

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS COMMITTEE

February 6, 2001
3:30 p.m.

MEMBERS PRESENT

Senator Gene Therriault, Chair
Senator Randy Phillips, Vice Chair
Senator Bettye Davis

MEMBERS ABSENT

Senator Rick Halford
Senator Drue Pearce

COMMITTEE CALENDAR

SENATE JOINT RESOLUTION NO. 9
Relating to the development and deployment of the National Missile
Defense System.

MOVED SJR 9 OUT OF COMMITTEE

SENATE JOINT RESOLUTION NO. 12
Urging the United States Congress to amend the tax code to reduce
the marriage penalty.

MOVED SJR 12 OUT OF COMMITTEE

#SB 39

SENATE BILL NO. 39

"An Act relating to an assistant adjutant general for national
missile defense in the Department of Military and Veterans'
Affairs."

SCHEDULED BUT NOT HEARD

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PREVIOUS COMMITTEE ACTION

SJR 9 - No previous action recorded
SJR 12 - No previous action recorded
SB 39 - No previous action recorded

WITNESS REGISTER

Senator Loren Leman
State Capitol Building, Room 5
Juneau, AK 99801

POSITION STATEMENT: Sponsor

Mr. Bob Sremak
Sremak-Hightower CPA's
Suite 400 3111 C Street
Anchorage, AK 99513

POSITION STATEMENT: Explained the tax consequences of SJR 12.

Ms. Leanna Dube
Delta Junction, AK 99737

POSITION STATEMENT: Supports SJR 9 and SB 39.

ACTION NARRATIVE

TAPE 01-3, SIDE A

Number 001

CHAIRMAN GENE THERRIAULT called the Senate State Affairs Committee meeting to order at 3:30 p.m. Senators Phillips, Davis and Chairman Therriault were present. There were three items on the agenda: SJR 9, SJR 12, and SB 39. The first order of business was SJR 12 Eliminate Marriage Tax Penalty. Senator Leman, sponsor, was invited forward to explain the resolution.

#SJR 12

SJR 12-ELIMINATE MARRIAGE TAX PENALTY

SENATOR LEMAN delivered the following sponsor's statement.

SJR 2 expresses the Legislature's support for reducing the imbalance in the federal Tax Code that taxes married couples disproportionately more than unmarried couples earning the same level of income.

The marriage penalty impacts millions of married couples. According to the Congressional Budget Office (CBO), under current tax laws married couples pay an average of \$1,480 more in taxes each year than two unmarried people. Between 66 and 68,000 Alaskans are affected.

The two primary penalties are the standard deduction and the graduated rate structure. First, the standard deduction amount for joint filers is not twice that for those claiming single status. This means an unmarried couple can deduct more of their income than a married couple. Second, income rate structures that push taxpayers into higher brackets are less than twice for joint filers than for those claiming single status. This means that a married couple may be forced into a higher tax bracket than an unmarried

couple earning the same combined income.

Congress attempted to deal with the marriage penalty last year when it passed the "Marriage Tax Relief Reconciliation Act of 2000." This would have provided tax relief to married couples penalized under current tax laws, but President Clinton vetoed the measure. Because President Bush and his Cabinet have expressed strong support for reducing taxes, Congress should revisit the marriage penalty.

SENATOR LEMAN said that Mr. Bob Sremak, CPA, was online to answer any specific questions about the standard and graduated deductions.

CHAIRMAN THERRIAULT asked Mr. Sremak if he had any testimony.

MR. BOB SREMAK said that he had some general comments. He said that this was a complex issue that is not income specific; both upper and lower income couples are affected. Any provisions that are sensitive to earned income or adjusted gross income may be impacted. An example is earned income credits where the more earned income credits on a return, the lower the possibility the filer will qualify for the earned income credit. Other areas such as phase out for individual retirement accounts, child tax credits and interest deduction for interest on college education are affected. It's an inequitable area that must be dealt with.

MR. SREMAK said that anyone with children under age 14 and receiving a permanent fund check could have part of that taxed at the parent's rate. As a married couple, roughly \$43,000 of taxable income is the limit for staying in the 15 percent tax bracket. After that, you move into the 28 percent bracket. It's possible for children under 14 years old to be in the 28 or 31 percent bracket for the permanent fund dividend. It's tagged onto what the parents' incremental rate becomes.

CHAIRMAN THERRIAULT asked if the tax was applied to the entirety of the permanent fund check because it was unearned income.

MR. SREMAK said no, it's phased in. Basically, any income over \$1,400 would be taxed at the parents' highest rate. Generally, the first \$700 of unearned income for someone under 14 years old isn't taxed, the next \$700 is at 15 percent, and then anything over \$1,400 is taxed at the highest of either the child's or parents rate.

CHAIRMAN THERRIAULT asked for questions. There were none. He then asked for a motion.

SENATOR PHILLIPS made a motion to move SJR 12, as written, to the next committee of referral.

CHAIRMAN THERRIAULT noted that there was a zero fiscal note attached.

He asked for any opposition. There being none, the bill and fiscal note were forwarded to the next committee.

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Number 453

#SJR 9

SJR 9-NATIONAL MISSILE DEFENSE SYSTEM

CHAIRMAN THERRIAULT said SJR 9 was the next order of business. He asked Senator Leman to give his statement.

SENATOR LEMAN thanked Chairman Therriault for the timely scheduling of the resolution.

He said that the United States reigns supreme as the last great superpower, but there is still no ability to protect the nation from ballistic missile attack. He cited the Department of Defense (DoD) report titled "Proliferation: Threat and Response" pointing up the growing threat the U.S. faces from foreign nations developing missile technology. Former Secretary of Defense William S. Cohen wrote that at least 25 countries possess or are working on the capability to inflict nuclear, chemical or biological harm. They are working on either the weapons or a means of delivering them.

General Norton Schwartz said much the same thing in his report delivered to the Joint Armed Services Committee on January 30, 2001. He cited trouble areas in North Korea, Iran and Iraq. In response to the perceived threats, the U.S. has been developing a national missile defense system, but it has yet to be built. Although Alaska has been mentioned as a preferred alternative for the location of key system components like the radar site and location of the ground based interceptor sites, there are unanswered questions such as design type, deployment location and building timeline.

Number 650

Defense Secretary Donald Rumsfeld feels that the 1972 Anti Ballistic Missile Treaty with the Soviet Union is outdated.

According to this treaty, Alaska is not an eligible site. Current thinking is that Alaska is the only location that would provide defense of all 50 states.

During the campaign, President Bush said he supported development of the National Missile Defense System and Alaska's delegation is supportive as well. The resolution encourages President Bush to move development forward as soon as technologically possible.

CHAIRMAN THERRIAULT asked for questions for Senator Leman. Seeing none, he called on Leanna Dube from Delta Junction to testify via teleconference.

LEANNA DUBE said she works for the City of Delta Junction and that the economy of Delta Junction continues to suffer from the downsizing of Fort Greeley. The national missile deployment environmental impact statement of 2000 identifies Fort Greeley as the preferred alternative for placement of the ground based interceptor and command and control elements. The City of Delta Junction therefore, supports both SJR 9 and SB 39 as a means of revitalizing the economy of the area.

CHAIRMAN THERRIAULT asked Ms. Dube to fax a copy of her letter to him at (907) 465-3884.

He asked for any other questions or anyone else wanting to testify. There were none.

CHAIRMAN THERRIAULT noted that there was a zero fiscal note accompanying the resolution. He asked for amendments. There were none. He asked for the rule of the committee.

SENATOR PHILLIPS made a motion to move SJR 9 and fiscal note to the next committee of referral.

There were no objections.

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#SB 39

SB 39-ASST. ADJUTANT GENERAL FOR MISSILE DEFENSE

CHAIRMAN THERRIAULT announced that Major General Phil Oates was not available to testify on SB 39 so it would be held over until the meeting Thursday, February 8, 2001.

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The meeting was adjourned at 3:40 p.m.