

CS FOR HOUSE BILL NO. 496(FIN) am

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Amended: 4/29/06

Offered: 4/28/06

Sponsor(s): HOUSE STATE AFFAIRS COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to contributions from permanent fund dividends to campuses of the**
2 **University of Alaska, certain educational organizations, community foundations, and**
3 **certain other charitable organizations that provide a youth development program,**
4 **workforce development, aid to the arts, or aid and services to the elderly, low-income**
5 **individuals, individuals in emergency situations, disabled individuals, or individuals**
6 **with mental illness; and providing for an effective date."**

7 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

8 * **Section 1.** AS 43.23 is amended by adding a new section to read:

9 **Sec. 43.23.062. Contributions from dividends.** (a) Notwithstanding
10 AS 43.23.069, the Department of Revenue shall prepare the electronic Alaska
11 permanent fund dividend application to allow an applicant who files electronically to
12 direct that money be subtracted from the dividend payment and contributed to one or
13 more of the campuses of the University of Alaska or to one or more educational

1 organizations, community foundations, or charitable organizations that appear on the
2 contribution list contained in the application. A contribution may be \$25, \$50, \$75, or
3 \$100 or may be 10 percent, 25 percent, 50 percent, or 100 percent of the total dividend
4 amount. If the total amount of contributions elected by an applicant exceeds the
5 amount of the permanent fund dividend that the applicant is entitled to receive,
6 contributions shall be deducted from the dividend in the order of priority elected by
7 the applicant on the application until the entire amount of the dividend that the
8 applicant is entitled to receive is allocated for contribution.

9 (b) The department shall list each campus of the University of Alaska and
10 shall list each educational organization, community foundation, or charitable
11 organization eligible under (c) of this section on the contribution list in alphabetical
12 order. The department shall provide a statement of the contributions made by an
13 individual that is suitable for federal income tax purposes to each individual who
14 elects to contribute under (a) of this section.

15 (c) The department may not include an educational organization on the
16 contribution list unless the purpose of the organization is to provide vocational
17 training or postsecondary education. Other than a community foundation, the
18 department may not include a charitable organization on the contribution list for a
19 dividend year unless the purpose of the organization is to provide a youth development
20 program, workforce development, aid to the arts, or aid and services to the elderly,
21 low-income individuals, individuals in emergency situations, disabled individuals, or
22 individuals with mental illness. In addition, the educational organization, community
23 foundation, or charitable organization

24 (1) must apply for inclusion on the contribution list for the current
25 dividend year on the form required by the department before June 15 of the qualifying
26 year;

27 (2) must be exempt from taxation under 26 U.S.C. 501(c)(3) (Internal
28 Revenue Code) as an educational or a charitable organization on the date of
29 application;

30 (3) must have been qualified for tax exempt status under 26 U.S.C.
31 501(c)(3) (Internal Revenue Code) as an educational or a charitable organization

1 during the two calendar years that immediately precede the year the application is
2 filed;

3 (4) must have a current Internal Revenue Service Form 990 on file
4 with the United States Department of the Treasury, Internal Revenue Service;

5 (5) must be directed by a voluntary board of directors or local advisory
6 board whose members are residents of the state;

7 (6) during the two calendar years that immediately precede the year the
8 application is filed, must have provided in the state aid or services of a type listed in
9 this subsection, or, for a community foundation, benefits to a defined geographic area;

10 (7) must receive at least \$100,000 or five percent of its total annual
11 receipts, whichever is less, from contributions;

12 (8) must have completed and provided to the department a financial
13 audit with an unqualified opinion, conducted by an independent certified public
14 accountant for the fiscal year immediately preceding the year the application is filed if
15 the total annual budget of the organization exceeds \$250,000 during that fiscal year;
16 and

17 (9) may not make grants or contributions to an organization that is
18 exempt from taxation under 26 U.S.C. 501(c)(4) or (6), except that a community
19 foundation may have used up to five percent of its funding for grants or contributions
20 to those organizations during the two consecutive years that immediately precede the
21 year the application is filed under (1) of this subsection.

22 (d) The department shall use an equal percentage of the total amount
23 contributed under (a) of this section to each organization for administrative costs
24 incurred in implementing this section. The amount remaining shall be distributed to
25 each organization as soon as practicable.

26 (e) The department may use an agent or enter into a contract under AS 36.30
27 for the implementation and operation of the contribution program under this section.

28 (f) A public agency that claims a dividend on behalf of an individual under
29 AS 43.23.015(e) may not elect to make contributions from the dividend under (a) of
30 this section.

31 (g) The department may adopt regulations under AS 44.62 (Administrative

1 Procedure Act) to carry out the provisions of this section. If an organization disagrees
 2 with an action of the department under this section and requests an administrative
 3 hearing, the hearing shall be conducted by the office of administrative hearings
 4 (AS 44.64.010).

5 (h) By January 20 of each year, the department shall submit a report to the
 6 legislature identifying the organizations on the contribution list for the immediately
 7 preceding year, together with the amount of contributions made to each of the
 8 organizations.

9 (i) For purposes of this section, "community foundation" means an
 10 organization that is a nonprofit, autonomous, philanthropic institution operated
 11 primarily as a permanent collection of endowed funds for the long-term benefit of a
 12 defined geographic area within one or more municipalities, that has a long-term goal
 13 of increasing its permanent unrestricted charitable endowment to benefit the area
 14 served, that primarily provides benefits by making grants and may also provide other
 15 forms of charitable services, that makes grants that are not limited to providing one
 16 type of benefit or to serving one population segment, and that makes grants to multiple
 17 grantees.

18 * **Sec. 2.** AS 43.23.062 is repealed December 31, 2009.

19 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
 20 read:

21 APPLICABILITY. AS 43.23.062, enacted by sec. 1 of this Act, applies to the Alaska
 22 permanent fund dividends for 2007, 2008, and 2009.

23 * **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to
 24 read:

25 TEMPORARY APPLICATION PROCESS. (a) Notwithstanding AS 43.23.062(c)(1),
 26 as enacted in sec. 1 of this Act, on or before June 15, 2006, each organization, including a
 27 community foundation, seeking inclusion on the contribution list for the 2007 permanent fund
 28 dividend must submit to the Department of Revenue an affidavit signed by an officer or the
 29 executive director of the organization attesting to the following:

30 (1) the name, address, and telephone number of the organization;

31 (2) the name, address, and telephone number of a person designated by the

1 organization whom the department may contact regarding the application;

2 (3) that, during 2004 and 2005, the organization provided aid or services in the
3 state of the type described in AS 43.23.062(c), enacted in sec. 1 of this Act, or, for a
4 community foundation, that the foundation provided benefits to a defined geographical area;

5 (4) that the funds received by the organization from 2007 permanent fund
6 dividend recipients will be used for one or more of the purposes set out in AS 43.23.062(c),
7 enacted in sec. 1 of this Act;

8 (5) the percentage of grants or contributions the organization made during
9 2004 and 2005 to an organization that is exempt from taxation under 26 U.S.C. 501(c)(4) or
10 (6) (Internal Revenue Code);

11 (6) that the organization is current in its filing of annual financial reports
12 required by state law;

13 (7) that the organization is directed by a voluntary board of directors or local
14 advisory board with members who are residents of the state;

15 (8) that the organization maintains on file the following documents and that it
16 will produce the documents at its own expense on the written request of the department:

17 (A) articles of incorporation and current bylaws;

18 (B) evidence of tax exemption on the date of application under 26
19 U.S.C. 501(c)(3) (Internal Revenue Code);

20 (C) evidence of tax exemption under 26 U.S.C. 501(c)(3) during 2004
21 and 2005;

22 (D) a current IRS Form 990 on file with the United States Department
23 of the Treasury, Internal Revenue Service;

24 (E) evidence that the organization received at least \$100,000 or five
25 percent of its total annual receipts, whichever is less, from contributions in 2005;

26 (F) evidence that, during 2004 and 2005, the organization provided aid
27 or services in the state of the type described in AS 43.23.062(c), enacted in sec. 1 of
28 this Act, or, for a community foundation, that the foundation provided benefits to a
29 defined geographical area; and

30 (G) for an organization with a total annual budget that exceeded
31 \$250,000 during fiscal year 2005, a current financial audit conducted by an

1 independent certified public accountant;

2 (9) that the organization will maintain all documents listed in (8) of this
3 subsection until at least June 15, 2009.

4 (b) After June 15, 2006, the Department of Revenue shall review all affidavits for
5 completeness and for compliance with eligibility standards under AS 43.23.062, enacted in
6 sec. 1 of this Act. The department may include employees of the entity with which the
7 department entered into a contract under AS 43.23.062(e), enacted in sec. 1 of this Act, to
8 assist in this review process. The department may request documents or information pertinent
9 to its review from the applicant organization. After reviewing the affidavits, the department
10 shall determine which applicants meet the requirements of AS 43.23.062, enacted in sec. 1 of
11 this Act, and (a) of this section and notify each organization of its decision in writing not later
12 than August 15, 2006.

13 (c) The department's written decision in (b) of this section constitutes a final agency
14 action.

15 * **Sec. 5.** This Act takes effect immediately under AS 01.10.070(c).