee in state and local government in Alaska was \$30,744. Assuming an average tax rate of 10 percent results in an estimate of disposable personal income loss of \$27,670, which is a bit higher than the figure I used. The average annual earnings for all employees in 1984 was \$28,586, which is somewhat less than either state government at \$32,381 or local government at \$29,578. This is not an accurate comparison, however, because these averages are based upon average monthly employment which gives equal weight to jobs of all lengths within the month. That is, both part- and full-time jobs get the same weight. By way of contrast, the average per capita personal income in Alaska in 1984 was \$17,996.

I hope this clarifies my choice of the estimates presented for residents directly impacted by an income tax and average income loss for government employees.

Sincerely,



Oliver Scott Goldsmith
Professor of Economics

cc: Representatives H.A. Boucher, Lyman Hoffman
Cliff Davidson, Dave Donley, Terry Martin,
and Curt Menard
Gregg Erickson, OMB

6B

PUBLIC RESPONSE

CON INCOME TAX

James B. Mullins
Rt1 Box 1603-3
Kenai, Ak. 99611
January 25, 1987

Fran Ulmer
Pouch V
Juneau, Alaska

RECEIVED JAN 29 1987

Dear Representative Ulmer,

I disagree with Governor Cowper, we do not need a state income tax at this time. This state spends six times the national average per person, a fact I'm sure you are aware of, and this figure needs to be cut down to size. There is no reason it should be so high. I repeat, cut the size of state government!

Here are some ideas I would like to see implemented this session:

- Sell all state owned businesses.
- Due away with tax breaks for the oil companies.
- Stop the pipeline settlement. The transportation costs are absurd.
- End the longevity bonus program.
- Make REA's pay part of the load. Support education throughout the state.
- Cut all state subsidized broadcasting to radio and television.
- Cut state salaries to a reasonable level(no more than the governor).
- Close Mt. Edgecumbe-we built schools in the bush to eliminate this.
- Pass legislation allowing teachers salaries to be reduced.
- Increase tenure requirements for teachers from 2 years to 5 years.
- Stop any binding arbitration bill dealing with any state group.
- Consolidate the school districts into larger districts(rural districts).
- Stop all capital spending except for roads/sewer/water(enough grain and coal terminals).
- Cut travel budgets for all departments in half and enforce it.
- Require accurate accounting of all projects and departments.
- Charge realistic user fees for all campgrounds and recreation areas. Enough to cover operating costs.
- Cut all funding to arts groups.
- Stop Braley Lake Dam.

P.O. Box 020994
Juneau, AK 99802
26 January 1987

Representative Fran Ulmer
Pouch V, Capital Building
Juneau, Alaska 99811

Dear Representative Ulmer:

I am writing to let you know I am not in favor of reinstating a State income tax. I am very willing to forgo a Permanent-fund dividend check, and I am all for cutting capital expenditures (including those for Juneau!). But I feel that reinstating a State income tax is a too-simple solution to our long-term problem of overspending. It will simply lead to continued overspending supported by an income tax.

Also, please note that for those with too few deductions for itemizing deductions on their Federal income tax, a State income tax would not be deductible. What kind of sense does it make to pay me a State dividend (on which I have to pay Federal income tax) and then turn around and impose a State tax on my income? Please, keep the dividend check and curb State spending (especially for capital projects), but don't reinstate the income tax -- ~~and~~ certainly not without a public vote!

I realize these are difficult problems, and I wish you the best. But an income tax won't stop the pork barrel politics; it will only support them.

Sincerely,

Thomas A. Hanley

Thomas A. Hanley

RECEIVED JAN 27 1987

RECEIVED FEB 23 1987

February 19, 1987

Ladies and Gentleman:

The majority of leaders in our state government are not new to the political arena, but you would think it were so from the rumbling we the voters are hearing from the session this year.

The cry of you, our political leaders is: "We are coming to you, the people of this state to get more money so we can continue on the same as we have in the past".

The voters know you are mostly the same people who have been in control of the finances of this state for quite sometime, and have not paid attention to the warning signs of lessening income, or so it would seem. If this is not the case you have not been in agreement about what you should do about it, and it is time you began to listen to what the people in the state are saying to you.

The people of Alaska are saying "NO" loud and clear to State Income Tax, or to touching the Permanent Fund in any way. "We the people", is still a voice in this country, and should be heard by our representatives in government. You are to speak for us not for what your personal desires are, or what you think might be right. Our voices will be heard at the polls if we are not heard and adhered to in these matters.

One area to look at is the amount of people in the states employ. We cannot afford as many as we could when money was plentiful. I am not referring to transferring positions from one area to another, but in cutting down on the amount of bodies working for the state.

Your jobs are not easy, but by listening to the majority of people you will have done what you have been elected to do. If not, the voters have no alternative but to put those decisions on the ballot to be decided by majority vote.

My prayer is you will have the courage to listen to people and act accordingly.

Respectfully,

John W. Harper

John W. Harper
914 Calhoun #1
Dunbar, Alaska, 99501

STATE OF ALASKA



REPRESENTATIVE
FRAN ULMER

HOUSE OF REPRESENTATIVES

P.O. Box V
JUNEAU, ALASKA 99811
(907) 465-4347

March 13, 1987

Gerald W. Foster
8171 Fairwood Cir.
Anchorage, AK 99518

Dear Gerald:

Your letter regarding the income tax contains several misconceptions which I would like to address briefly. I have paraphrased your points.

"The private sector is shrinking but the government sector is fat."

In the Governor's proposed FY 88 budget, state government has been reduced to the FY 79 level. If you remove all the pass-through grant programs which were added (to individuals and to municipalities), it is at the FY 72 level. These are rather drastic reductions in services, which have yet to be felt by Alaskan residents, but will be soon.

"If we just cut government, the private sector will grow."

Alaska's private sector is heavily dependent on state spending, both capital and operating. We may not like it, but it's true. So the more we reduce state spending, the more private business will hurt due to less money circulating in the economy and fewer people with jobs who can afford to buy what the private sector is offering.

"Citizens don't need to pay taxes because resource extraction taxes are high."

That is the root of our problem today: over-reliance on one source of revenue, oil, which is highly unreliable (both price and production). Without recurring, predictable, broad based citizen taxes, government will be very unstable and, as a result, so will our economy. The oil companies may pay \$2,600 per person, but not one cent goes to the state treasury for the services each person receives from the state. Do you really think that's fair?

Gerald W. Foster

-2-


March 13, 1987

"State employees are overpaid and until they take a cut, I don't want to pay taxes."

I sympathize with the sentiment that everyone should give a little; employees, contractors, citizens, cities, all of us should share some of the burden of tighter budgets.

No, Juneau doesn't have more state employees than other cities: Anchorage has the most state employees as any city (although they do represent a larger proportion of the jobs in Juneau). I don't believe this is a regional issue at all. I believe it is a statewide problem that will only be solved when people realize how dramatic the cuts are already and how few alternatives there are that will fairly ask everyone to help pay for the services they receive free.

Sincerely,


Fran Ulmer
Representative District 4B

/Re

RECEIVED MAR 5 1987

Rep. Fran Ulmer
Chairwoman State Affairs Comm.

Feb. 28, 1987

Governor Cowper has introduced legislation (SB-148 & HB-154) which calls for a personal income tax. So that there is no doubt in your mind how I feel, I am dead-set against such a tax. There are several reasons why I'm against any new taxes; I'll highlight a few.

An income tax will take more of people's shrinking disposable income. That's right Fran, we've been losing wages and benefits for the last year and a half, and I'm sick of it. While state government needs to cut the fat, the private sector has been eating its young in order to survive. I've enclosed a graph which points out the sad disparity between the private and public sector in terms of recent job losses.

As far as how the people of Southcentral feel; in a recent call for letters from the Anchorage Daily News, over 80% of the respondents demanded that state government be severely cut before the imposition of an income tax. The constituent poll from my part of town not only had a record number of responses, but people overwhelmingly asked that government be cut as the primary means of dealing with our current economic woes. Please ask for a copy of this poll from Representatives Pearce or Hanley.

Yet another reason that we don't need an income tax is that Alaskans already pay resource extraction taxes to the tune of \$ 2600/year per person....that's plenty!

The wages and benefits of state workers (a major component of the budget) is far in excess of what the private sector gets, due mostly to over-unionization and fiscal irresponsibility during the petro-dollar years. Do you expect me to pay more taxes so that an equivalent state worker can work less hours, get more vacation, get more pay, and receive better benefits.....FORGET IT! Show some wisdom Fran, we all know that our current government is not efficient enough, and it is time for people like you to change that.

I am disturbed (but not surprised) that you are supporting an income tax. Juneau obviously has more state employees (on a percentage basis) than the other major cities of the state. What I'm saying is that your support of such a measure smacks of regionalism, and everyone agrees that we will not make it through this mess if we resort to those kinds of politics.

Let's demand higher efficiency from government, privatize the parts of government which cannot deliver, and quit asking for more money from those of us who have less money all the time.

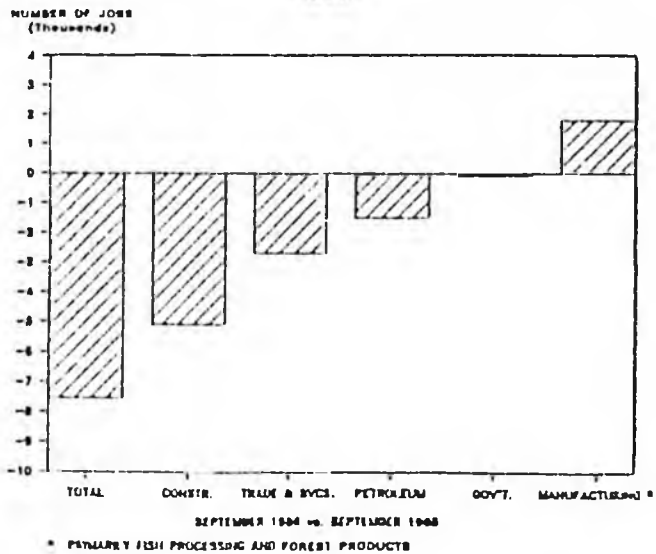
Gerald W. Foster

Gerald W. Foster
6171 Fairwood Dr.
Anch, AK 99518

cc: Sen. Abood
Rep. Hanley
Rep. Pearce
Sen. Rodey
Gov. Jowper
Furks
Grussendorf
Adams

CHANGE IN EMPLOYMENT BY MAJOR SECTOR

ALASKA



Alaska Business Monthly
Jun '87



Official Business

Alaska State Legislature

House

HB 1154
7
P.O. BOX V
State Capitol
Juneau, Alaska 99811

March 13, 1987

Alan Stein
Box 241
Juneau, AK 99801

Dear Alan:

Thank you for your telegram in opposition to the state income tax. I'd like to explain to you why I support it.

- * The income tax is deductible for those who itemize, whereas a sales tax is not.
- * The Department of Revenue estimates that 25% of the revenues generated from a state income tax would come from non-residents; thus, we would be able to "export" a quarter of the tax.
- * The income tax will raise approximately \$350 million which is not enough to "continue pork barrel politics"; it will only help to provide a portion of recurring revenues to supplant other sources.
- * Not everyone will pay income tax, only those who can afford to do so, assuming the floor is set high. Whereas, everyone receives the Dividend, old, young, poor, rural, urban, unemployed, and retired. The Dividend helps many who are right at the margin keep afloat. The Dividend is fairly distributed to all Alaskans.
- * Finally, the public policy reasons for each are very different. Citizens should pay a tax so that we at least pay, in part, for some of the government services we receive. We will pay more attention to how the government spends money when it is our money. The Dividend, on the other hand, is a way of giving to Alaskans a small return on the investments of the Permanent Fund. By so doing, an interest is created in the wise management of the corpus of the Fund . . . to maximize its future earnings potential. I believe both of these public purposes supporting an income tax and supporting the Dividend are good reasons for me to vote yes on both.

Alan Stein

-2-

March 13, 1987

I hope this explains my position and that you might agree. Please call if you'd like to discuss this further.

Sincerely,

Fran Ulmer, Chair
State Affairs Committee

cc: State Affairs Committee

/Re-



Telegram

09014

1987 FEB 30 09 56

PCM TDA JUNEAU ALASKA 15 03-01 1121P AST
FMS

REP FRAN ULMER

JUNEAU AK

002

STRONGLY DISAGREE INCOME TAX PROPOSAL. DRASTIC CUTS IN
STATE WAGES, PROGRAMS ARE WAY TO GO.

ALAN STEIN

BOX 241

JUNEAU AK

A

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 148/HB 154
Publish Date: _____

REQUEST _____

Revision Date: 3/13/87
Title: An act relating to the taxation of income derived by individuals
Sponsor: Governor
Requestor: _____

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	892.1	2265.3	2662.9	2673.7	2685.0
TRAVEL	-	46.4	73.5	84.2	84.5	84.9
CONTRACTUAL	-	645.8	1415.4	1538.9	1544.0	1547.9
SUPPLIES	-	11.7	37.5	39.9	40.4	40.9
EQUIPMENT	-	221.1	289.1	78.3	52.0	52.0
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	1817.1	4080.8	4404.2	4394.6	4410.7
CAPITAL	-	-	-	-	-	-
REVENUE	-	83,000	255,000	269,000	232,000	290,000

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME	-	23	64	67	67	67
PART-TIME	-	1	4	4	4	4
TEMPORARY	-	0	27	27	27	27

ANALYSIS: Attach a separate page if necessary

Prepared By: Steven E. Kettel
Division: Audit

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

Approved by Commissioner: [Signature]
Agency: _____

Date: 3/16/87

Distribution (by Agency preparing fiscal note):

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

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST _____ Bill Version: _____
 _____ Publish Date: _____
 Revision Date: _____ Agency Affected: Revenue
 Title: State Individual Income Tax BRU: Audit

 Sponsor: _____ Components: _____
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: See attached

Prepared By: Alan E. Kellert
 Division: Audit

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

Approved by Commissioner: [Signature]
 Agency: _____

Date: 3/16/87

Distribution (by Agency preparing fiscal note):

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

INDIVIDUAL INCOME TAX
FISCAL NOTE ANALYSIS

Assumptions

The Audit Division will administer the individual income tax laws to insure compliance with Alaska Statutes. Although calendar year tax returns will not be due until 1989, a withholding tax system must be in place and operative by January 1, 1983. Additional staff must be hired and fully trained to accomplish the following:

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

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

	<u>FY 88</u>	<u>FY 89</u>
<u>Personal Services</u>		
1 Revenue Auditor IV	41.4	55.2
1 Tax Examiner III	27.3	36.4
1 Tax Examiner II	24.1	32.2
1 Tax Examiner I	21.3	28.4
1 Clerk IV	20.1	25.3
1 Clerk Typist III	19.1	25.4
1 Clerk Typist II	17.9	23.9
2 Revenue Auditor III		96.4
2 Tax Examiner II		64.1
2 Clerk Typist III		60.9
2 Revenue Auditor I		72.3
1 Appeals Officer III		<u>48.2</u>
	<u>\$171.0</u>	<u>\$560.7</u>
<u>Travel and Per Diem</u>		
	<u>\$ 6.5</u>	<u>\$ 14.0</u>
	<u>\$ 6.5*</u>	<u>\$ 14.0</u>
<u>Contractual</u>		
Training	4.0	14.5
Wang Terminals & Software	<u>50.0</u>	<u>99.1</u>
	<u>\$ 54.0</u>	<u>\$113.6</u>

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

Individual Income Tax
Fiscal Impact

II. System Requirements

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

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

TOTAL PERSONAL SERVICE EXPENDITURES

\$223,235

b) Contractual: 5 terminals, IOP, Memory upgrade, Communications	\$ 50,000
c) Supplies: miscellaneous	4,500
d) Training	4,000
e) Equipment: microfilm r/p, printer, desks, chairs, etc.	<u>23,000</u>

TOTAL EXPENDITURES \$309,735

15. Perform Field Audit

a) Personal Service Costs

JUNEAU - 3 POSITIONS

<u>POSITIONS</u>	<u>RANGE</u>	<u>MONTHLY SALARY</u>	<u>ANNUAL SALARY WITH BENEFITS</u>
Revenue Auditor III	18	3,113	\$ 48,139
Tax Examiner II	12	2,072	32,075
Clerk Typist III	8	1,631	<u>25,448</u>
TOTAL PERSONAL SERVICE EXPENDITURES			<u>\$105,712</u>

b) Contractual: 3 terminals, Communications	\$ 13,000
c) Supplies: miscellaneous	2,000
d) Training	3,000
e) Equipment: desks, chairs, etc.	11,000
f) Travel	<u>5,000</u>

TOTAL EXPENDITURES \$144,712

ANCHORAGE - 4 POSITIONS

a) Personal Service Costs

<u>POSITIONS</u>	<u>RANGE</u>	<u>MONTHLY SALARY</u>	<u>ANNUAL SALARY WITH BENEFITS</u>
Revenue Auditor I	14	2,353	\$ 36,424
Revenue Auditor I	14	2,353	36,424
Revenue Auditor III	18	3,113	48,139
Clerk Typist III	8	1,531	<u>25,448</u>
TOTAL PERSONAL SERVICE EXPENDITURES			<u>\$146,485</u>

b) Contractual: 4 terminals, Communications	\$ 20,500
c) Supplies: miscellaneous	3,500
d) Training	5,000
e) Equipment: desks, chairs, etc.	13,000
f) Travel	<u>6,000</u>
TOTAL EXPENDITURES	<u>\$194,485</u>

APPEALS - 2 POSITIONS

a) Personal Service Costs

<u>POSITIONS</u>	<u>RANGE</u>	<u>MONTHLY SALARY</u>	<u>ANNUAL SALARY WITH BENEFITS</u>
Appeals Officer III	18	3,113	\$ 48,199
Tax Examiner II	12	2,072	32,075
TOTAL PERSONAL SERVICE EXPENDITURES			<u>\$80,264</u>

b) Contractual: 2 terminals, Communications	\$ 10,625
c) Supplies: miscellaneous	1,000
d) Training	2,500
e) Equipment: desks, chairs, etc.	5,000
f) Travel	<u>3,000</u>
TOTAL EXPENDITURES	<u>\$102,389</u>

GRAND TOTAL EXPENDITURES \$751,321

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST _____

Bill Version: HB 154

Publish Date: _____

Revision Date: March 13, 1987

Agency Affected: Revenue

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

BRU: Enforcement

Sponsor: House Rules Committee

Components: Enforcement--Operating

Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Please see the attached analysis.

Prepared By: Thomas C. Williams

Phone: 465-2366

Division: Enforcement Division

Date: March 13, 1987

Approved by Commissioner: [Signature]

Date: 3/16/87

Agency: _____

Distribution (by Agency preparing fiscal note):

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

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

ASSUMPTIONS

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

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

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

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

COMPUTATIONS--FY '88

Personal Services

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

Total FY '88 Personal Services 65.0

Travel

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

Total FY '88 Travel 11.9

Contractual Services

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

Total FY '88 Contractual Services 6.4

Commodities

	Paper, pens, etc. (5 employees x 1/4 year @ \$250/year)	.3
--	---	----

Total FY '88 Commodities .3

Equipment

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

Total FY '88 Equipment Costs 28.9

Total FY '88 Costs 112.5

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

Computations--FY '89

Personal Services

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

Total FY '89 Personal Services 256.2

Travel

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

Total FY '89 Travel 28.0

Contractual Services

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

Total FY '89 Contractual Services 19.5

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

Equipment

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

Total FY '89 Equipment Costs 47.7

Total FY '89 Costs \$ 353.0

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

Computations--FY '90

Personal Services

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

Total FY '90 Personal Services 559.6

Travel

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

Total FY '90 Travel 52.3

Contractual Services

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

Total FY '90 Contractual Services 137.0

Commodities

Paper, pens, etc.	(14 employees @ \$250/year)	3.5
-------------------	-----------------------------	-----

Total FY '90 Commodities 3.5

Equipment

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

Total FY '90 Equipment Costs 26.3

Total FY '90 \$ 778.7

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

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

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

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

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

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

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

Director *2001
T. Williams

AA I	2002
D. Robinson	
A/P IV	2026
J. Jefferson	

B B B B B B B B B B B B B B B B B J C O B B A C 1 B B A C 2 B B B B B B B B B B B B B B B B B	B B B B B B B B B B B B B B B B B A C 1 B B A C 2 B B B B B B B B B B B B B B B B B	B B B B B B B B B B B B B B B B B A C 2 B B B B B B B B B B B B B B B B B	B B B B B B B B B B B B B B B B B A D I B B B B B B B B B B B B B B B B B	B B B B B B B B B B B B B B B B B J D A B B B B B B B B B B B B B B B B B
REO IV *2200 P. Dick	REO IV *2020 K. Jannusch	REO IV *FY89 01/01/89	PFDS III *2206 P. Palmaist	PFDS III *2205 S. Lowe
REO III 2003 W. Schroder	REO III FY88 03/01/88	REO III FY90 07/01/89	Inv II 2212 D. Hansen	PFDS I 2017 S. Van Valkenburg
REO II FY88 03/01/88	REO II 2005 T. Landers	REO II FY90 07/01/89	PFDS I 2021 D. Davidson	PFDS I 2203 D. Breslin
TCS II 2092 B. Garrison	REO II 2040 D. Newton	REO II FY90 07/01/89	PFDS I 2204 J. Green	PFDS I 2208 S. Gray
TCS II 2095 C. McMullen	TCS II 2015 N. Sewell	TCS II FY89 04/01/89	PFDS I 2209 C. Horne	PFDS I 2211 B. Richards
TCS II 2096 E. Cole	TCS II FY88 03/01/88	TCS II FY89 04/01/89	PFDS I 2217 P. Orteca	PFDS I 2221 W. McDowell
AC III 2097 J. Stevenson	TCS II FY88 03/01/88	TCS II FY90 07/01/89	PFDS I 2223 N. Hendrickson	CT III 2201 C. Facine
CT III 2213 K. Ridle	AC III FY88 03/01/88	AC III FY89 04/01/89	CT III 2210 S. Boster	CT III 2222 J. McHatt
	CT III 2024 M. Studstill	CT III FY89 04/01/89		

Legend

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

Positions Added

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

*: Supervisory Responsibilities

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SD 148
Publish Date: _____

REQUEST _____
Revision Date: March 13, 1987
Title: An Act for the taxation of
income derived by individuals,
partnerships and fiduciaries
Sponsor: Senate Rules Committee
Requestor: _____

Agency Affected: Revenue
BRU: Enforcement
Components: Enforcement--Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	65.0	256.2	559.6	559.6	559.6
TRAVEL	-	11.9	28.0	52.3	52.3	52.3
CONTRACTUAL	-	6.4	19.5	137.0	137.0	137.0
SUPPLIES	-	.3	1.6	3.5	3.5	3.5
EQUIPMENT	-	23.9	47.7	26.3	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	112.5	353.0	778.7	752.4	752.4
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Please see the attached analysis.

Prepared By: Thomas C. Williams
Division: Enforcement Division

Phone: 465-2366
Date: March 13, 1987

Approved by Commissioner: [Signature]
Agency: _____

Date: 3/16/87

Distribution (by Agency preparing fiscal note):

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

ALASKA DEPARTMENT OF REVENUE
ENFORCEMENT DIVISION
FISCAL NOTE ANALYSIS FOR SB 148
March 13, 1987

ASSUMPTIONS

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

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

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

ALASKA DEPARTMENT OF REVENUE
 ENFORCEMENT DIVISION
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COMPUTATIONS--FY '88

Personal Services

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

Total FY '88 Personal Services 65.0

Travel

2	Revenue Enforcement Officers to IRS Phase I training	
	Transportation (2 trips @ \$500)	1.0
	Per Diem (2 trips x 42 days @ \$30/day)	6.7
3	Revenue Enforcement Officers x 1 trip @ quarter	
	Transportation (5 trips @ \$1,000)	3.0
	Per Diem (3 trips x 5 days @ \$30/day)	<u>1.2</u>

Total FY '88 Travel 11.9

Contractual Services

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

Total FY '88 Contractual Services 6.4

Commodities

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

Equipment

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

Total FY '88 Equipment Costs 28.9

Total FY '88 Costs 112.5

ALASKA DEPARTMENT OF REVENUE
 ENFORCEMENT DIVISION
FISCAL NOTE ANALYSIS FOR SB 148
 March 13, 1987

Computations--FY '89

Personal Services

1	Revenue Enforcement Officer IV	(range 20, @ 58.3/year)	29.4
2	Tax Collection Specialist II	(range 12, @ 34.4/year)	17.2
1	Accounting Clerk III	(range 10, @ 30.3/year)	7.7
1	Clerk Typist III	(range 8, @ 27.6/year)	6.9
	Positions hired during FY '88		<u>195.0</u>

Total FY '89 Personal Services 256.2

Travel

5	Revenue Enforcement Officers x 1 trip @ quarter		
	Transportation (20 trips @ \$1,000)		20.0
	Per Diem (20 trips x 5 days @ \$30/day)		<u>8.0</u>

Total FY '89 Travel 28.0

Contractual Services

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

Total FY '89 Contractual Services 19.5

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

Equipment

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

Total FY '89 Equipment Costs 47.7

Total FY '89 Costs \$ 353.0

ALASKA DEPARTMENT OF REVENUE
 ENFORCEMENT DIVISION
FISCAL NOTE ANALYSIS FOR SB 148
 March 13, 1987

Computations--FY '90

Personal Services

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

Total FY '90 Personal Services 559.6

Travel

3	Revenue Enforcement Officers to IRS Phase I training Transportation (3 trips @ \$500)	1.5
	Per Diem (3 trips x 42 days @ \$80/day)	10.2
9	Revenue Enforcement Officers x 1 trip @ quarter Transportation (29 trips @ \$1,000)	29.0
	Per Diem (29 trips x 5 days @ \$30/day)	11.6

Total FY '90 Travel 52.3

Contractual Services

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

Total FY '90 Contractual Services 137.0

Commodities

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

Equipment

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

Total FY '90 Equipment Costs 26.3

Total FY '90 \$ 778.7

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

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