

Offered: 3/6/84
Referred: Finance

Original sponsors: Bettisworth and Cowdery

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 564 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to use of permanent fund dividends
7 to satisfy debts owed to the state; and providing for
8 an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 43.23.065 is amended to read:

11 Sec. 43.23.065. EXEMPTION OF PERMANENT FUND DIVIDENDS. Fifty
12 percent of the annual permanent fund dividend payable to an individual
13 is exempt from levy, execution, garnishment, attachment, or any other
14 remedy for the collection of debt. This exemption applies to an
15 eligible individual's permanent fund dividend both before and after
16 payment is made to the individual. An [NO] exemption is not available
17 under this section for permanent fund dividends taken to satisfy (1)
18 child support obligations required by court order or decision of the
19 child support enforcement agency under AS 47.23.140 - 47.23.220; (2) a
20 debt owed by an eligible individual to an agency of the state, unless
21 the debt is contested and an appeal is pending, or the time limit for
22 filing an appeal has not expired. A child support obligation under
23 (1) of this section has priority over a debt owed to an agency of the
24 state, and a permanent fund dividend may not be taken to satisfy a
25 debt under (2) of this section until any portion of the dividend
26 necessary to satisfy a child support obligation has been taken.

27 * Sec. 2. This Act applies to permanent fund dividends issued for 1984
28 and subsequent years.

29 * Sec. 3. This Act takes effect immediately in accordance with

1 AS 01.10.070(c).

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STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date 3/2/84

I. REQUEST

Bill/Resolution No: CSHB 564 (SA)
 Title: An Act relating to use of permanent fund dividends to satisfy debts owed to the state
 Original Sponsors: Bettisworth & Cowdery
 Requestor: House State Affairs Committee
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: Revenue Management and Collections
 BRU, Program of Subprogram(s) Affected: Enforcement

II. EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	45.0	49.1	28.8	15.8	8.9

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

No increased expenditures are anticipated.

IV. ANALYSIS: See attached narrative.

Prepared By: Thomas C. Williams
 Division: Enforcement

Phone: 465-2366
 Date: March 1, 1984

Approved by Commissioner: James P. [Signature]
 Agency: Revenue

Date: 3/2/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget

Enforcement Division
Analysis of CSFB 564 (SA)
 March 1, 1984

A. Assumptions

1. The PFD program is retained and there are no substantive changes to the current program.
2. Individual dividend payments over the next five years are as follows:

Dividend Year	84	85	86	87	88
Paid in FY	85	86	87	88	89
Dividend Amount	\$357	\$431	\$514	\$564	\$606

3. The average accounts receivable (a/r) attachment is estimated to amount to 84-88% of the value of an attached dividend. Currently 1982 PFD a/r attachments average approximately 44% of the value of dividends attached while 1983 PFD a/r attachments average approximately 48%. Accordingly, we could expect an increase of approximately 40% of each dividend attached.
4. The number of a/r attachments on PFD applications is likely to decrease 10% per year until FY '86 and then by 50% per year. This change will result largely from the lapsing of the 6 year statute of limitations on the repeal of income taxes in 1978. Under this scenario the number of attachments would likely be as follows:

Fiscal Year	84	85	86	87	88	89
Est. Attachments	350	315	285	140	70	35

B. Program Summary

This bill requires no significant program changes.

C. Computations

<u>Dividend Year</u>	<u>Fiscal Year</u>	<u>A (2) Dividend Amount</u>	<u>x</u>	<u>A (3) Average Increase</u>	<u>x</u>	<u>A (4) Est a/r Attachment</u>	<u>=</u>	<u>Income in Revenue (x 1000)</u>
84	85	\$357	x	.40	x	315	=	\$ 45.0
85	86	431	x	.40	x	285	=	49.1
86	87	514	x	.40	x	140	=	28.8
87	88	564	x	.40	x	70	=	15.8
88	89	606	x	.40	x	35	=	8.9

Total Amount of Increase Over 5 Years \$147.6

D. Economic Impact

This bill has no significant impact on the State's economy.

E. Impact on Local Governments

This bill has no impact on Local Governments.

Enforcement Division
Analysis of CEBE 564 (SA)
March 1, 1984

Impact of 100% Accounts Receivable Offset on Enforcement Division Collection Activities:

Although the additional revenue collected by Enforcement is relatively small, the impact on our collection efforts may be more significant. The additional offset provision will likely allow us to close more cases with a minimal amount of collection effort when the tax liability is small. This would allow more of our current resources to be devoted to more difficult cases where the tax liability is larger.

HOUSE JOURNAL

HOUSE FINANCE COMMITTEE
LETTER OF INTENT
FOR
COMMITTEE SUBSTITUTE FOR HOUSE BILL 564 (STATE AFFAIRS)

It is the intent of the legislature that the Department of Revenue designate a hearing officer who will consider the existence of unusual economic conditions in certain documented cases of economic hardship in the geographic area in which an individual resides, and the effect that using this section, to collect debts owed to the state, would have on the individuals health and safety.



Al Adams, Chairman
House Finance Committee

PREPARED BY H.F.C. SUBCOMMITTEE for
consideration along with CS HB 564 (St. Affairs)

LEGISLATIVE INTENT

IT IS THE INTENT OF THE LEGISLATURE THAT THE DEPARTMENT OF REVENUE DESIGNATE A HEARING OFFICER WHO WILL CONSIDER THE EXISTANCE OF UNUSUAL ECONOMIC CONDITIONS IN CERTAIN DOCUMENTED CASES OF ECONOMIC HARDSHIP IN THE GEOGRAPHIC AREA IN WHICH AN INDIVIDUAL RESIDES, AND THE EFFECT THAT USING THIS SECTION, TO COLLECT DEBTS OWED TO THE STATE, WOULD HAVE ON THE INDIVIDUAL'S HEALTH AND SAFETY.

LETTER OF INTENT HB 564

It is the intent of the legislature that the debt or debts owed to the state are to be given 2nd priority in cases when the PFD is to be applied to the recipients or the recipients family's well-being.

Alaska HOUSING  FINANCE CORPORATION

February 28, 1984

The Honorable Bob Battisworth
House of Representatives
Alaska State Legislature
Pouch V
Juneau, AK 99811

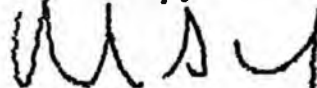
Dear Representative Battisworth:

An inquiry has been made by your office as to how HB 564 would affect AHFC.

The Corporation has not in the past utilized the option to attach permanent fund dividends. AHFC most frequently uses a summary foreclosure process and deficiency judgments are prohibited.

Although we currently do not pursue judicial foreclosure (under which a deficiency judgment could be obtained) that does not mean we would not in the future. That decision, however, would be based on the amount of the dividend that could be attached.

Sincerely,



Michael S. Lynch
Executive Director

MSL:sel

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Introduced: 2/1/84
Referred: State Affairs
and Finance

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BY BETTISWORTH

2

HOUSE BILL NO. 564

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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THIRTEENTH LEGISLATURE - SECOND SESSION

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A BILL

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