

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

May 10, 2007

3:10 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Gabrielle LeDoux
Representative Robert L. "Bob" Buch
Representative Berta Gardner

MEMBERS ABSENT

Representative Mark Neuman, Vice Chair
Representative Carl Gatto
Representative Jay Ramras

COMMITTEE CALENDAR

SENATE BILL NO. 141

"An Act relating to limited liability companies."

- MOVED SB 141 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 141

SHORT TITLE: LIMITED LIABILITY COMPANIES

SPONSOR(S): SENATOR(S) MCGUIRE

03/28/07	(S)	READ THE FIRST TIME - REFERRALS
03/28/07	(S)	JUD
04/23/07	(S)	JUD AT 1:30 PM BELTZ 211
04/23/07	(S)	Scheduled But Not Heard
04/27/07	(S)	JUD AT 1:30 PM BELTZ 211
04/27/07	(S)	Moved SB 141 Out of Committee
04/27/07	(S)	MINUTE(JUD)
04/30/07	(S)	JUD RPT 2DP 2NR
04/30/07	(S)	DP: THERRIAULT, MCGUIRE
04/30/07	(S)	NR: FRENCH, WIELECHOWSKI
05/09/07	(S)	TRANSMITTED TO (H)
05/09/07	(S)	VERSION: SB 141
05/10/07	(H)	L&C AT 3:00 PM CAPITOL 17

WITNESS REGISTER

MARIT CARLSON-VAN DORT, Staff
to Senator Lesil McGuire
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SB 141 on behalf of the sponsor,
Senator McGuire.

DAVID G. SHAFTEL, Attorney at Law
Anchorage, Alaska

POSITION STATEMENT: Responded to questions during discussion of
SB 141.

ACTION NARRATIVE

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at [3:10:37 PM](#). Representatives Gardner, Buch, LeDoux, and Olson were present at the call to order.

SB 141 - LIMITED LIABILITY COMPANIES

CHAIR OLSON announced that the only order of business would be SENATE BILL NO. 141, "An Act relating to limited liability companies."

[3:10:59 PM](#)

MARIT CARLSON-VAN DORT, Staff to Senator Lesil McGuire, Alaska State Legislature, explained on behalf of the sponsor, Senator McGuire, that SB 141 will clarify that an organization providing professional services can organize its business using a limited liability company (LLC); adoption of this bill will eliminate speculation regarding an organization's authority to use an LLC for professional services. She shared her understanding that [some] businesses providing professional services have already been organizing as LLCs. Senate Bill 141 will also delete AS 10.50.150(d) in order to allow a founder of an Alaskan LLC to be a co-manager without having all of the company's assets included in the founder's gross estate for purposes of calculating federal tax.

REPRESENTATIVE LeDOUX asked where "co-manager" is addressed in the bill.

[3:12:43 PM](#)

DAVID G. SHAFTEL, Attorney at Law, after relaying that he specializes in tax, trust, and estate planning law, offered his understanding that for federal estate-tax purposes, under 26 U.S.C. Sec. 2036(a)(2), if a person forms a trust or family limited liability partnership (LLP) or a family LLC, and retains powers to effect the enjoyment of interests that the person has given away or sold, then all of those interests "will be pulled back into that founder's estate and taxed at death." To avoid this problem, an independent person must be appointed as special manager, and this person would have authority over distributions and would be able to decide whether the entity would ever be liquidated. However, "in order to make this effective, " he remarked, AS 10.50.150(d) must be deleted, adding that it doesn't serve any significant purpose anyway.

MR. SHAFTEL, in response to a question, said that the bill is not intended to establish or clarify a tax shelter. He explained that LLCs and LLPs are a very common tool in legitimate estate planning. However, in such situations, one must be careful with regard to how much control is retained, otherwise interests will be pulled back into one's estate and taxed at death. Good estate planning will prevent this, he noted. In response to comments, he said that family LLCs and LLPs serve a number of purposes, one being asset protection.

MS. CARLSON-VAN DORT added that SB 141 is offered in the spirit of keeping the state's trust and estate planning laws up to date and competitive, thereby continuing to bring more business and revenue into the state.

CHAIR OLSON, after ascertaining that no one else wished to testify, closed public testimony on SB 141.

[3:23:51 PM](#)

REPRESENTATIVE LeDOUX moved to report SB 141 out of committee with individual recommendations and the accompanying fiscal note. There being no objection, SB 141 was reported from the House Labor and Commerce Standing Committee.

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 3:24 p.m.