

**HOUSE BILL NO. 306**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE THOMPSON

Introduced: 2/17/14

Referred:

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to tax credits and administration of tax credit programs; requiring the  
2 Department of Revenue to report indirect expenditures; relating to the duties of state  
3 agencies; requiring the legislative finance division to analyze certain indirect  
4 expenditures; relating to lapse dates for appropriations for capital projects; repealing  
5 certain statutes authorizing indirect expenditures; and providing for an effective date."

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

7 \* **Section 1.** AS 21.09.210(j) is amended to read:

8 (j) The provisions of AS 21.96.075 [AS 21.96.070 AND 21.96.075] apply to a  
9 taxpayer who is required to pay a tax due under this section.

10 \* **Sec. 2.** AS 24.20.231 is amended to read:

11 **Sec. 24.20.231. Duties.** The legislative finance division shall

12 (1) analyze the budget and appropriation requests of each department,  
13 institution, bureau, board, commission, or other agency of state government;

- 1 (2) analyze the revenue requirements of the state;
- 2 (3) provide the finance committees of the legislature with  
3 comprehensive budget review and fiscal analysis services;
- 4 (4) cooperate with the office of management and budget in establishing  
5 a comprehensive system for state budgeting and financial management as set out in  
6 AS 37.07 (Executive Budget Act);
- 7 (5) complete studies and prepare reports, memoranda, or other  
8 materials as directed by the Legislative Budget and Audit Committee;
- 9 (6) with the governor's permission, designate the legislative fiscal  
10 analyst to serve ex officio on the governor's budget review committee; [AND]
- 11 (7) identify the actual reduction in state expenditures in the first fiscal  
12 year following a review under AS 44.66.040 resulting from that review and inform the  
13 Legislative Budget and Audit Committee of the amount of the reduction; **and**
- 14 **(8) not later than the first legislative day of each first regular**  
15 **session of each legislature, conduct a review in accordance with AS 24.20.235 of**  
16 **the report provided to the division under AS 43.05.095.**

17 \* **Sec. 3.** AS 24.20 is amended by adding a new section to read:

18 **Sec. 24.20.235. Indirect expenditure report.** (a) Every year, the legislative  
19 finance division shall deliver to the chair of the finance committee in each house of the  
20 legislature a report analyzing the indirect expenditure report created under  
21 AS 43.05.095 for the appropriate agencies listed in this subsection. The first review  
22 shall occur in the calendar year set out after each agency's name, as follows, and  
23 subsequent reviews of each agency shall occur every six years:

- 24 (1) Department of Commerce, Community, and Economic  
25 Development, 2015;
- 26 (2) Department of Fish and Game, 2015;
- 27 (3) Department of Health and Social Services, 2015;
- 28 (4) Department of Labor and Workforce Development, 2015;
- 29 (5) Department of Revenue, 2015;
- 30 (6) Alaska Court System, 2017;
- 31 (7) Department of Administration, 2017;

- 1 (8) Department of Education and Early Development, 2017;  
 2 (9) Department of Environmental Conservation, 2017;  
 3 (10) Department of Natural Resources, 2017;  
 4 (11) Department of Transportation and Public Facilities, 2017;  
 5 (12) all remaining agencies, 2019.

6 (b) The report prepared under this section must provide

- 7 (1) an estimate of the revenue foregone by the state because of the  
 8 indirect expenditure;  
 9 (2) an estimate of the monetary benefit of the indirect expenditure to  
 10 the recipients of the benefit of the indirect expenditure;  
 11 (3) a determination of whether the legislative intent of the indirect  
 12 expenditure is being met and, if necessary, a determination of why the legislative  
 13 intent of the indirect expenditure is not being met;  
 14 (4) a recommendation as to whether each indirect expenditure should  
 15 be continued, modified, or terminated, a basis for the recommendation, and the  
 16 expected effect on the economy of the state if the recommendation is executed; and  
 17 (5) an explanation of the methodology and assumptions used in  
 18 preparing the report.

19 \* **Sec. 4.** AS 37.05.316 is amended by adding a new subsection to read:

20 (c) An appropriation or allocation for a grant to a named recipient that is not a  
 21 municipality lapses if substantial, ongoing work on the project has not begun within  
 22 five years after the effective date of the appropriation or allocation.

23 \* **Sec. 5.** AS 37.05.317 is amended by adding a new subsection to read:

24 (c) An appropriation or allocation for a grant to an unincorporated community  
 25 lapses if substantial, ongoing work on the project has not begun within five years after  
 26 the effective date of the appropriation or allocation.

27 \* **Sec. 6.** AS 37.25.020 is amended to read:

28 **Sec. 37.25.020. Unexpended balances of appropriation for capital projects.**

29 An appropriation made for a capital project is valid for the life of the project and the  
 30 unexpended balance shall be carried forward to subsequent fiscal years **if substantial,**  
 31 **ongoing work on the project has begun within five years after the effective date of**

1        **the appropriation.** Between July 1 and August 31 of each fiscal year, a statement  
 2        supporting the amount of the unexpended balance required to complete the projects for  
 3        which the initial appropriation was made and the amount that may be lapsed shall be  
 4        recorded with the Department of Administration.

5        \* **Sec. 7.** AS 38.05.150(d) is amended to read:

6                (d) For the privilege of mining or extracting the coal in the land covered by  
 7        the lease, the lessee

8                        (1) shall pay to the state the royalties specified in the lease; the  
 9        royalties shall be fixed before offering the lease, and shall be effective for a period of  
 10       not more than 20 years; the royalties shall be not less than five cents a ton of 2,000  
 11       pounds; [THE ROYALTY PAYMENT IS SUBJECT TO THE EXPLORATION  
 12       INCENTIVE CREDIT AUTHORIZED BY AS 27.30;]

13                      (2) shall also pay an annual rental, payable at the date of the lease and  
 14       annually thereafter, on the land or coal deposits covered by the lease, at a rate fixed by  
 15       the commissioner before offering the lease; the annual rental shall be effective for a  
 16       period of not more than 20 years; the annual rental shall be not less than 25 cents an  
 17       acre for the first year of the lease, not less than 50 cents an acre for the second year,  
 18       third year, fourth year and fifth year, and not less than \$1 an acre for each year  
 19       thereafter during the continuance of the lease; the rental for each year shall be credited  
 20       against the royalties as they accrue for that year; each lease shall provide that the  
 21       annual rental payment is subject to adjustment at intervals of **not** [NO] more than 20  
 22       years and adjustments shall be based on the current rates for properties similarly  
 23       situated.

24        \* **Sec. 8.** AS 38.05.212(b) is amended to read:

25                (b) The production royalty

26                      [(1)] is three percent of net income as determined under AS 43.65 [;

27        AND

28                      (2) IS SUBJECT TO THE EXPLORATION INCENTIVE CREDIT  
 29        AUTHORIZED BY AS 27.30].

30        \* **Sec. 9.** AS 43.05 is amended by adding a new section to read:

31                **Sec. 43.05.095. Indirect expenditure report.** (a) The commissioner shall, not

1 later than November 1 before the first regular session of each legislature, submit a  
 2 report to the chair of the finance committee of each house of the legislature and to the  
 3 legislative finance division that states, for each indirect expenditure made by the state,

- 4 (1) the name of the indirect expenditure;  
 5 (2) a brief description of the indirect expenditure;  
 6 (3) the statutory authority for the indirect expenditure;  
 7 (4) the date the statute authorizing the indirect expenditure is to be  
 8 repealed, if applicable;  
 9 (5) the intent of the legislature in enacting the statute authorizing the  
 10 indirect expenditure;  
 11 (6) the public purpose served by the indirect expenditure;  
 12 (7) the estimated annual effect on revenue of the indirect expenditure  
 13 for the previous five years;  
 14 (8) the estimated cost to administer the indirect expenditure;  
 15 (9) the number of beneficiaries of the indirect expenditure.

16 (b) A department, agency, or public corporation of the state shall, upon the  
 17 request of the commissioner, provide the records, reports, data analysis, or other  
 18 information necessary for the commissioner to complete the report required by this  
 19 section. The commissioner may enter into a confidentiality agreement if necessary to  
 20 obtain information or a record required to prepare the report under this section.

21 (c) In this section, "indirect expenditure" means a credit, exemption,  
 22 deduction, deferral, discount, exclusion, or other differential allowance designed to  
 23 encourage an activity or benefit the public or a taxpayer and that results in foregone  
 24 revenue for the state.

25 \* **Sec. 10.** AS 43.65.020(a) is amended to read:

26 (a) A person subject to tax under this chapter shall make a return stating  
 27 specifically the items of gross income from the property, including royalty received  
 28 and the deductions and credits allowed by this chapter [AND THE EXPLORATION  
 29 INCENTIVE CREDIT AUTHORIZED BY AS 27.30], and other information for  
 30 carrying out this chapter that the department prescribes. The return must show the  
 31 mining license number and must be signed by the taxpayer or an authorized agent of

1 the taxpayer, under penalty of unsworn falsification in the second degree. If receivers,  
 2 trustees, or assigns are operating the property or business, they shall make returns for  
 3 the person engaged in mining, or the recipient of royalty in connection with mining  
 4 property. The tax due on the basis of the returns shall be collected in the same manner  
 5 as if collected from the person of whose business they have custody and control. [IN A  
 6 TAX YEAR IN WHICH A TAXPAYER APPLIES AGAINST THE TAX LEVIED  
 7 UNDER THIS CHAPTER THE EXPLORATION INCENTIVE CREDIT  
 8 AUTHORIZED BY AS 27.30, THE COMMISSIONER SHALL REQUIRE THE  
 9 TAXPAYER TO SUBMIT THE ACCOUNTING OF MINING OPERATION  
 10 ACTIVITIES FORM REQUIRED BY AS 27.30.030(b).]

11 \* **Sec. 11.** AS 43.77.050(b) is amended to read:

12 (b) The tax collected under this chapter shall be paid into a separate account in  
 13 the general fund. The annual balance in the account may be appropriated by the  
 14 legislature for revenue sharing under AS 43.77.060. [THE AMOUNT OF ALL TAX  
 15 CREDITS APPROVED BY THE COMMISSIONER UNDER AS 43.77.040(b)  
 16 SHALL BE DEDUCTED FROM AMOUNTS PAID TO MUNICIPALITIES UNDER  
 17 AS 43.77.060(a) - (c).]

18 \* **Sec. 12.** AS 21.66.110(b); AS 21.96.070, 21.96.075(c)(2); AS 24.20.271(12);  
 19 AS 27.30.010, 27.30.020, 27.30.025, 27.30.030, 27.30.040, 27.30.050, 27.30.060, 27.30.070,  
 20 27.30.080, 27.30.090, 27.30.095, 27.30.099; AS 43.05.010(15); AS 43.20.014, 43.20.044,  
 21 43.20.048; AS 43.55.019; AS 43.56.018; AS 43.65.018; AS 43.75.018, 43.75.032, 43.75.035,  
 22 43.75.036, 43.75.130(b), 43.75.130(f), 43.75.130(g); AS 43.77.035, 43.77.040, 43.77.045;  
 23 43.77.060(e); AS 43.98.030; AS 44.25.100, 44.25.105, 44.25.110, 44.25.115, 44.25.120,  
 24 44.25.125, 44.25.130, 44.25.135, 44.25.140, 44.25.145, 44.25.150, and 44.25.190 are  
 25 repealed.

26 \* **Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to  
 27 read:

28 TRANSITION. A taxpayer that accrues a credit authorized by a statute repealed by  
 29 sec. 12 of this Act before the effective date of sec. 12 of this Act, but whose tax year ends on  
 30 or after the effective date of sec. 12 of this Act, may take the tax credit in the tax year the  
 31 taxpayer accrues the credit, or, if the credit may be carried forward, the credit may be carried

- 1 forward in accordance with the statute under which it was accrued.
- 2 \* **Sec. 14.** Sections 1, 7, 8, and 10 - 13 of this Act take effect on the day after the last day of
- 3 the Second Regular Session of the Twenty-Ninth Alaska State Legislature.