

HOUSE BILL NO. 146

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE CLAMAN

Introduced: 2/24/17

Referred: Education, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act imposing a school tax on net earnings from self-employment and wages;
2 relating to a payment against the school tax from the permanent fund dividend
3 disbursement; and providing for an effective date."

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

5 * **Section 1.** AS 43.23 is amended by adding a new section to read:

6 **Sec. 43.23.092. Permanent fund dividend school tax payment.** In
7 accordance with AS 43.45.011(d), the department shall prepare the Alaska permanent
8 fund dividend application to allow an applicant to direct the department to hold all or
9 part of the amount of the individual's permanent fund dividend for application against
10 the school tax imposed under AS 43.45.011.

11 * **Sec. 2.** AS 43.45 is amended by adding a new section to read:

12 **Chapter 45. School Tax.**

13 **Sec. 43.45.011. School tax imposed; payment by dividend.** (a) A tax is
14 imposed on the adjusted gross income of every

1 (1) resident individual; and
 2 (2) nonresident and part-year resident individual with income from a
 3 source in the state.

4 (b) For a taxpayer whose adjusted gross income is

- 5 (1) less than \$20,000, the tax is \$100 a year;
- 6 (2) \$20,000 or more, but less than \$40,000, the tax is \$250 a year;
- 7 (3) \$40,000 or more, but less than \$50,000, the tax is \$500 a year;
- 8 (4) \$50,000 or more, but less than \$75,000, the tax is \$750 a year;
- 9 (5) \$75,000 or more, but less than \$100,000, the tax is \$1,000 a year;
- 10 (6) \$100,000 or more, but less than \$150,000, the tax is \$2,500 a year;
- 11 (7) \$150,000 or more, but less than \$200,000, the tax is \$5,000 a year;
- 12 (8) \$200,000 or more, but less than \$250,000, the tax is \$6,500 a year;
- 13 (9) \$250,000 or more, the tax is \$8,500 a year.

14 (c) For purposes of (b) of this section,

15 (1) the adjusted gross income of a

16 (A) resident is the total adjusted gross income of the resident;

17 (B) nonresident or part-year resident is the adjusted gross
 18 income of the nonresident or part-year resident that is attributable to a source
 19 in the state;

20 (2) the department shall assess the tax due on the adjusted gross
 21 income of

22 (A) an individual, if the individual files a federal income tax
 23 return only on the individual's own behalf;

24 (B) two or more individuals, including dependents, if those
 25 individuals file one federal income tax return together;

26 (C) an individual, if the individual does not file a federal
 27 income tax return.

28 (d) The department shall adopt regulations establishing procedures for an
 29 individual eligible for a dividend under AS 43.23.005 to direct the department to hold
 30 all or a part of the amount of the dividend to pay the tax due under this section. The
 31 amount held under this section may not exceed the dividend amount after

1 contributions, garnishments, levies, fees, attachments, assignments, or other reductions
 2 or donations allowed under AS 43.23. The department shall apply the amount held
 3 under this section to the tax period in which the taxpayer applies for the dividend. The
 4 department shall refund the amount of the dividend not applied against taxes under
 5 this section to the individual who appears on the application for the dividend.

6 (e) An individual subject to tax under this section shall, upon request by the
 7 department, furnish to the department a true and correct copy of the tax return which
 8 the taxpayer has filed with the Internal Revenue Service. Every taxpayer shall notify
 9 the department in writing of any alteration in, or modification of, the taxpayer's federal
 10 income tax return and of a recomputation of tax or determination of deficiency,
 11 whether with or without assessment. A full statement of the facts must accompany this
 12 notice. The notice shall be filed within 60 days after the final determination of the
 13 modification, recomputation, or deficiency, and the taxpayer shall pay the additional
 14 tax or penalty under this chapter. In this subsection, "final determination" means the
 15 time that an amended federal return is filed or a notice of deficiency or an assessment
 16 is mailed to the taxpayer by the Internal Revenue Service; there is no final
 17 determination for purposes of this subsection until the taxpayer has exhausted rights of
 18 appeal under federal law.

19 (f) The department shall adopt regulations to implement this section, including
 20 regulations that

21 (1) notwithstanding AS 43.05.225, set the annual interest rate of a
 22 delinquent tax under this section at 18 percent;

23 (2) in addition to fees assessed under AS 43.05.245, establish a fee of
 24 not more than \$2,500 for the cost of collecting a tax delinquent under this chapter;

25 (3) at the discretion of the department, allow a taxpayer a 90-day
 26 extension from the date the tax is due for the filing and payment of the tax and the
 27 accrual of interest and fees; and

28 (4) determine the adjusted gross income subject to tax under this
 29 section of two individuals who file jointly if at least one of the individuals is not a
 30 resident of the state.

31 (g) The tax and penalties collected by the department under this section shall

1 be deposited into the general fund and accounted for separately. The legislature may
2 appropriate the estimated amounts to be collected and separately accounted for under
3 this subsection into the public education fund established in AS 14.17.300. Nothing in
4 this subsection creates a dedicated fund.

5 (h) In this section, "adjusted gross income" has the meaning given in 26
6 U.S.C. 62.

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

9 REGULATIONS. The Department of Revenue may adopt regulations to implement
10 sec. 2 of this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act),
11 but not before the effective date of sec. 2 of this Act.

12 * **Sec. 4.** Section 3 of this Act takes effect immediately under AS 01.10.070(c).

13 * **Sec. 5.** Except as provided in sec. 4 of this Act, this Act takes effect January 1, 2018.