

HB

209

HB 209

Tape #

10

Date

3/6

COMMITTEE REPORT

2/20/75

HOUSE

JUDICIARY

Mr. Speaker:

Date _____

The Committee on Commerce has had VS 309

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR _____ AND THAT

CS FOR _____ DO PASS

"and" recommends it BE REFERRED TO THE _____

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

[Signature] Chairman

MEMORANDUM

State of Alaska

TO: R. D. Stevenson, Special Asst.
Office of the Commissioner
Department of Revenue

DATE: March 5, 1975

FILE NO:

TELEPHONE NO:

FROM: Frederick P. Boetsch *FPB*
Deputy Commissioner
Department of Revenue

SUBJECT: House Bill 209

A recent survey by auditors and enforcement officers of the Department of Revenue indicated that there was a substantial violation of the withholding tax laws by non-resident workers connected with the Trans-Alaska Pipeline. The violation consisted of submitting a Form W-4 (the withholding tax declaration) with an unreasonable number of exemptions claimed which led to a zero withholding tax. In some cases we found as many as 50 or 60 exemptions had been claimed. The obvious objective of claiming so many exemptions would be to insure that there would be no state income taxes withheld from their pay checks. Without withholding it is unlikely that we would ever receive any tax from these individuals.

Although it would be possible to prosecute these individuals under our existing fraud statutes, the standard of proof is quite complicated and the time required to conduct an investigation would be such that many of these individuals may have left the state by the time any action could be brought. In reviewing the federal Internal Revenue Code with respect to this problem we find that they have a specific statute which addresses itself to the question of persons supplying false information to an employer for withholding purposes. The proposed bill is consistent with that provision of the Internal Revenue Code. Basically it allows us to prosecute for fraud, an individual who supplies false information or willfully fails to supply information to his employer for purposes of withholding the Alaska Income Tax. With this kind of provision it is merely necessary for us to establish that such false information was provided to the employer or that such information was withheld. It is not necessary to address ourselves to the more complex question of income tax evasion as such.

Although the punishment is a misdemeanor, and the jail term is for one year, we felt that a \$5000 maximum fine was necessary in order to encourage compliance since in most cases that would be more than the tax itself. A person then would run the risk of having to pay the tax and a fine as well as possibly serving some time in jail.

We feel that a statute providing for a direct penalty for submitting false information to an employer for withholding purposes will allow us to proceed more swiftly against violators and thereby curtail the problem before it gets out of hand.

It is difficult to measure the effects on Treasury of this bill since we do not have a total grasp of the extent of the problem or how much money might come in as a result of withholding on these individuals. However, obviously the effect will be positive since it will bring many more people under the withholding provisions.

We anticipate no additional administrative costs administering this bill since Withholding Tax Audits, in connection with the pipeline project, are a part of the Pipeline Impact Budget.

FPB:lw