

CS FOR HOUSE BILL NO. 166(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 4/9/07

Referred: Rules

Sponsor(s): REPRESENTATIVES THOMAS, Gara, Crawford, Foster, LeDoux

SENATORS Thomas, McGuire, Elton, Ellis, French

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to contributions from permanent fund dividends to community**
2 **foundations, to certain educational organizations, and to certain other charitable**
3 **organizations; and providing for an effective date."**

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

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

6 **Sec. 43.23.062. Contributions from dividends.** (a) Notwithstanding
7 AS 43.23.069, the Department of Revenue shall prepare the electronic Alaska
8 permanent fund dividend application to allow an applicant who files electronically to
9 direct that money be subtracted from the dividend payment and contributed to one or
10 more of the educational organizations, community foundations, or charitable
11 organizations that appear on the contribution list contained in the application. A
12 contribution to an organization may be \$25, \$50, \$75, \$100, or more, in increments of
13 \$50, up to the total amount of the permanent fund dividend that the applicant is
14 entitled to receive. If the total amount of contributions elected by an applicant exceeds

1 the amount of the permanent fund dividend that the applicant is entitled to receive,
2 contributions shall be deducted from the dividend in the order of priority elected by
3 the applicant on the application until the entire amount of the dividend that the
4 applicant is entitled to receive is allocated for contribution. The electronic dividend
5 application form must include notice that no money contributed will be used for
6 administrative costs incurred in implementing this section and that money from the
7 dividend fund will not be used for that purpose.

8 (b) The department shall list each campus of the University of Alaska and
9 shall list each other educational organization, community foundation, or charitable
10 organization eligible under (c) and (d) of this section on the contribution list by
11 geographic region in random order, and the order shall be changed each year. On the
12 contribution list, organizations shall also be grouped by type within each geographic
13 region. The department shall provide a statement of the contributions made by an
14 individual that is suitable for federal income tax purposes to each individual who
15 elects to contribute under (a) of this section.

16 (c) The department may not include on the contribution list an educational
17 organization, community foundation, or charitable organization that is the affiliate of a
18 group. For purposes of this subsection,

19 (1) "affiliate" means an organization or foundation that directly or
20 indirectly through one or more intermediaries controls, is controlled by, or is under
21 common control with, a group;

22 (2) "group" has the meaning given in AS 15.13.400(8)(B).

23 (d) The department may include an educational organization, community
24 foundation, or charitable organization on the contribution list for a current dividend
25 year only if the organization

26 (1) files an application for inclusion on the list for that dividend year
27 on the form required by the department before June 15 of the qualifying year;

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

31 (3) was qualified for tax exempt status under 26 U.S.C. 501(c)(3)

1 (Internal Revenue Code) as an educational or a charitable organization during the two
2 calendar years that immediately precede the year the application is filed;

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

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

7 (6) provided in the state aid or services during the two calendar years
8 that immediately precede the year the application is filed;

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

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

15 (9) does not make grants or contributions to an organization that is
16 exempt from taxation under 26 U.S.C. 501(c)(4) or (6).

17 (e) Unless an appropriation specifically directs that the money be used for
18 costs incurred in implementing this section, the department may not use money from
19 the dividend fund for administrative costs incurred in implementing this section even
20 if it has been appropriated for costs of administering the dividend program. The
21 department may not use money contributed under (a) of this section for administrative
22 costs incurred in implementing this section. Contributions shall be distributed to each
23 organization as soon as practicable.

24 (f) The department may use an agent or enter into a contract for the
25 implementation and operation of the contribution program under this section. Before
26 executing a contract with a corporation or other organization, the organization must
27 provide a copy of its policies and procedures to the department. A contract entered
28 into under this subsection is exempt from AS 36.30 (State Procurement Code).

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

1 (h) The department may adopt regulations under AS 44.62 (Administrative
2 Procedure Act) to carry out the provisions of this section. If an organization disagrees
3 with an action of the department under this section and requests an administrative
4 hearing, the hearing shall be conducted by the office of administrative hearings
5 (AS 44.64.010).

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

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

18 * **Sec. 2.** AS 43.23.062 is repealed on

19 (1) December 31, 2010, if AS 43.23.062 first applies to the permanent fund
20 dividend for 2008;

21 (2) December 31, 2011, if AS 43.23.062 first applies to the permanent fund
22 dividend for 2009.

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

25 **APPLICABILITY; NOTIFICATION.** (a) The Department of Revenue shall make
26 every effort to implement AS 43.23.062, enacted by sec. 1 of this Act, so that it will apply to
27 the Alaska permanent fund dividends for 2008, 2009, and 2010. If the department fails to
28 implement AS 43.23.062 in time for it to apply to the 2008 dividends, AS 43.23.062 applies
29 to the dividends for 2009, 2010, and 2011.

30 (b) On December 30 of the last year that, under (a) of this section, AS 43.23.062
31 applies to dividends, the Department of Revenue shall notify the revisor of statutes that

- 1 AS 43.23.062 no longer applies.
- 2 * **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).