



UDELHOVEN

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March 27, 2013

Senator Peter Micciche
State Capitol Room 125
Juneau, Alaska 99501

Dear Senator Micciche

I am writing to you with deep concern in general with our legislators in Juneau. It concerns me to see so many laws, rules and statutes on the books that are simply put not good for the State and not business friendly. Thank you for sponsoring Senate Bill 83 and attempting to rectify one of the problem areas.

Alaska statute sets the rate for look-back interest at the same rate as if the taxes were delinquent. This look-back rate charged to us by the State of Alaska is far in excess of the federal rate. The rate imposed by the State of Alaska on look-back taxes is usurious at 11 percent, when even unsecured bank loans are available for much less. I ask you: Is that our goal to collect more interest from good contractors trying to do the right thing than the federal government does?

We as "C" Corps follow GAAP and are required to report income on a percentage of completion method. Often, projects will continue for extended periods of time. Generally we would report conservatively and correctly. At times, if we are lucky, we do a little better than originally planned. Many times we do not do as well.

There is no way we are able to know the actual outcome of a project that would extend over the end of the year with 100% accuracy. The only way to avoid the penalty imposed by the State's look-back interest rate would be to overestimate profits and give the State tax dollars that may or may not be due far in advance. Although the state would owe us interest at the same 11 percent, this practice would take funds away from the company for extended periods of time that could be used to start new projects, create jobs, and make purchases, etc which is what the State really needs. Also, our bonding companies and bankers would not be happy to see such poor performance as our estimated profits faded away at the end of the job.

We adamantly support Senate Bill 83 which will bring the rates down to match the federal rates and thank you for your efforts in bringing this bill forward.

Sincerely

Cathy Duxbury
Controller