

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version:	HB 4004
Fiscal Note Number:	1
(H) Publish Date:	5/27/2016

Identifier: DOR-TAX-5-26-16
Title: INDIVIDUAL INCOME TAX
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: Governor

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2017 Request	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES	FY 2017	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
Personal Services	150.0		150.0	150.0	150.0	150.0	150.0	150.0
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	150.0	0.0	150.0	150.0	150.0	150.0	150.0	150.0

Fund Source (Operating Only)

1004 Gen Fund	150.0		150.0	150.0	150.0	150.0	150.0	150.0
Total	150.0	0.0	150.0	150.0	150.0	150.0	150.0	150.0

Positions

Full-time	1.0		1.0	1.0	1.0	1.0	1.0	1.0
Part-time								
Temporary								

Change in Revenues			100,000.0	205,000.0	210,000.0	215,000.0	220,000.0	
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Estimated SUPPLEMENTAL (FY2016) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 500.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? yes
If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/18

Why this fiscal note differs from previous version:

Original bill version, based on language split out from original omnibus special session tax bill HB/SB 4001.

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Division:	Tax	Date:	05/26/2016 02:00 PM
Approved By:	Jerry Burnett, Deputy Commissioner	Date:	05/26/16
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

Analysis

Bill Analysis

The bill establishes a personal income tax based on 6% of the taxpayer's federal tax liability. The tax is payable by both Alaska residents and non-residents. The tax on non-residents is calculated based on the portion of their calendar year income derived from a source in the State.

To qualify as "from a source in the state," income is broadly defined to include regular compensation, as well as income and rents from property, business, and other assets within Alaska. Business income, including partnership income and earnings from subchapter-S corporations transacting business in Alaska will also be subject to this tax.

The bill provides for withholding of income by employers, with regular remittance to the state. Employers must also provide annual income statements analogous to the federal W-2. The annual tax return would be due at the same time as the federal return. This portion of the bill has a delayed effective date, applying to income earned after January 1, 2018. At full implementation, revenue will be about \$200 million / year.

Implementation Cost

The Department is requesting \$500.0 in FY17 capital funds to begin the process of planning for the 2018 implementation of the individual income tax component. With these funds, we will engage with outside expertise with experience building an individual income tax at the state level. We will also begin the outreach to Alaska's business community to prepare for wage withholding. The essential deliverable of the outside contract will be an implementation plan that includes staffing, infrastructure, and additional outreach needs. The full cost of implementing this tax will be brought to the legislature during the 2017 regular session. We are also requesting one new employee, an Income and Excise Specialist (Range 25A) to lead the project.