

BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced:
Referred:

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the taxation of income of individuals; repealing tax credits applied**
2 **against the tax on individuals under the Alaska Net Income Tax Act; and providing for**
3 **an effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 *** Section 1.** AS 43 is amended by adding a new chapter to read:

6 **Chapter 22. Individual Income Tax.**

7 **Sec. 43.22.010. Tax on individuals.** (a) A tax is imposed for each calendar
8 year or fraction of a calendar year on every

9 (1) resident individual with income from a source in the state; and

10 (2) nonresident individual with income from a source in the state.

11 (b) The tax under this section is equal to six percent of the taxpayer's total
12 federal income tax due on the amount of the taxpayer's income that is from a source in
13 the state.

14

1 (c) In this section "federal income tax due" means the total tax due to the
2 federal government as reported by the taxpayer on a federal individual income tax
3 return.

4 **Sec. 43.22.020. Returns and payment of taxes.** (a) An individual required to
5 make a return under the provisions of the Internal Revenue Code shall file with the
6 department a return setting out

7 (1) the amount of tax due under this chapter; and

8 (2) other information for the purpose of carrying out the provisions of
9 this chapter that the department requires.

10 (b) The return must either be on oath or contain a written declaration that it is
11 made under penalty of perjury, and the department shall prescribe forms accordingly.

12 (c) The total amount of tax imposed by this chapter is due and payable to the
13 department at the same time and in the same manner as the tax payable to the United
14 States Internal Revenue Service.

15 (d) A taxpayer, upon request by the department, shall furnish to the
16 department a true and correct copy of the tax return that the taxpayer has filed with the
17 United States Internal Revenue Service. Every taxpayer shall notify the department in
18 writing of an alteration in, or modification of, the taxpayer's federal income tax return
19 and of a recomputation of tax or determination of deficiency, whether with or without
20 assessment. A full statement of the facts must accompany this notice. The taxpayer
21 shall file the notice within 60 days after the final determination of the alteration,
22 modification, recomputation, or deficiency, and the taxpayer shall pay any additional
23 tax due under this chapter at that time. For purposes of this subsection, a final
24 determination means the time that an amended federal return is filed or a notice of
25 deficiency or an assessment is mailed to the taxpayer by the Internal Revenue Service,
26 and the taxpayer has exhausted rights of appeal under federal law.

27 (e) The department may credit or refund overpayments of taxes, taxes
28 erroneously or illegally assessed or collected, penalties collected without authority,
29 and taxes that are found unjustly assessed or excessive in amount, or otherwise
30 wrongfully collected. The department shall set limitations, specify the manner in
31 which claims for credits or refunds are made, and give notice of allowance or

1 disallowance. When a refund is allowed to a taxpayer, it may be paid out of the
2 general fund on a warrant issued under a voucher approved by the department.

3 **Sec. 43.22.030. Income from sources in the state.** (a) For purposes of
4 AS 43.22.010(a), income from a source in the state includes

5 (1) compensation for personal services rendered in the state;

6 (2) salary or wages earned in the state;

7 (3) income from real or tangible personal property located in the state;

8 (4) income from stocks, bonds, notes, bank deposits, and other
9 intangible personal property having a taxable or business situs in the state; however,
10 the receipt of interest income from intangible property in the state does not alone
11 establish a taxable or business situs in the state;

12 (5) rentals and royalties for the use of or for the privilege of using, in
13 the state, patents, copyrights, secret processes and formulas, good will, marks, trade
14 brands, franchises, and other property having a taxable or business situs in the state;

15 (6) income distributed from a trust established under or governed by
16 the laws of the state;

17 (7) income from a source with a taxable or business situs in the state of

18 (A) a trust not established under or governed by the laws of the
19 state; or

20 (B) the estate of a decedent who on the date of death was not
21 domiciled in the state;

22 (8) income of whatever nature from a source with a taxable or business
23 situs in the state.

24 (b) In (a) of this section, income is from a source with a taxable or business
25 situs in the state if it is attributed to or derived from

26 (1) business facilities or property in the state;

27 (2) business, farming, or fishing activities in the state;

28 (3) conducting in the state the management or investment function for
29 intangible property;

30 (4) a partnership, limited liability company, estate, or trust conducting
31 business activities in the state;

1 (5) a corporation transacting business activities in the state that has
2 elected to file federal returns under subchapter S of the Internal Revenue Code;

3 (6) any other activity from which income is received, realized, or
4 derived in the state.

5 (c) For purposes of (a) of this section, if a business, trade, or profession is
6 carried on partly inside and partly outside the state, other than the rendering of purely
7 personal services by an individual, the income from sources in the state shall be
8 determined as provided in AS 43.19.

9 **Sec. 43.22.040. Tax withholding on wages of individuals.** (a) Every
10 employer making payment of wages, salaries, or crew shares

11 (1) shall deduct and withhold an amount of tax computed in a manner
12 to approximate the amount of tax due on those wages, salaries, or crew shares under
13 this chapter for that calendar year;

14 (2) shall remit the tax withheld to the department accompanied by a
15 return on a form prescribed by the department at the times required by the department
16 by regulation;

17 (3) is liable for the payment of the tax required to be deducted and
18 withheld under this section but is not liable to any individual for the amount of the
19 payment; and

20 (4) shall furnish to the employee on or before January 31 of the
21 succeeding year, or within 30 days after a request by the employee after the
22 employee's termination if the 30-day period ends before January 31, a written
23 statement on a form prescribed by the department showing the

24 (A) name and taxpayer identification number of the employer;

25 (B) name and social security number of the employee;

26 (C) total amount of wages, salary, or crew shares for the
27 calendar year; and

28 (D) total amount deducted and withheld as tax under this
29 chapter for the calendar year.

30 (b) The department shall publish the rate of withholding required by this
31 section.

1 (c) In this section,

2 (1) "employee" includes an individual who receives compensation on a
3 crew share basis in connection with a commercial fishing activity;

4 (2) "employer" includes a person who pays compensation to an
5 individual on a crew share basis in connection with a commercial fishing activity.

6 **Sec. 43.22.050. Administration.** The department shall prescribe all necessary
7 forms and adopt regulations to implement and interpret this chapter, including
8 regulations for the online filing and payment of tax due under this chapter. The
9 department may incorporate into the regulations provisions of the Internal Revenue
10 Code that are necessary or useful to the administration of this chapter.

11 **Sec. 43.22.190. Definitions.** In this chapter,

12 (1) "domiciled" means established in a true principal permanent home
13 to which the individual has the intention of returning whenever absent;

14 (2) "individual" means a natural person, married or unmarried, adult or
15 minor, subject to payment of income tax under 26 U.S.C. (Internal Revenue Code);

16 (3) "Internal Revenue Code" means the Internal Revenue Code of the
17 United States (26 U.S.C.) as the code exists now or as hereafter amended, as the code
18 and amendments apply to the normal taxes and surtax on net incomes, which
19 amendments are operative for the purposes of this chapter as of the time they became
20 operative or will become operative under federal law;

21 (4) "nonresident" means an individual who is not a resident;

22 (5) "resident" means an individual who

23 (A) was domiciled in the state or resided in the state for the
24 entire calendar year;

25 (B) claims to be a resident of the state on the individual's
26 federal tax forms;

27 (C) receives a permanent fund dividend under AS 43.23;

28 (D) is registered to vote under AS 15; or

29 (E) received a resident fishing, hunting, or trapping license
30 during the calendar year under AS 16;

31 (6) "taxpayer" means a person subject to a tax imposed by this chapter.

1 * **Sec. 2.** AS 43.05.085; AS 43.20.012(b), and 43.20.013 are repealed.

2 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 APPLICABILITY. This Act applies to income received on or after the effective date
5 of this Act.

6 * **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to
7 read:

8 TRANSITIONAL PROVISION: REGULATIONS. The Department of Revenue may
9 adopt regulations necessary to implement the changes made by this act. The regulations take
10 effect under AS 44.62 (Administrative Procedure Act), but not before January 1, 2017.

11 * **Sec. 5.** Section 4 of this Act takes effect immediately under AS 01.10.070(c).

12 * **Sec. 6.** Except as provided in sec. 5 of this Act, this Act takes effect January 1, 2017.