

AB 876





JUNEAU ALASKA

Alaska State Legislature House

March 31, 1976

MEMORANDUM

TO: Representative Bob Bradley 

FROM: Jennifer Peterson,  Secretary

SUBJECT: House Bill No. 876

As per the request of the Commerce Committee members, I contacted the Bureau of Indian Affairs concerning Native land allotments under the 1906 Land Allotment Act.

I talked with Mr. Joe Donahue of the Reality Division. He stated that under the Federal Act land allotments may not be taxed in any way. He gave the following statistics with regard to deeds:

Present deeds: 300
Tentative approval (subject to surveys): 1,000
Deeds presently on appeal status: 500
No decisions to date: 6,000

The above figures were approximations, however, he stated that the Bureau of Land Management could give more detailed information if necessary.

April 1, 1976

Miles Schlosberg
Division of Banking
Department of Commerce
Pouch D
Juneau, Alaska

Dear Mr. Schlosberg:

The members of the House Commerce Committee met on March 31, 1976 to discuss House Bill No. 876. At the conclusion of their discussion, they requested that others be notified of the bill and request comments.

The Commissioner of Revenue, Sterling Gallagher, testified before the committee in favor of the bill. Mr. Jamie Love, Executive Director of Alaska Public Interest Research Group, also testified in favor of the bill.

If you would like to comment on the bill, the committee will hold another hearing at a later date. Comments may be in person or in writing. The last day for receiving or delivery of testimony will be April 8, 1976. If you wish to send written testimony please send it to the following address:

Representative Bob Bradley
Chairman, House Commerce Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

I have enclosed, for your convenience, a copy of the bill and the fiscal note which was presented to the committee by the staff of the Department of Revenue.

If you have any questions regarding this bill, please do not hesitate to contact my office at 465-3889.

Sincerely,

Representative Bob Bradley

Enclosures

April 1, 1976

Mr. H. L. Hunt
Hunt Oil
425 G Street
Anchorage, Alaska

Dear Mr. Hunt:

The members of the House Commerce Committee met on March 31, 1976 to discuss House Bill No. 876. At the conclusion of their discussion, they requested that others be notified of the bill and request comments.

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Sincerely,

Representative Bob Bradley

Enclosures

April 1, 1976

Mr. Peter Zamarello
6126 Seward Highway
Anchorage, Alaska

Dear Mr. Zamarello:

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Sincerely,

Representative Bob Bradley

Enclosures

April 1, 1976

Mr. Jack White
Jack White Real Estate
3201 C Street
Anchorage, Alaska

Dear Mr. White:

The members of the House Commerce Committee met on March 31, 1976 to discuss House Bill No. 876. At the conclusion of their discussion, they requested that others be notified of the bill and request comments.

The Commissioner of Revenue, Sterling Gallagher, testified before the committee in favor of the bill. Mr. Jamie Love, Executive Director of Alaska Public Interest Research Group, also testified in favor of the bill.

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Juneau, Alaska 99811

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Sincerely,

Representative Bob Bradley

Enclosures

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE
Second Session - Ninth Legislature

I. REQUEST

Bill No. House Bill 876
 Title: Land Gains Tax
 Requested by: House Committee & Finance Date: March 19, 1976
 Return Date Requested: _____
 Agency: Revenue Program: Audit Division

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Audit Division, Department of Revenue

A. EXPENDITURES: (Thousands of dollars)

| OBJECT | FY 76 | FY 77 | FY 78 | FY 79 | FY 80 | FY 81 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | 1.2 | 134.5 | 148.0 | 162.6 | 177.0 |
| 200 TRAVEL | | 5.0 | 7.0 | 7.5 | 8.6 | 9.0 |
| 300 CONTRACTUAL | | 86.3 | 57.6 | 63.3 | 68.5 | 70.5 |
| 400 COMMODITIES | | 1.2 | 2.4 | 2.5 | 2.6 | 2.7 |
| 500 EQUIPMENT | | 6.4 | --- | --- | --- | --- |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | | 158.0 | 201.6 | 221.3 | 243.0 | 266.2 |

B. FUNDING: (Thousands of dollars)

| | | | | | | |
|---------------|--|-------|-------|-------|-------|-------|
| GENERAL FUND | | 158.0 | 201.6 | 221.3 | 243.0 | 266.2 |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |

C. POSITIONS:

| | | | | | | | | | |
|---------------------|---|----|---|----|---|----|---|----|---|
| PERMANENT/TEMPORARY | / | 8 | / | 8 | / | 8 | / | 8 | / |
| MAN MONTHS (F.F.S.) | / | 38 | / | 46 | / | 56 | / | 66 | / |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

IV. ATTACHMENTS See memo to H. D. Stevenson dated March 25, 1976.

V. DATE: March 25, 1976 PREPARED BY: Barrett D. Knox
 Deputy Director, Barrett D. Knox

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor: (First Legislator Named)

MEMORANDUM

State of Alaska

TO: R. D. Stevenson
Special Assistant

DATE: March 26, 1976

FILE NO:

TELEPHONE NO:

FROM: Darrell D. Knox *DK*
Deputy Director
Audit Division

SUBJECT: House Bill 876

Upon reviewing House Bill 876, Land Gains Tax, several areas were noted which should be clarified before passage of this bill. The following suggestions are offered for further consideration.

A. This Act amends AS 34 (Property) which concerns itself with Property provisions within the State of Alaska. However, the Act involves state taxes and revenues which maybe more appropriate in AS 43 (Revenue and Taxation).

B. Page 2 "AS 34.12.020(c)" The following words should be deleted since they are covered under the Federal Internal Revenue Code Section 1223. [IF a husband and wife are tenants by the entirety there may be added to the holding period the amount of time the land was held by one spouse alone before that spouse created the tenancy by the entirety. Notwithstanding a provision to the contrary under the Federal Internal Revenue Code, if a tenancy by the entirety is dissolved by reason of death, the holding period during the tenancy by the entirety will be added to the holding period of the surviving spouse owning the property in his or her own name.].

It is also suggested that "AS 34.12.020(d)" be deleted since it also is covered by the Federal Internal Revenue Code Section 1223.

C. Page 3 "AS 34.12.020(f)" This section would allow certain tax free exchanges which would be recognized at some future date. We suggest that the gain be completely recognized when the taxpayer leaves the State of Alaska. This is due to the fact that once the taxpayer leaves the state, it is almost impossible to locate the taxpayer when the gain is recognized for Federal purposes.

D. Page 3 "AS 34.12.020(g)" If the intent of this Act is to tax each land gain transaction separately then there is no problem. However, if the intent of this Act is to combine all land transactions of a given taxpayer then there is no provision to offset any loss transaction. We suggest that this provision address itself to specifically what the intent maybe, which excludes all operating losses and land transaction losses or to include certain losses.

E. Page 5 "AS 34.12.040(e)" We suggest adding the following phrase.
"...At the time a payment is made to the seller or transferor, the amounts withheld shall be remitted within 10 days by the buyer or transferee to the commissioner."

F. Page 6 and 8 "AS 34.14.050 and AS 34.12.100" Both deal with penalties and violations; it is suggested that they be combined under one section for convenience.

G. Page 7 "AS 34.12.080" Requires a separate Shared Revenue program to be generated. Cost of Administration is noted in the Effect on Treasury section of this memorandum.

H. Page 8 "AS 34.12.100(a)" We suggest the word misdemeanor be changed to felony. This would provide better compliance of the Act.

I. The compliance work required on this Act is viewed at this point in time as rather extensive due to the nature of the tax and background needed to provide for proper auditing of these transactions. There are many transactions under this chapter which occur in Alaska which would have to be properly examined. At the present time we foresee the following personnel requirements to perform all the compliance of this Act.

- One(1) Clerk II for filing returns and information
- One(1) Clerk Typist III for correspondence
- Two(2) Tax Examiner II for basic compilation of return information
- Two(2) Revenue Auditor II for performing office audits on returns and field audits under the direction of a Revenue Field Auditor I
- One(1) Revenue Field Auditor to perform as a working supervisor of the land tax section, and lead all audit activity.

Effects on the Treasury

Because of the limited statistical information readily available to us on this type of transaction no estimate of revenues generated by this Act is provided.

Estimated administrative costs of this program:

1. Shared Revenue program;
 - (a) Systems design and programming costs approximately \$50,000 (one time cost).
 - (b) One(1) Accountant II (full-time) with related benefits, equipment and commodities.
2. Audit Program - Seven(7) personnel as noted previously in report.

TOTAL ADMINISTRATIVE COST (A)

| | | |
|-------|-----------|-------------------|
| FY 77 | \$158,000 | (Six Months Only) |
| FY 78 | \$201,600 | |
| FY 79 | \$221,300 | |
| FY 80 | \$243,000 | |
| FY 81 | \$266,200 | |

(A) Inflation rate of 10% assumed.

DDK:lc

