THE STATE of ALASKA
GOVERNOR SEAN PARNELL

Department of Revenue

COMMISSIONER'S OFFICE
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MEMORANDUM

TO: Alaska Municipal League

FROM: Bruce Tangeman
Deputy Commissioner BT

DATE: February 21, 2013

RE: Proposed changes to municipal revenue sharing fund under SB 21

There have been concerns raised by the Alaska Municipal League (AML) regarding proposed language in SB 21 that would change the source of revenue that funds the community revenue sharing fund from oil and gas production tax revenues received under AS 43.55.011(g) to corporate income tax revenues received under AS 43.20.030(c).

AS 43.20.030(c) states that "the total amount of tax imposed by this chapter is due and payable to the department at the same time and in the same manner as the tax payable to the United States Internal Revenue Service." Although this section doesn't specifically address the calculation of the tax due, it does provide for tax payments. Furthermore, by adopting the payment scheme required under the Internal Revenue Code, community revenue sharing would be based on when the tax was paid and not when the liability was calculated. Most corporate income taxpayers file returns based on a calendar year. As such, the majority of corporate income tax returns are due April 15th each year and reflect the corporate income tax liability for the previous calendar year. Corporate income taxpayers are required to make quarterly estimated tax payments and then a final payment on March 15th of the following year. Our intent was to base community revenue sharing on actual payments made throughout the year and not on the final liability determined on April 15th of the preceding year.

During the past three fiscal years, the State of Alaska received an average of $656 million in corporate income tax revenue. Regardless of whether community revenue sharing is based on estimated tax payments made or final liability determined at the end of the year, the Department believes there is ample corporate income tax revenue to cover the maximum revenue share of $60 million each year.

We hope this addresses your concerns and have clearly outlined our reasoning for identifying AS 43.20.030(c) as the statute governing the corporate income tax payments.