



First National Bank
A L A S K A

March 26, 2013

Senator Peter Micciche
State Capitol Room 125
Juneau AK, 99801

RE: Senate Bill 83

Dear Senator Micciche,

I work for First National Bank Alaska, a community bank which has served Alaskans for over 90 years with a legacy of helping build strong families, homes and businesses in our great state. As a commercial loan officer, I work with general contractors of all sizes who play major roles in our local construction industry. With respects to Senate Bill 83 regarding the issue of interest charged on look back taxes, I believe conformance to Federal standards would be appropriate.

When we provide financing to contractors, whether it is for working capital or major capital expenditures, we rely on a lot of information to help us make a credit decision. We look at a contractor's performance over time, competency of management, bonding capacity, quality of financial information and financial strength of the business and its owners. A bank line of credit to fund payroll or a term loan to purchase equipment for a project can be an essential part of a contractor's success in completing projects on time and within budget.

With respects to financial information, CPA Prepared financial statements rely on many assumptions and estimates in accordance with Generally Accepted Accounting Principles. In my experience, responsible contractors will be conservative in their estimates of profits on uncompleted jobs. The bank encourages conservative estimates in order to avoid downward swings in profitability from one year to the next because actual financial performance below estimates could have a negative on the bank's willingness to provide future financing. There would be a very high likelihood that it would also negatively impact a contractor's bonding capacity which the bank relies on in many cases when providing financing.

From my perspective, the difference in profitability can be attributed to conservative estimates that are in the best interest of contractors and the current rate of interest charged by the State on look back taxes feels more like a penalty against responsible contractors.

In closing, I would like to thank and applaud you for your support of Senate Bill 83 with respects to the interest rate charged on look back taxes and feel alignment with the Federal rate charged is more appropriate.

Respectfully,

Stacy Tomuro
Vice President