

HOUSE BILL NO. 309

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

BY REPRESENTATIVE GARA

Introduced: 2/12/16

Referred:

A BILL

FOR AN ACT ENTITLED

1 **"An Act bearing the short title of the 'Corporate Tax Loophole Elimination Act';**
2 **establishing an individual income tax for the taxation of certain S corporation income;**
3 **relating to exemptions from the tax on corporations; repealing tax credits applied**
4 **against the tax on individuals; and providing for an effective date."**

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

6 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
7 to read:

8 SHORT TITLE. This Act may be known as the Corporate Tax Loophole Elimination
9 Act.

10 * **Sec. 2.** AS 43.20.012(a) is amended to read:

11 (a) The tax imposed by this chapter does not

12 [(1)] apply to **a public corporation, as defined in AS 45.77.020** [AN
13 INDIVIDUAL;

14 (2) APPLY TO A FIDUCIARY;

1 (3) FOR A TAX YEAR BEGINNING AFTER DECEMBER 31, 2012,
 2 APPLY TO AN ALASKA CORPORATION THAT IS A QUALIFIED SMALL
 3 BUSINESS AND THAT MEETS THE ACTIVE BUSINESS REQUIREMENT IN 26
 4 U.S.C. 1202(e) AS THAT SUBSECTION READ ON JANUARY 1, 2012; OR

5 (4) FOR A TAX YEAR BEGINNING AFTER JUNE 30, 2007,
 6 APPLY TO THE INCOME RECEIVED BY A REGIONAL ASSOCIATION
 7 QUALIFIED UNDER AS 16.10.380 OR NONPROFIT CORPORATION HOLDING
 8 A HATCHERY PERMIT UNDER AS 16.10.400 FROM THE SALE OF SALMON
 9 OR SALMON EGGS UNDER AS 16.10.450 OR FROM A COST RECOVERY
 10 FISHERY UNDER AS 16.10.455].

11 * **Sec. 3.** AS 43.20 is amended by adding a new section to read:

12 **Sec. 43.20.019. Tax on S corporation income.** (a) Except as provided in (b)
 13 of this section, if an S corporation has taxable net income over \$200,000, a
 14 shareholder of that S corporation shall pay a tax of six percent on the corporation's net
 15 income attributable to the shareholder. The net income attributable to the shareholder
 16 is the shareholder's pro rata share of the S corporation's taxable net income, as
 17 calculated for federal individual income tax purposes, less the shareholder's pro rata
 18 share of a credit usable by a corporation under this chapter.

19 (b) The tax under (a) of this section is imposed in addition to an individual
 20 income tax, if an individual income tax is imposed under state law. However, if the
 21 individual income tax imposed under state law and the tax under (a) of this section
 22 result in the income described in (a) of this section being taxed at a rate greater than
 23 9.4 percent, the tax in (a) of this section shall be reduced so that the combined total of
 24 the individual income tax and the tax under (a) of this section does not exceed 9.4
 25 percent. Nothing in this section shall reduce

26 (1) an individual income tax rate imposed under another provision of
 27 law; or

28 (2) the tax imposed under (a) of this section to less than zero.

29 (c) In this section, "S corporation" means a corporation or other entity that has
 30 elected to file federal returns under 26 U.S.C. 1361 - 1379 (Internal Revenue Code).

31 * **Sec. 4.** AS 43.05.085; AS 43.20.012(b), 43.20.012(c), 43.20.012(d), and 43.20.013 are

1 repealed.

2 * **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 **APPLICABILITY.** AS 43.20.019, added by sec. 3 of this Act, applies to a shareholder
5 of an S corporation with a taxable income over \$200,000 filing a return for a taxable year
6 commencing after the effective date of this Act. In this section, "S corporation" has the
7 meaning given in AS 43.20.019.

8 * **Sec. 6.** This Act takes effect December 31, 2016.