

# F.M. STRAND & ASSOCIATES

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Certified Public Accountants

Serving clients throughout  
Alaska since 1973.

March 27, 2013

Senator Peter Micciche  
State Capitol, Room 125  
Juneau, Alaska 99801

**Re: Senate Bill No. 83 House Bill No. 185**

Dear Senator Micciche:

F. M. Strand & Associates, P.C. is an Anchorage-based CPA firm serving many Alaskan general contractors. We request your support for Senate Bill No. 83, which would bring the Alaska interest rate used for the computation of interest under the look-back method applicable to long-term contracts in line with the federal interest rate used in that calculation.

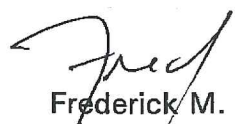
Look-back interest is not income tax. It is the interest on a hypothetical under or over payment of income tax using actual cost rather than estimates for recognition of income from long-term contracts reported with the percentage of completion method. It can be owed to the State or be due from the State, depending on the accuracy of the estimates the contractor used.

Currently, the Alaska interest rate is 11 percent. Federal law sets interest rates for look-back purposes based on the Federal short-term rate. The Federal rate reflects current economic conditions more accurately and is updated quarterly.

Thus, we believe the interest rate used by the State of Alaska for the look-back interest computations should be lowered to match the Federal rates. Please support Senate Bill No. 83.

Very truly yours,

F. M. STRAND & ASSOCIATES, P.C.



Frederick M. Strand

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