

ALASKA

LEGISLATURE

COMMITTEE

FILES

1991-1992

8672

7274

HOUSE

STATE

AFFAIRS

April 13, 1992

Labor and Commerce Committee

Members: Reps. Chairman David Finkelstein, Vice-Chairman Pat Parnell, Betty Bruckman, Dave Donley, Ivan Ivan, Robin Taylor, and Jim Zavacki.

Dear Labor and Commerce Committee Members:

Please do not support House Bills 523 and 525 which increase taxes at a time when Alaska's economy is tenuous at best. A tax of these kinds will do nothing but crush the fragile recovery of current business owners and create additional dis-incentives for any new businesses considering Alaska as a place to do business.

Much more can be done to reduce State Government size, waste, and competition with the private sector before any new taxes are needed.

Again, please do not support House Bills 523 and 525.

Sincerely,


Eric F. Bjella
Constituent

Post-It® brand fax transmittal memo 7671 # of pages = 1

To Labor + Commerce	From Eric Bjella
Committee	Co First Bank
Members	586-1001
465-2287	586-9004



Dewli Drilling

April 2, 1992

State Affairs Committee

Attn: Gene Kubina

Tam Moyer

Betty Druckman

Dave Choquette

Larry Baker

Max Gruenberg

Mike Miller

465-2287

I just read about two bills, HB523 before the Labor and Commerce Committee, and HB 525 before the House State Affairs Committee.

If HB523 is passed, it would cause businesses to leave this state and banks to do their banking in another state. I for one would close my business as soon as possible, but, I only have 12-18 employees. I am sure that other businesses would do the same, creating higher unemployment than we have already. If anything, we need to reduce business tax to keep companies in Alaska and allow for new ones to start up.

Regarding HB525, Income Tax Bill, you have been told in 1990 by your voters, NO STATE PERSONAL INCOME TAX UNTIL YOU REDUCE STATE SPENDING. From 1985-1988, the private sector had to reduce wages 30%-40%, lost all health benefits, and retirements. The state took no cuts, their health benefits cost increased, and they didn't lose their retirement. Now they still want more money, more time off, etc. You have to quit worrying about votes and start cutting salaries, jobs, programs, etc.

I would be willing to pay taxes and we should have never stopped it, but first you have to reduce the state budget by a minimum of 10%. You can start by reducing overall employees by 10%. This would save 250 million dollars the first year.

We all have friends or relatives that work for the state. I know this would be hard, but it must be done. Start doing your jobs and face up to your responsibilities and reduce state spending.

Sincerely,


Hal Ingalls



A

Cordova Chamber of Commerce

First Street P.O. Box 99
Cordova, Alaska 99574
(907) 424-7260

April 3, 1992

Rep. Eugene Kubina
P.O. Box V
Juneau, Ak 99811

RE: HB 525

Dear Rep. Kubina:

It is not the belief of this Chamber of Commerce that a personal income tax would be in the best interest of our Cordova business membership. We at the Cordova Chamber of Commerce are convinced that the state budget needs to be cut now by a significant amount, and by similar amounts over the next few years. It is our stance that these cuts, and an effective spending limit, can meet this problem without raising taxes.

We see the problem of bringing state spending to a reasonable level is one we must all face together. We need you to work to find a solution to the financial crisis we all will be faced with as our state's oil revenues decline without raising taxes.

Respectively;

Brian Lettich
Secretary

AURORA ELECTRIC, INC.
ELECTRICAL CONTRACTORS



6636 ROSEWOOD STREET, SUITE A ANCHORAGE, ALASKA 99518

(907) 349-2100 FAX (907) 349-1605

March 30, 1992

Representative Gene Kubina
Alaska State Legislature
P.O. Box V (MS 3100)
Juneau, Alaska 99811

Re: HB523 & HB525

Gene Kubina:

I am aware that the two referenced bills, if passed, will eventually result in the institution of both a business and personal tax. As both a citizen and a successful Alaskan entrepreneur, I vehemently state that these proposals are ludicrous. HB523 proposes to tax business enterprises based on gross receipts rather than net profits. This is not "Rocket Scientist" stuff. Businesses do not always operate at a profit and this extra tax burden could be the last nail in the coffin for a struggling small business. Mr. Koponen obviously has very limited business acumen. In HB525 Mr. Koponen proposes establishing a personal income tax without even considering the \$400,000,000.00 state give away program. Why does our legislature continue to remain blind to the realities of the economics of our illustrious permanent fund dividend program. ??? explain.

In round numbers the story goes: The state of Alaska slices off about \$400,000,000.00 from the earnings of the Permanent Fund investments and then distributes it equally among our grateful citizens. That is about \$1,000.00 per every man, woman, and child in the state. Each and every one of us then makes our obligatory contribution to the IRS on or before April 15 of the following year. Assuming that the average tax bracket for all of our citizenry is 15%, Uncle Sam gets \$60,000,000.00 from us in additional tax revenue. If the average rate was 20% then Uncle receives 80,000,000.00. That is Eighty Million Dollars! GET THE PICTURE? Additionally it would be of no surprise to find, if HB523 passes, the State including the dividend we receive as personal income and taxing us on it accordingly.

Why, instead, don't you abort this give away and tax back system and simply quit the dividend program since we can't afford it any longer. I.e. the implementation of personal income tax to offset the budget short fall. Use the \$400,000,000.00 saved then to support the ongoing operations of our State Government. Furthermore, since we can no longer afford your luxurious "Cadillac" style of government face up to it and make the necessary cut backs. It's getting more and more difficult to support this government in the style to which it has become accustomed. I know

Page 2.

that means to hell with the "pork barrel" but you legislators have to finally suck it in and face the fact we are not flush with cash anymore.

The dividend program is no longer a political football, it is an unbearable burden on a system that can no longer support it. When oil revenues can't support our government any longer then it is time for our government to quit giving money away. By ceasing the dividend program we can quit enriching the federal government and postpone instituting a state personal income tax for a while longer. Of course any reasonable person does not expect something for nothing and eventually our oil revenues will be depleted sufficiently to require some form of personal taxation to fund our state government. We all must pay our fair share. Please fulfill your responsibility to the tax payers and vote to postpone the inevitable.

Very truly,



Bradley A. Hasielt
President

APRIL 6, 1982

TO: BOB KUDINA - CHAIRMAN 465-2287
DAVE CHOQUETTE, Representative

FROM: HENRY F. GEORGE
3860 Mc MITTON AVE.
ANCHORAGE, AK. 99516
(907) 345-0264

I OBJECT TO IMPOSITION OF ANY INCOME, SALES
OR VALUE ADDED TAXES PRIOR TO REDUCTION
OF BOTH SCOPE AND EXPENDITURES OF STATE
GOVERNMENT.

THIS SHOULD HAVE BEEN CLEAR TETER. OUR 1984
VOTE APPROVING THIS POSITION.

Please oppose HB 525

Sincerely,

Henry F. George

Hansen Engineering

Ronald G. Hansen, P.E.
4117 Birch Lane
Juneau, Alaska 99801
Phone (907) 789-9167

March 30, 1992

Chairman Gene Kubina
State Affairs Committee
Rm. 102, Capitol Bldg.
P.O. Box V
Juneau, Alaska 99811

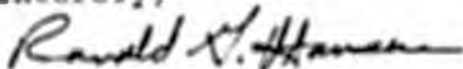
RE: HB-525

Dear Chairman Kubina:

I understand HB-525 will impose additional income taxes on individuals.

We are all aware of the decrease in revenues to the state treasury because of reduction in quantities and prices of oil from which the state receives most of its revenue. I believe you are aware that the 1986 state ballot overwhelmingly directed state government to reduce spending before increasing or imposing new taxes. I suppose it is easier for you to increase taxes and provide for larger state government, however, this is the challenge in front of you. You must reduce state spending first, before considering the option of adding new taxes. I urge you to face this difficult task and meet the challenge. We do not need a larger government.

Sincerely,



Ronald G. Hansen, P.E.
Consulting Environmental Engineer

RGH/kab

Discovery Drilling Inc.
P.O. Box 111165
Anchorage, Alaska 99511

March 27, 1982

Representative Geno Kubina
House State Affairs Committee
Juneau, Alaska

Dear Representative Kubina,

It has come to my attention that the House State Affairs Committee will be considering HB 525 that will impose a 3.2 to 5.7% personal income tax.

If you have any regard for the opinions of the residents of Alaska, with the exception of the State employees, you will see that HB 525 dies a swift death.

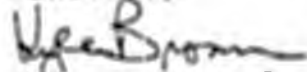
Every public opinion poll and voter mandate in the past two or three years at least has made clear that your duty as a representative is to reduce state spending before any taxes are even considered. It is my distinct impression that many of you (legislators) are happy to talk about doing this but the hard reality is that all of you are scared to death to face the kicking and screaming and crying you will encounter from the state employees and their unions. You all find it more palatable to quietly pass tax laws to pay for our bloated and inefficient state government. Please get the message and face the tough fight. I don't mind paying taxes but not until it is necessary to support a streamlined government.

The first step is to get government out of all the business they currently are in that compete with private enterprises. D.O.T. for example is a swollen cancer in our government that inefficiently competes in many private sector professions. In D.O.T. as compared to the same crafts in the private sector, wages are higher, benefits are far greater, accountability is nearly non-existent and productivity lags. Everywhere one goes in private industry people are worried about keeping their jobs and have to work like crazy to do so. In most state offices the only thing on peoples minds are their next raise.

The oil companya are cutting back on employees. Gary King's closes a profitable store to prepare for hard times. But the House State Affairs Committee is looking to a future of decline by considering HB 525 to bleed the public dry to support a government work force big enough to carry New York.

Please let me know soon if you don't think its possible to dramatically reduce the size of state government. At that point if your not packing your bags, I'll be packing mine.

Sincerely



Kyle Brown - President
Discovery Drilling Inc.

Discovery Drilling Inc.
P.O. Box 111165
Anchorage, Alaska 99511

March 27, 1992

Representative Tom Moyer
Housso State Affairs Committee
Juneau, Alaska

Dear Representative Moyer,

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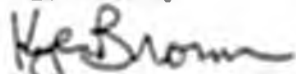
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Kyle Brown - President
Discovery Drilling Inc.

Discovery Drilling Inc.
P.O. Box 111165
Anchorage, Alaska 99511

March 27, 1982

Representative Dave Choquette
House State Affairs Committee
Juneau, Alaska

Dear Representative Choquette,

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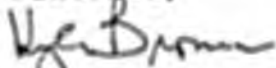
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Kyle Brown - President
Discovery Drilling Inc.

Discovery Drilling Inc.
P.O. Box 111165
Anchorage, Alaska 99511

March 27, 1992

Representative Mike Miller
House State Affairs Committee
Juneau, Alaska

Dear Representative Miller,

It has come to my attention that the House State Affairs Committee will be considering HB 525 that will impose a 3.2 to 5.7% personal income tax.

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Sincerely



Kyle Brown - President
Discovery Drilling Inc.

Discovery Drilling Inc.
P.O. Box 111166
Anchorage, Alaska 99511

March 27, 1992

Representative Max Gruenberg
House State Affairs Committee
Juneau, Alaska

Dear Representative Gruenberg,

It has come to my attention that the House State Affairs Committee will be considering HB 525 that will impose a 3.2 to 5.7% personal income tax.

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Sincerely



Kyle Brown - President
Discovery Drilling Inc.

Discovery Drilling Inc.
P.O. Box 111185
Anchorage, Alaska 99511

March 27, 1992

Representative Betty Bruckman
House State Affairs Committee
Juneau, Alaska

Dear Representative Bruckman,

It has come to my attention that the House State Affairs Committee will be considering HB 525 that will impose a 3.2 to 5.7% personal income tax.

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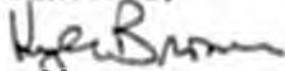
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Sincerely



Kyle Brown - President
Discovery Drilling Inc.

Discovery Drilling Inc.
P.O. Box 111165
Anchorage, Alaska 99511

March 27, 1992

Representative Larry Baker
House State Affairs Committee
Juneau, Alaska

Dear Representative Baker,

It has come to my attention that the House State Affairs Committee will be considering HB 525 that will impose a 3.2 to 5.7% personal income tax.

If you have any regard for the opinions of the residents of Alaska, with the exception of the State employees, you will see that HB 525 dies a swift death.

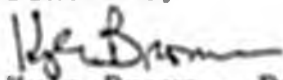
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Sincerely



Kyle Brown - President
Discovery Drilling Inc.



FAX TRANSMITTAL MEMO
 TO: STATE AFFAIRS COMMITTEE
 DEPT: _____ FAX #: 465-2287
 FROM: Mike White PHONE: 463-3295
 CO: McDonald's FAX #: 463-3299
 Post-It brand fax transmittal memo 7571

NO. OF
 PAGES
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Post Office Box 32278
 Juneau, Alaska 99803

MARCH 28, 1992

TO: THE HOUSE STATE AFFAIRS COMMITTEE

- MR. GENE KUBINA
- MR. TOM MOYER
- MS. BETTY BRUCKMAN
- MR. DAVE CHOQUETTE
- MR. LARRY BAKER
- MR. MAX GRUENBERG
- MR. MIKE MILLER

RE: HB 323

I WOULD LIKE TO STATE MY OPPOSITION TO HOUSE BILL NUMBER 323. NOW IS NOT THE TIME TO TAX INDIVIDUALS IN OUR COMMUNITY. EVERY EFFORT MUST BE MADE TO FIRST REDUCE THE STATE BUDGET WHERE POSSIBLE. NOW IS NOT THE TIME TO TAKE SPENDING DOLLARS OUT OF OUR COMMUNITY BY FURTHER TAXATION.

PLEASE REGISTER MY FIRM OPPOSITION TO THIS BILL.....

I AM SINCERELY,

Michael A. White

MICHAEL A. WHITE
 OWNER/OPERATOR

more fax ...

from multiple risk managers

DATE : March 26, 1992

SEND TO: Chairman Gene Kubina
COMPANY: House State Affairs Committee
FAX # : 465-2287

TOTAL NUMBER OF PAGES, INCLUDING THIS PAGE: 3

REGARDS: HB 525 and HB 523

MESSAGE: Chairman Kubina, under cover is my written testimony against HB 525 which your committee hears Monday, March 30th. My testimony also includes discussion of HB 523, a companion tax bill to be heard by Labor & Commerce on Tuesday, March 31st.

Please be kind enough to provide a copy of my testimony to each member of your committee.

If you or your members have questions of me, you or they may contact me on my nickel, at 800-478-7181.

Thank you for your assistance.

FROM: FRANK THOMAS-HEARS
WITH: MULTIPLE RISK MANAGERS, INC.
POB 112063
ANCHORAGE, ALASKA 99511-2063

PHONE: 907-345-7181
FAX : 907-345-1982



March 26, 1992

House Labor & Commerce Committee - HB 523
 House State Affairs Committee - HB 525

**HB 523 & HB 525
 WOULD REDUCE OUR NET INCOME BY 29%!**

My wife and I run a successful young business. We gross about \$1.1 million, which, including the Permanent Fund distribution, generates about \$125K before expenses. Once we pay our operating expenses, between us we net \$45,000, or \$22,500 each. In the coming years this will increase steadily as we pay off the purchase of the business and all associated loans... but of course, other expenses (like the proposed taxes above) will certainly rush right in to fill the void.

One reason that we make as much as we do is that we are very efficient money collectors. All of our receivables are in the pre-bill, current or 30 day column. The sharp drop in interest rates notwithstanding, interest income generated about 6% of gross revenues.

As is normal for successful young businesses, my wife and I work long hours... between us an average of 127 hours per week. We work every day, including Sundays. Weekdays I am at my desk working at 4:00am, and that continues usually until 5:30pm; we usually only work six hours per day on weekends (1/2 days). Since 1988 we have each taken about fifteen days off... and part of that from illness.

Besides our after tax/after expense salaries of \$22,500, we get a major medical policy with a \$1,500 per person deductible, and we pay 20% of the first \$12500 after the deductible. We have life insurance to cover business expenses. We can't yet afford disability income. We have very little personal savings; they've been spent on the business.

HB 523/525 WOULD ADVERSELY EFFECT OUR BOTTOM LINE

<u>BEFORE</u>		<u>AFTER</u>	
<u>HB 523 & 525</u>		<u>HB 523 & 525</u>	
Current Net	\$45,000	Current Net	\$45,000
Business Tax	\$0	HB 523/1.0% Tax	(\$11,000)
Bank Tax	\$0	HB 523/Bank Tax	(\$500)
Personal Tax	\$0	HB 525/3.2% Tax	(\$1,440)
=====			
Net After Tax	\$45,000 <-	Net After Tax	\$32,060 <-
Total Hours	6477	Total Hours	6477
=====			
Net Wage/Hour	\$6.95	Net Wage/Hour	\$4.95
=====			

NOTES:

- 1) Current Net = Combined Net Income For Two (2) Principals
- 2) Total Hours = 127 Hours @ Week X 51 Weeks/Combined Hours
- 3) Net Wage/Hour = For Both Principals Combined
- 4) HB 523 1.0% Tax = 1% of \$1,100,000 In Gross Receipts
- 5) HB 523 Bank Tax = My Estimate Of Reduction/Interest Income
- 6) HB 525 3.2% Tax = 3.2% Of \$45,000 Of \$45,000 In Joint Income

NOI NOI NOI
HB 523 HB 525

Page 2
March 26, 1992

All told, the combined effects of HB 523 and HB 525 would reduce our net take-home income by \$13,000. That's a 29% reduction in our take-home income.

Think about that... please. Would you ask our public servants to take a 29% reduction? Would you agree to reduce your family's net income by 29%?

Here's our message. We are willing to give up something to live and work in the wonderful State we call our home - but we expect our public servants and government spending to take an equal reduction.

Until the legislature and the administration significantly reduce State spending, and learn how to live, as my partner and I do, within your means, don't ask us for more money.

State government spending is out of control - in large measure because the busy legislature in years past has had entirely too much money - and no fiscal accountability.

If these proposed tax measures pass, we will have to reduce our spending, and kiss off a chance at a retirement account to boot. The State now has less money than before. Shouldn't the State set the example and trim its fat before jutting its pudgy hand into our skinny pockets for more cookies?

Regards,
MULTIPLE RISK MANAGERS, INC.

Frank Thomas-Hears
President



March 27, 1992

Alaska State House of Representatives
Labor and Commerce Committee
FAX 465-2287


I would like to express my concern about HB 523 that will be heard next Tuesday in your committee. The proposed 1% GROSS RECEIPTS TAX IN HB 523 WILL PUT Hawaiian Vacations out of business in Alaska! My family and the families of my employees would like you to consider our situation as you look for additional revenue to fund our state's operations.

For my business and many others that operate with a high sales volume and a low margin of profit this tax will effectively force us to close down or move the operation to another state that understands that FOR MANY BUSINESS 1% OF THE GROSS REPRESENTS THE ENTIRE PROFIT FOR THE YEAR!

I like Alaska, I don't want to move outside. Please don't deny me the opportunity to make a living in the state that I love. I have lived in Anchorage for over 20 years and hope live here for the rest of my life. If I am required to pay taxes on my income such as HB 523 is proposing I can live with that option, but to require my business to pay a tax on GROSS RECEIPTS is not reasonable.

Many businesses in the travel industry start out with a gross margin of 10% of sales and since my business is a wholesale business we start out with a gross margin of about 8% of sales. My total expenses are usually about 7% of sales, if we don't make any mistakes! This proposed tax would force my business into a no profit situation! You need to know that this is no time to be imposing new taxes. Especially taxes that are based upon sales volume, not ability to pay.

Sincerely,


John Herdwick
President
Hawaiian Vacations, Inc.

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc. - Petersburg

Subject: HB 525

It is unthinkable to us that the Alaska State Legislature would be considering a personal income tax at this time.

We urge you to consider every avenue available to reduce State Government spending before increasing any taxes or imposing any new taxes.

We believe there are many opportunities to economize before looking for new sources of revenue.

Sincerely,

Donald J. Thurstensen
DONALD J. THURSTENSEN

Vikki L. Proctor
VIKKI L. PROCTOR

Tanya C. Olson
Tanya C. Olson

Ronald B. Simpson
RONALD B. SIMPSON

Kevin Volk

Kevin Volk

Robert M. Ziemke

Robert M. Ziemke

Roger Seidel

Roger Seidel

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc. - *Jansau*

Subject: MB 525

It is unthinkable to us that the Alaska State Legislature would be considering a personal income tax at this time.

We urge you to consider every avenue available to reduce State Government spending before increasing any taxes or imposing any new taxes.

We believe there are many opportunities to economize before looking for new sources of revenue.

Sincerely,

Kevin E. Anderson
Kevin E. Anderson

3-22-92

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc. - *Juneau*

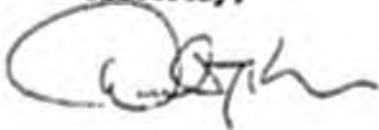
Subject: HB 525

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We urge you to consider every avenue available to reduce State Government spending before increasing any taxes or imposing any new taxes.

We believe there are many opportunities to economize before looking for new sources of revenue.

Sincerely,



DANIEL J KEMP

03/27/92

SWANK CONSTRUCTION

GENERAL CONTRACTORS
1000 WHITNEY ROAD, ANCHORAGE, AK 99501

PH 274-4324
FX 274-1483



DATE: 3-26-92

SEND TO: Larry Baker / State Affairs
Committee members.

REF: HB 525 (Personal Income Tax)

FAX NO. 465-2287

FROM Norma, Mark, Penn Swank

FAX NO. 274-5493

NO. OF PAGES (INCLUDING COVER PAGE) 1

IF ANY PAGES ARE NOT RECEIVED, PLEASE CALL:

(907) 274-4324

SPECIAL INSTRUCTIONS:

This is not the time to be
imposing any new taxes!

Jim Ramaglia
Box 468
Kodiak Alaska 99615
907-486-3245

House State Affairs Committee
Fax 465-2287

March 26, 1992

RE: HB 525

Sirs:

This letter is in opposition to HB 525 which will impose an income tax on individuals.

The amount of the taxes appears to be much higher than the old State Income Tax, which I believe were a percentage of your federal income tax. The proposed tax is a percentage of total income.

The voters of the State rejected reinstating income tax, we need to cut state spending before we impose new taxes.

Yours truly

Jim Ramaglia

House State Affairs Committee

Vote No 1113523

State Budget needs
to be cut before
imposing ANY New Taxes.

Patricia B. Fisher

P.O. Box 321

Cordova, Ak. 99574

(907) 424-7201 - FAX #

MARCH 25, 1992

STATE AFFAIRS COMMITTEE MEMBERS;
TO REPS.

CHAIRMAN GENE KUBINA
VICE CHAIRMAN TOM MOYER
BETTY BRUCKMAN
DAVE CHOQUETTE
LARRY BAKER
MAX GRUENBERG
MIKE MILLER

I AM APPOSED TO HB 525 BUSINESS LICENSE TAX. THIS TAX WILL CAUSE MORE SMALL BUSINESS' TO GO OUT OF BUSINESS AS TOO MANY HAVE ALREADY HAD TO CLOSE. THE STATE BUDGET NEEDS TO BE CUT BEFORE IMPOSING ANY NEW TAXES. THE STATE NEEDS TO STOP COMPETING WITH SMALL BUSINESS'. THE PRIVATE SECTOR/SMALL BUSINESS CAN PERFORM MANY OF THE FUNCTIONS THE STATE IS NOW DOING & MORE ECONOMICALLY.

I DO NOT BELIEVE THE STATE HAS CUT DOWN ON OVER SPENDING. THE PEOPLE OF ALASKA HAVE MANY TIMES STATED WE DO NOT WANT MORE TAXES. THERE ARE WAYS TO CUT THE FAT OUT OF GOVERNMENT. AN EXCELLENT WAY TO START IS, CUT STAFFING. IT IS COMMON KNOWLEDGE THAT OVER STAFFING CUTS DOWN ON EFFICIENCY. DO SOME THINKING ON MAKING BUSINESS VENTURES DESIRABLE TO ALASKANS RATHER THAN BREAKING THEM WITH 'ALL OF THE UNNEEDED' REGULATIONS AND THE IDEA OF ALL OF US THOUGHT TO BE 'DEEP POCKETS' TAXED, TAXED, TAXED.

ALSO THE NEW STATE REGULATIONS HOME CONSTRUCTION IS EXCELLENT ALTHOUGH IT WILL MAKE ALL NEW HOMES UNAFFORDABLE TO ALL BUT THE VERY RICH.



**DEADLINE: REALITY
TO: STATE LEGISLATURE**

HOW IS IT THAT THE LEGISLATURE CAN EVEN CONSIDER IMPOSING A PERSONAL INCOME TAX OR A GROSS RECEIPTS TAX (HB523 & HB525) WHEN WE ALREADY SPEND NEARLY \$6000 PER CAPITA ON STATE GOVERNMENT!!! (THATS 2 BILLION DIVIDED BY 500,000 PEOPLE)

IT SEEMS THAT WHEN JOHN Q. PUBLIC COMPETES WITH ANY AND ALL SPECIAL INTEREST GROUPS, JOHN Q. PUBLIC LOSES. WHY MIGHT THAT BE? ARE YOU INCAPABLE OF SAYING NO, OR IS IT MORE SINISTER THAN THAT. I CURRENTLY PAY OVER \$12,000 IN PROPERTY TAXES AND RECIEVE VIRTUALLY NOTHING IN RETURN. THERE IS NO REASON TO BELIEVE THAT SENDING MONEY TO THE STATE WOULD BE ANY DIFFERENT.

IF YOU CANNOT FIND THE COURAGE TO CUT OR ELIMINATE PROGRAMS INDIVIDUALLY, JUST DO IT ACROSS THE BOARD BUT DO IT! LET US HEAR OF NO WIMPING OUT. YOU WERE ELECTED TO MAKE THE TOUGH DECISIONS, SO DO IT! YOU WERE ELECTED TO REPRESENT ME, NOT EVERY GROUP THAT RAISES ENOUGH MONEY TO HIRE A LOBBYIST IN JUNEAU.

AS THE ANTI-DRUG CAMPAIGN SO APTLY PUTS IT, "JUST SAY NO".

IF THERE IS ANYONE IN HUDVILLE, ONE ATTABOY TO THE PERSON THAT FAXES BACK TO ME THE NAMES OF THE SPONSORS OF THESE TWO BILLS.

**TIM AND HELEN CRAIG
2503 SPRUCEWOOD
ANCHORAGE, AK 99508
WK FAX: 248-6976**



TO: House State Affairs Committle

RE: HB 525

Please reject this regressive
tax bill. State Spending must
be reduced before considering new
taxes.

Sid Childers
Fairbanks

3-25-92



Mike's University Service, Inc.

3245 COLLEGE ROAD FAIRBANKS, ALASKA 99709

(907) 479-4616

HOUSE STATE OF AFFAIRS COMMITTEE

MARCH 26, 1992

RE: HB 523

RE: HB 525

FAX # 1 465-3442

1 465-2287

DEAR HONORABLE MEMBERS OF STATE OF AFFAIRS COMMERCE
COMMITTEE,

THE LAST FIVE YEARS MY BUSINESS HAS AVERAGED \$1.7 MILLION IN
GROSS REVENUES. MY TOTAL NET PROFIT FOR THOSE FIVE YEARS
COMBINED WAS \$30254. WE HAVE A HIGH VOLUME LOW MARGIN
BUSINESS. HOW IN THE WORLD COULD NILO KOPONEN OR ANYONE
EXPECT ME TO PAY AN ADDITIONAL 1 % ON MY GROSS REVENUES.
THAT WOULD AMOUNT TO \$17000. EACH YEAR OR \$85000. FOR THAT
FIVE YEAR PERIOD.

I AM NOT OPPOSED AT PAYING MY FAIR SHARE TO SUPPORT THIS
STATE THAT I LOVE VERY MUCH BUT NOT UNTIL OUR FAT GOVERNMENT
BUREAUCRACY AND ITS EMPLOYEES IS CURTAILED. THIS LAST FIVE
YEARS HAS BEEN DEVASTATING ON PRIVATE BUSINESS, BUT THE
STATE GOVERNMENT AND ITS EMPLOYEES JUST KEEP ROLLING ALONG
DEMANDING BETTER BENEFITS AND HIGHER WAGES.

WHEN IS IT GOING TO SINK IN THAT EXPENSES NEED TO BE CUT
FIRST.

SINCERELY,

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

MIKE THOMAS
PRESIDENT

MIKE'S UNIVERSITY SERVICE INC.

Altrol Inc.

3900 Tibor/Metro Field
P.O. Box 74605
Fairbanks, Alaska 99707

FAX NUMBER (907) 452-6778
TELEPHONE NUMBER (907) 452-8680

DATE: 3-26-92

COMPANY: _____ FAX NO. 907-465-2287

ATTENTION: STATE AFFAIRS COMMITTEE

RE: HB 525 PERSONAL INCOME TAX

NUMBER OF PAGES (INCLUDING THIS PAGE) 1

IF THERE IS ANY PROBLEM WITH THIS TRANSMISSION, PLEASE CALL.

MESSAGE:

DEAR COMMITTEE,

I WANT TO SEND A STRONG MESSAGE OF OPPOSITION TO
HB 525. WE VOTED OVERWHELMINGLY IN 1986 TO REDUCE
GOVERNMENT SPENDING, BEFORE ANY NEW TAXES WERE IMPOSED.
IN 1990 WE VOTED AGAINST ANY PERSONAL INCOME TAX.
WE THE PEOPLE VOTED "NO", WHAT PART OF THAT DON'T THE
GOVERNMENT UNDERSTAND?

WHEN TIMES GET TOUGH, INDIVIDUAL BUSINESSES
LEARN HOW TO CUT COSTS & OVERHEAD IN ORDER TO SURVIVE,
OR ELSE THEY DON'T! THERE IS NO ONE TO BAIL THEM OUT.
GOVERNMENT MUST DO THE SAME, FROM CITY TO STATE, TO D.C.

I STRONGLY OPPOSE THIS BILL. I WOULD ALSO SUGGEST
TO YOU THAT YOUR POLITICAL FUTURE RIDES ON YOUR VOTE.

FROM: DAVID A. BRIDGES

PRESIDENT
ALTROL, INC.
FAIRBANKS

MARCH 25, 1992

STATE AFFAIRS COMMITTEE MEMBERS:
TO REPS.

CHAIRMAN GENE KUBINA
VICE CHAIRMAN TOM MOYER
BETTY BRUCKMAN
DAVE CHOQUETTE
LARRY BAKER
MAX GRUENBERG
MIKE MILLER

I AM OPPOSED TO HB 525 BUSINESS LICENSE TAX. THIS TAX WILL CAUSE MORE SMALL BUSINESS' TO GO OUT OF BUSINESS AS TOO MANY HAVE ALREADY HAD TO CLOSE. THE STATE BUDGET NEEDS TO BE CUT BEFORE IMPOSING ANY NEW TAXES. THE STATE NEEDS TO STOP COMPETING WITH SMALL BUSINESS'.

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Mary Ann Curtis



HOUSTON ADVANCED RESEARCH CENTER

Post-It™ brand fax transmittal memo 7671		# of pages :
To: <i>Gane Kubina</i>	From: <i>R. Wade</i>	
Co.	Co.	
Dept.	Phone: <i>835-4375</i>	
Fax: <i>465-2287</i>	Fax: <i>835-5996</i>	

Mr. Mead Treadwell
 Department of Environmental Conservation
 State of Alaska
 Juneau, Alaska

Dear Mr. Treadwell,

Personnel from the National Aeronautics and Space Administration (NASA)/Goddard Space Flight Center (GSFC) and the Houston Advanced Research Center (HARC) will be in Fairbanks, Alaska between April 6 and 16, 1992. This HARC/NASA team will be in the area to conduct various regional airborne environmental monitoring studies. A NASA research aircraft will be available to observe soon to be commercially operational sensing technologies through HARC. The primary sensor is an automated topographic mapper, which in a similar configuration can be used to map and fingerprint oil spills. HARC has been working closely with the State of Texas, the Marine Spill Response Corporation (MSRC), and Petroleos de Venezuela to help establish operational requirements for their particular spill response programs. HARC is a nonprofit corporation that is closely associated with 8 major universities, as well as numerous industries and government agencies.

Pursuant to conversations with Mr. Bob Knight, AKI Inc., we would recommend that this team visit with appropriate Alaskan officials with responsibility for State environmental matters and the development of an Alaskan Regional Response Coordination Center (ARRCC). Discussions will evolve around 1) a proposed management strategy with potential teaming arrangements for the Center and 2) technical capabilities that the ARRCC will likely need (i.e., user friendly computerized environmental data bases in support of spill response decision making, spill monitoring and fingerprinting, track modeling, bioremediation, effective response management strategies, telecommunications, sampling and clean up/recovery procedures, legal implications, and training and associated simulators). As a policy, our efforts utilize all existing local and regional expertise and talent.

As mentioned earlier, the team will be in Fairbanks from April 6 to 16, 1992. The available dates for the whole team to meet around the research operations schedule are April 10, 14, and 15. It would be easiest for the HARC/NASA team to meet with appropriate Alaskan personnel in Fairbanks, but we will also come to Anchorage as necessary. We thank you for your consideration and would welcome a response at your earliest convenience so that travel logistics can be accommodated.

Sincerely,

Yudi Gupta

HARC/Washington Office

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc. - Ketchikan

Subject: HB 525

It is unthinkable to us that the Alaska State Legislature would be considering a personal income tax at this time.

We urge you to consider every avenue available to reduce State Government spending before increasing any taxes or imposing any new taxes.

We believe there are many opportunities to economize before looking for new sources of revenue.

Sincerely,

Phillip Cannary

Phillip Cannary

St. R. T. Chandler

(TOM T. GARDNER)

Larry J. Suiter
LARRY J SUITER

J.R. Stack

J.R. Stack

Robert Purschwitz

ROBERT PURSCHWITZ

David G. Curtis
DAVID G. CURTIS

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc. - *Jureau*

Subject: MB 525

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We believe there are many opportunities to economize before looking for new sources of revenue.

Sincerely,

SAR

Susan A. Russo

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc. *Junson*

Subject: HB 525

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We believe there are many opportunities to economize before looking for new sources of revenue.

Sincerely,

Shirley Paul
3/27/92

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc. - *Jensen*

Subj.: HB 525

It is unthinkable to us that the Alaska State Legislature would be considering a personal income tax at this time.

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Sincerely,

Dawn L. Carlson

DAWN L. CARLSON

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc. *J. J. J. J.*

Subject: HB 525

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We urge you to consider every avenue available to reduce State Government spending before increasing any taxes or imposing any new taxes.

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Sincerely,

Kathleen Gamble

KATHLEEN GAMBLE

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc. *-Jensen*

Subject: HB 525

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Sincerely,

Candi Coecoran

CANDI COECORAN

3/26/92

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc. - *Jensen*

Subject: KB 525

It is unthinkable to us that the Alaska State Legislature would be considering a personal income tax at this time.

We urge you to consider every avenue available to reduce State Government spending before increasing any taxes or imposing any new taxes.

We believe there are many opportunities to economize before looking for new sources of revenue.

Sincerely,

Thomas M. Knuthson

Thomas M Knuthson

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc. - *Juneau*

Subject: HB 525

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Sincerely,

Kim Williams
Kim Williams

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc. - *JUNEAU*

Subject: HB 525

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Sincerely,

Ray Thibodeau

Ray Thibodeau 3-27-92

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc. *Jensen*

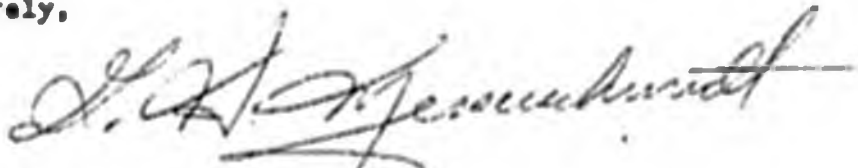
Subject: HB 525

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Sincerely,



G. Messerschmidt

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc. - *JUNEAU*

Subject: HB 525

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Sincerely,



DEL STACY

3-27-92

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc. - JUNEAU

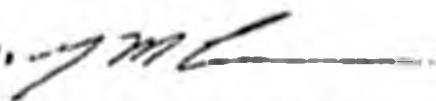
Subject: HB 525

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Sincerely,


Greg M. Lawrence

3-27-92

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc. - *JWC/94*

Subject: HB 525

It is unthinkable to us that the Alaska State Legislature would be considering a personal income tax at this time.

We urge you to consider every avenue available to reduce State Government spending before increasing any taxes or imposing any new taxes.

We believe there are many opportunities to economize before looking for new sources of revenue.

Sincerely, *Don Reid*

Don Reid

03/27/92

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc. - Sitka

Subject: HB 525

It is unthinkable to us that the Alaska State Legislature would be considering a personal income tax at this time.

We urge you to consider every avenue available to reduce State Government spending before increasing any taxes or imposing any new taxes.

We believe there are many opportunities to economize before looking for new sources of revenue.

Sincerely,

Gordon S. Harang
Gordon S. Harang

Louise Toombs
Louise Toombs

E. E. Hanson
E. E. Hanson

Jocelyn Cain
Jocelyn Cain

Jacque Warden
Jacque Warden

Kim E. Hanson
Kim E. Hanson

Genelle Gravelle
Genelle Gravelle

Paul Harvig

Paul Harvig

LEN RILEY

Larry Olson

LARRY OLSON

Lang F Olson

Ken Lamm

RON LAMM

John N. Hansen

JOHN N. HANSEN

George A. Casper

George A. Casper

Robert Y Warden

ROBERT Y WARDEN

John C Miller

John C Miller

Roger D. Higley

Roger D. Higley

Eileen K. Harang

Eileen K. Harang

James A. Hanson

James A. Hanson

Sound Development, Inc.

P O Box 1630

Cordova, AK 99574

Telephone 907 424-5660

FAX 907 424-5661

Destination: State Affairs Committee

Attention: _____ Date: _____ # of Pages _____

include this 1

Message:

Dear Sirs,

We are opposed to House bill 523 + 525.

We believe that the state budget needs
to be reduce. Small businesses will be
adversly effected by both of these
bills.

HB 523 will effect both the company
as a whole including the employees and

HB 525 effects our employees.

Again we are opposed!

President

Sender: Perry Beecher lat

Sound Development, Inc.

If you do not receive all pages, please call 1907) 424-5660

CLARION COMPANY

P.O. BOX 433 KODIAK, ALASKA 99615
(907) 486-3908 FAX (907) 486-3909

March 27, 1992

House Labor and Commerce Committee
Juneau, Alaska

RE: HB 523, HB 525

Members of the Committee:

I would like to take this opportunity to notify you of my strong opposition to both of the bills referenced above.

As I understand it, HB 523 proposes to impose a 1% tax on business gross receipts in excess of \$100,000. It will also impose a 7% net income tax on banks and savings and loan associations.

My business had over \$1 million in gross receipts in 1991, however, net income was less than \$20,000. The proposed gross receipts tax would have cost us approximately \$9,000, reducing our net income to about \$10,000. I would rather go out of business than put up with this type of oppressive tax.

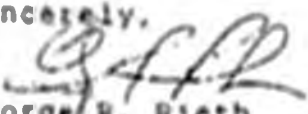
As to the bank tax, why are these institutions being singled out? I question the fairness of targeting a particular type of business for such "special" treatment.

HB 525 will attempt to resurrect the state income tax. Have all available means for reducing expenditures been exhausted prior to considering new taxes? During the past year, the entire country has been experiencing a recession. Many individuals have been laid off, taken pay cuts, suffered reduced profits, or gone out of business. How many state employees have taken real pay cuts? Have employee benefits been reduced? Is the state getting the most value out of its employees? Has state staffing been cut as much as possible?

When there are plenty of revenues, we seem to have no trouble finding ways to spend them, including staffing up for every contingency. Now, revenues have fallen, and it's time to cut back. Let's face it, it is always easier to hire than to fire, to spend rather than cut spending. Hard decisions need to be made, those that are affected will not be happy, but it is time to do what is necessary to cut costs, not burden everyone with more taxes.

Thank you.

Sincerely,


George R. Rieth
Partner

TO: Honorable State Affairs Committee Members

FROM: Teresa A. Robinson, Craig, AK

Subject: HB 525

I am Totally against any personal income tax. I am tired of watching most of my hard earned money being wasted by government spending. I want to see a significant budget cut and even more significant reductions in state spending (i.e. travel expenses for government employees). Too many taxes just make honest people try to find ways to pay less and even become dishonest in the process —

Give us a break! Teresa A. Robinson
 Vote NO new taxes!! Teresa A. Robinson

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc. - Craig, Alaska


Subject: HB 525

It is unthinkable to us that the Alaska State Legislature would be considering a personal income tax at this time.

We urge you to consider every avenue available to reduce State Government spending before increasing any taxes or imposing any new taxes.

We believe there are many opportunities to economize before looking for new sources of revenue.

Sincerely,


LARRY J. COLEMAN

Jessie A. Robinson
Teresa A. Robinson

José A. Cervera
JOSE A. CERVERA

Carl L. Tocco
Carl L. Tocco

To: Honorable State Affairs Committee Members

From: The undersigned employees of Arrowhead Transfer, Inc.

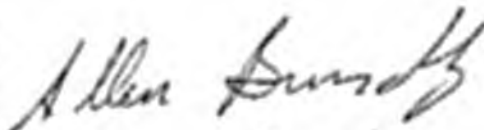
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We believe there are many opportunities to economize before looking for new sources of revenue.

Sincerely,



Allen Bundy

3/27/92

HB

525

file 2

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. HB 525

Revision Date: March 20, 1992
 Title: Taxation of Income and Individual tax credits
 Sponsor: Rep. Koponen
 Requestor: _____

Department Affected: Department of Revenue
 BRU: Revenue Operations
 Component: Income and Excise Audit

COMPONENT SERIAL NO. | 1 | 1 | 3 |

EXPENDITURES/REVENIES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	****	****	****	****	****	****
CAPITAL	****	****	****	****	****	****
REVENUE FUND SOURCE	****	****	****	****	****	****

FUNDING: (Thousands of Dollars)

GENERAL FUND	****	****	****	****	****	****
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	****	****	****	****	****	****

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS:

**** SEE ATTACHED

Prepared By: Rod Mourant *Rod Mourant* Phone: (907) 465-2300
 Division: Income and Excise Audit Date: March 20, 1992

Approved by Commissioner: Darrel J. Rexwinkel *Darrel Rexwinkel*
 Agency: Department of Revenue Date: 3/20/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Off., & Impacted Agency(ies).

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

P.O. BOX 3
JUNEAU, ALASKA 99811-0400
PHONE: (907) 465-2300
TELEFAX: (907) 465-2389

March 18, 1992

The Honorable Nillo Koponen
Alaska State Legislature
State Capitol Building, Rm. 503
Juneau, AK 99801

Dear Representative Koponen:

I received your memorandum of March 12, 1992, expressing your concerns with the status of fiscal notes on legislation which you have introduced and which affect the Department of Revenue.

In regard to HB 522 which deals with a Real Estate Conveyance Tax, this bill has not been scheduled for a hearing. HB 523, Business License Tax, has been scheduled for a hearing in Labor & Commerce Committee and we have begun work on a fiscal note. HB 524, Limited Entry Permit Transfer Tax, is not scheduled for a hearing.

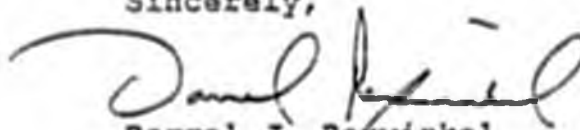
The Department of Revenue has reviewed your proposed legislation relating to the taxation of personal income, House Bill 525. As would be expected in legislation dealing with this complex area of law, the implications and meanings of the sections of this bill are complex and interrelated. The department has determined that preparation of a fiscal note taking into account all the provisions of the proposed legislation would require approximately 300 hours of effort to calculate revenues and cost. We are simply not in a position to devote staff effort of this magnitude in a short time period.

I have attached a fiscal note for legislation dealing with personal income tax which the legislature considered in 1987. When reviewing this material it should be remembered that the legislation as well as the current state demographics are significantly different as would be the resultant calculations. In 1987, when the last calculation was done, the cost estimate to operate the program by the Department of Revenue was \$1,345,000. Cost in today's dollars would be approximately \$1,715,000. Revenues to the state would total between \$250 and \$400 million. As your legislation moves through the process, the Department of Revenue will devote time to the effort of arriving at a fiscal note that reasonably accommodates all of the bill's provisions.

It is my understanding that the effort to develop a fiscal note in 1987 required approximately six months of Department of Revenue staff time to prepare the cost and revenue analysis. Based on our current staffing, the majority of this time would now result in reduced audit efforts and therefore reduced revenues. The effort in 1987 was reviewed by Legislative Finance Division and a copy of their April 21, 1987 analysis is attached.

I apologize for any misunderstanding of our efforts that may have occurred and encourage you to contact this office when concerns arise in the future.

Sincerely,



Darrel J. Rexwinkel
Commissioner

cc: Max Hodel, Chief-of-Staff, Office of the Governor
Paul Fuhs, Legislative Liaison, Office of the Governor
Larry E. Myers, Director Income & Excise Audit Division
Rod Mourant, Special Assistant to the Commissioner
Representative Davidson
Representative Finklestein
Representative Kubina
Representative Mackie
House Finance Committee
Senate Finance Committee

Enclosure

DJR:rm
92-065

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE
2 CS FOR HOUSE BILL NO. 154 (State Affairs)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the taxation of income; relating
7 to individual tax credits; and providing for an
8 effective date."

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

10 * Section 1. AS 43.20.011 is amended by adding new subsections to read:

11 (g) There is imposed for each taxable year upon the taxable
12 income of every resident, nonresident, and part-year resident indi-
13 vidual and fiduciary of the state, except those subject to the rates
14 in (h), (i), and (j) of this section, a tax computed according to the
15 following table:

16 If the taxable income is:	Then the tax is:
17 Over \$31 but less than \$30,000	3.2 percent of taxable income
18 \$30,000 or more	\$960 plus 5.7 percent of the 19 excess over \$30,000.

20 (h) There is imposed for each taxable year upon the taxable
21 income of every resident, nonresident, and part-year resident married
22 individual who makes a single return jointly with a spouse, as provid-
23 ed in 26 U.S.C. 6013 (Internal Revenue Code), and upon every resident,
24 nonresident, and part-year resident surviving spouse, as defined in 26
25 U.S.C. 2(a) (Internal Revenue Code), a tax computed according to the
26 following table:

27 If the taxable income is:	Then the tax is:
28 Over \$31 but less than \$30,000	3.2 percent of taxable income
29 \$30,000 or more	\$1,600 plus 5.7 percent of the

1 excess over \$30,000.

2 (i) There is imposed for each taxable year upon the taxable
3 income of every resident, nonresident, and part-year resident head of
4 a household, as defined in 26 U.S.C. 2(b) (Internal Revenue Code), a
5 tax computed according to the following table:

6 If the taxable income is:	Then the tax is:
7 Over \$31 but less than \$40,000	3.2 percent of taxable income
8 \$40,000 or more	\$1,280 plus 5.7 percent of the 9 excess over \$40,000.

10 (j) There is imposed for each taxable year upon the taxable
11 income of every resident, nonresident, and part-year resident married
12 individual who does not make a single return jointly with a spouse a
13 tax computed according to the following table:

14 If the taxable income is:	Then the tax is:
15 Over \$31 but less than \$25,000	3.2 percent of taxable income
16 \$25,000 or more	\$800 plus 5.7 percent of the 17 excess over \$25,000.

18 (k) In (g), (h), (i), and (j) of this section, the tax on a
19 nonresident or part-year resident individual or fiduciary is the tax
20 computed on taxable income from all sources, multiplied by a fraction
21 the numerator of which is adjusted gross income from sources in the
22 state and the denominator of which is adjusted gross income from all
23 sources.

24 (l) An individual shall determine the tax under this section
25 using the same filing status as used on the individual's federal
26 return.

27 • Sec. 2. AS 43.20.030(a) is amended to read:

28 (a) Every individual, fiduciary, and [IF A PARTNERSHIP WHICH HAS
29 A CORPORATION AS A PARTNER OR A] corporation [IS] required to make a

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.

**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., Adm. 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	282,000	290,000

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

Prepared By: Steven E. Kettel *Steven E. Kettel* Phone: 465-2320
Division: Audit Date: 3/13/87
Approved by Commissioner: J. Malone *J. Malone* 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

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: _____

Publish Date: _____

Revision Date: _____

Title: State Individual Income Tax

Agency Affected: Revenue

BRU: Audit

Sponsor: _____

Requestor: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

LOCATIONS:

FULL-TIME	-	7	10	10	10	10
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: See attached

John E. Kelly

Prepared By: _____

Division: Audit

Phone: 465-2370

Date: 2/13/87

Approved by Commissioner: _____

Agency: _____

Date: 3/10/87

Distribution (by Agency preparing fiscal note):

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

INDIVIDUAL INCOME TAX
FISCAL NOTE ANALYSIS

Assumptions

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

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

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

	<u>FY 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	26.8
1 Clerk Typist III	19.1	25.4
1 Clerk Typist II	17.9	23.9
2 Revenue Auditor III		96.4
2 Tax Examiner II		64.1
2 Clerk Typist III		50.9
2 Revenue Auditor I		72.8
1 Appeals Officer III		48.2
	<u>\$171.2</u>	<u>\$560.7</u>
<u>Travel and Per Diem</u>		
	<u>\$ 4.2</u>	<u>\$ 14.0</u>
	<u>\$ 4.2*</u>	<u>\$ 14.0</u>
<u>Contractual</u>		
Training	4.0	14.5
Wang Terminals & Software	50.0	99.1
	<u>\$ 54.0</u>	<u>\$113.6</u>

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

Individual Income Tax
Fiscal Impact

A. System Requirements

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

a) Personal Service Costs

<u>POSITIONS</u>	<u>RANGE</u>	<u>MONTHLY SALARY</u>	<u>ANNUAL SALARY WITH BENEFITS</u>
Revenue Auditor IV	20	3,564	55,170
Tax Examiner III	14	2,353	36,426
Tax Examiner II	12	2,072	32,075
Tax Examiner I	10	1,835	28,405
Clerk IV	9	1,731	26,796
Clerk Typist III	8	1,631	25,448
Clerk Typist II	7	1,545	<u>23,917</u>

TOTAL PERSONAL SERVICE EXPENDITURES

229,222

b) Contractual: 6 terminals, IOP, Memory upgrade, Communications	\$ 50,000
c) Supplies: miscellaneous	4,500
d) Training	4,000
e) Equipment: microfilm r/p, printer, desks, chairs, etc.	<u>21,000</u>
TOTAL EXPENDITURES	<u>\$309,735</u>

15. Perform Field Audit

a) Personal Service Costs

JUNEAU - 3 POSITIONS

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

b) Contractual: 3 terminals, Communications	\$ 18,000
c) Supplies: miscellaneous	2,000
d) Training	3,000
e) Equipment: desks, chairs, etc.	11,000
f) Travel	<u>5,000</u>
TOTAL EXPENDITURES	<u>\$140,012</u>

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	\$ 36,423
Revenue Auditor I	14	2,353	36,423
Revenue Auditor III	18	3,113	48,189
Clerk Typist III	8	1,631	<u>25,448</u>
TOTAL PERSONAL SERVICE EXPENDITURES			<u>\$146,483</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 \$104,485

APPEALS - 2 POSITIONS

a) Personal Service Costs

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

TOTAL PERSONAL SERVICE EXPENDITURES \$80,264

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

TOTAL EXPENDITURES \$102,389

GRAND TOTAL EXPENDITURES \$751,321

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST

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

Bill Version: HB 154
 Publish Date: _____

Agency Affected: Revenue
 DRU: Enforcement

Components: Enforcement--Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Please see the attached analysis.

Prepared By: Thomas G. Williams
 Division: Enforcement Division

Phone: 465-2366
 Date: March 13, 1987

Approved by Commissioner: [Signature]
 Agency: _____

Date: 3/16/87

Distribution (by Agency preparing fiscal note):

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

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

ASSUMPTIONS

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

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

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

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

COMPUTATIONS--FY '88

Personal Services

1	Revenue Enforcement Officer III (range 18, @ 49.0/year)	16.9
1	Revenue Enforcement Officer II (range 16, @ 42.8/year)	14.8
2	Tax Collection Specialist II (range 12, @ 33.6/year)	23.0
1	Accounting Clerk III (range 10, @ 30.0/year)	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
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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	.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	195.0

Total FY '89 Personal Services 256.2

Travel

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

Total FY '89 Travel 28.0

Contractual Services

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

Total FY '89 Contractual Services 19.5

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

Equipment

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

Total FY '89 Equipment Costs 47.7

Total FY '89 Costs \$ 353.0

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

Computations--FY '90

Personal Services

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

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)	<u>11.6</u>

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)	<u>4.8</u>

Total FY '90 Contractual Services 137.0

Commodities

	Paper, pens, etc.	(14 employees @ \$250/year)	<u>3.5</u>
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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	<u>1.4</u>

Total FY '90 Equipment Costs 26.3

Total FY '90 \$ 778.7

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

	Staffing Levels								
	As of 07/01/87	+	FY 88 Addn	+	FY 89 Addn	+	FY 90 Addn	=	As of 07/01/89
<u>Collectors</u>									
Tax Collection Specialists	4		2		2		1		9
Revenue Enforcement Officer IIs	2		1		-0-		2		5
Revenue Enforcement Officer IIIs	1		1		-0-		1		3
<u>Total Collectors</u>	<u>7</u>		<u>4</u>		<u>2</u>		<u>4</u>		<u>17</u>
<u>Support Staff</u>									
Supervisors/Technical Advisors	2		-0-		1		-0-		3
Accounting Clerks	1		1		1		-0-		3
Clerk Typists	2		-0-		1		-0-		3
<u>Total Support Staff</u>	<u>5</u>		<u>1</u>		<u>3</u>		<u>-0-</u>		<u>9</u>
<u>Total Staffing</u>	<u>12</u>		<u>5</u>		<u>5</u>		<u>4</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>1,961</u>				

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	1 REO IV 2 REO II 1 TCS II 1 CT III	-0-
<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>

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 140/HD 154

Publish Date: _____

REQUEST _____

Revision Date: _____

Agency Affected: Revenue _____

Title: "Taxation of income derived by individuals, partnerships, & fiduciaries."

ORU: Public Services - Operating _____

Sponsor: Rules Committee by the Governor _____

Components: _____

Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	0	19.5	250.3	270.6	281.4	292.7
TRAVEL	0	16.5	22.0	8.4	0.7	9.1
CONTRACTUAL	0	98.0	136.5	102.0	107.1	111.0
SUPPLIES	0	.5	6.0	6.5	7.0	7.5
EQUIPMENT	0	5.0	31.2	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS/CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	159.5	446.0	387.5	404.2	420.3

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	159.5	446.0	387.5	404.2	420.3
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	159.5	446.0	387.5	404.2	420.3

POSITIONS:

FULL-TIME	0	1	9	9	9	9
PART-TIME	0	0	3	3	3	3
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

See attached

Prepared by: Sally Smith *Sally Smith*

Phone: 465-2392

Division: Public Services

Date: February 26, 1987

Approved by: J. Malone

Date: 3/16/87

Agency: Revenue

Distribution (by Agency preparing fiscal note):

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

Assumptions

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

Public Services Operating ASU

Expenditures

<u>100 Personal Services</u>		<u>FY 88</u>	<u>FY 89</u>	
1-	Revenue Office Manager	3,293 @ 12 mos.	39.5	39.5
2-	Document Processing Clerk III	2,468 @ 10 mos.		49.4
3-	Document Processing Clerk II	2,221 @ 10 mos.		66.6
1-	Document Processing Clerk II	2,468 @ 10 mos.		24.7
2-	Clerk Typist II	2,118 @ 10 mos.		42.4
2-	Document Processor II	2,221 @ 4 mos.		17.8
1	Document Processor II	2,468 @ 4 mos.		<u>2.9</u>
Total Annual Wages and Benefits			39.5	250.3

The Revenue Office Manager's position will be activated in July of 1987 to develop employee training for the division and employer training for the public on the withholding requirements which will begin in the first quarter of 1988. The remaining positions will be activated in September 1988 to allow for training of individual income tax issues. Filing of individual income taxes will start January 1, 1989 and be required on April 15, 1989.

200 Travel

Employer Training

One Employee to Anchorage, Fairbanks, Nome, Kotzebue, Barrow, Kodiak, Kenai Peninsula, Sitka, Ketchikan, Bethel, Petersburg, and Wrangell	6.5	-0-
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Administrative Travel

Anchorage and Fairbanks	18.0	12.0
<u>Employee Training</u>		<u>18.0</u>
Total Travel	18.5	22.0

Employees hired to assist the general public in the completion of their individual income tax returns will be required to participate in a training course. Funds are designated above to facilitate course presentation in Anchorage and Juneau.

100 Contractual

	FY88	FY89
Advertising campaign		
Withholding requirements	45.0	80.0
Income tax filing		
Postage	30.0	0.5
Printing	5.0	5.0
Telephone Charges	15.0	30.0
Messenger Service	2.0	5.0
Computer Terminal Maintenance (7)	.5	3.5
Publications	.5	2.0
Reconfiguration of Office Space	<u>0.0</u>	<u>2.5</u>

Total Contractual 98.0 136.5

Enactment of the individual income tax with the requirement for employer withholding from wages will be brought to the attention of the public. Funds are requested for production of a television and radio advertising campaign plus two mailouts to all businesses informing them of the requirement to withhold an employee's wages. Funds are also requested in FY 89 for a general newspaper, radio and television campaign to notify the general public to file, where to file, and where to get help in completing their returns.

500 Supplies

Office Supplies	.5	6.9
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Office supplies are estimated at \$.5 per employee.

500 Equipment

Office Equipment	5.0	31.2
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Office equipment and furniture includes desks, chairs, calculators, file cabinets, and computer terminals.