

HJR

47

HOUSE COMMITTEE REPORT

(11)

Date referred: 2/22/88

FURTHER REFERRALS:

DATE: 3/1/88

The Finance Committee has considered HJR 47

Relating to a federal income tax exemption for minors for income earned on reinvested permanent fund dividends.

RECOMMENDS:

- replace with CS HJR 47 (Fin) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

GOLL Peter Goll

ADAMS Al Adams

BOYER Mark Boyer

DAVIS Mike Davis

BROWN Tay Brown

RIEGER Al Rieger (RIEGER)

FRANK Frank

LARSON Ronald Larson

SWACK-HAMMER Swack-Hammer

PURCHOT Purchot

SIGNING OTHER RECOMMENDATIONS:

Al Adams
Chairman's signature

FISCAL NOTE

REQUEST: House Finance

Revision Date: 2/26/88
Title: Relating to the reinvestment of Permanent Fund Dividends
Sponsor: Representative Cato
Requestor: House Finance Committee

Agency Affected: _____
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) This resolution urges the Congressional delegation to seek a caveat in the 1986 tax reform law for minors who choose to save or reinvest their permanent fund dividends.

Prepared by: Representative Al Adams, Chairman *AAA* Phone: 465-3706
Division: House Finance Committee Date: 2/26/88

Approved by Commissioner: _____ Date: _____
Agency: N/A

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Original sponsors: Cato, Gruenberg,
Davidson, et al.

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE JOINT RESOLUTION NO. 47 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 Relating to providing a federal income
6 tax exemption to minors and to the
7 parents or guardians of minors for
8 income earned on reinvested permanent
9 fund dividends.

10 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 WHEREAS the interest of national leaders has recently turned to pro-
12 grams to provide assistance to families facing the increasing financial
13 burden of college education for their children; and

14 WHEREAS state law requires parents or guardians of minors in Alaska to
15 submit applications for permanent fund dividends on behalf of their minor
16 children; and

17 WHEREAS present and projected estimates of the permanent fund dividend
18 payable to minors suggest that the cumulative annual dividends, and income
19 earned from the careful reinvestment of them, may prove a significant
20 source of financial assistance to families facing costs of postsecondary
21 education; and

22 WHEREAS the Tax Reform Act of 1986 (P.L. 99-514) makes extensive
23 changes in the tax treatment of income-producing assets transferred to
24 minors and may require the minor to pay taxes on at least a portion of the
25 net unearned income received at the top tax rate payable by the minor's
26 parents; and

27 WHEREAS the recent tax change is particularly detrimental to minors
28 who choose to save or invest permanent fund dividends they receive in order
29 to meet anticipated expenses of postsecondary education, only to see the

1 earnings on these investments taxed at rates comparable to rates payable by
2 their parents; and

3 WHEREAS federal tax policy should be amended to take into account the
4 efforts of minors to arrange their financial affairs in order to assist in
5 meeting the ever-increasing costs of postsecondary education;

6 BE IT RESOLVED by the Alaska State Legislature that the Alaska con-
7 gressional delegation is urged to introduce and support passage of legis-
8 lation providing a federal income tax exemption to minors for income earned
9 on reinvested permanent fund dividends, and to the parents or guardians of
10 minors for income earned on permanent fund dividends reinvested on behalf
11 of the minors.

12 COPIES of this resolution shall be sent to the Honorable Lloyd
13 Bentsen, Chairman of the Senate Committee on Finance; and to the Honorable
14 Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the
15 Honorable Don Young, U.S. Representative, members of the Alaska delegation
16 in Congress.

Alaska State Legislature

Committees:

Chair-State Affairs
V. Chair-Judiciary
Telecommunications
Special Ethics
Legislative Council
Finance Subcommittee
for the University of Alaska
Joint Committee
on Economic Recovery



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REPRESENTATIVE FRAN ULMER

M E M O R A N D U M

TO: House State Affairs Committee
FROM: Fran Ulmer, Chair
RE: HJR 47
DATE: February 19, 1988

After checking with the offices of the Alaska Congressional Delegation, State Affairs Committee staff has determined that there is no pending legislation addressing the intent of HJR 47- federal income tax exemptions for minors for income earned on reinvested permanent fund dividends. The delegation has been working on an amendment to a future tax bill which would accomplish this purpose. Because there is nothing currently pending, page 2, line 5 of HJR 47 (SA) appears appropriate and should not be amended.

At Representative Hoffman's suggestion, I have requested a Committee Substitute (CS HJR 47-SA) which includes Senator Lloyd Bentsen, Chairman of the Senate Finance Committee, as a recipient of the resolution along with our Congressional Delegation. As noted above, once a tax bill has been amended to include the exemption, the first committee of referral will be that chaired by Senator Bentsen.

CC: Representative Betty Cato

Alaska State Legislature

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House of Representatives

COMMITTEES
CHAIRMAN
HOUSE TRANSPORTATION
MEMBER
COMMUNITY AND
REGIONAL AFFAIRS
LEGISLATIVE COUNCIL
TRANSPORTATION
BUDGET SUBCOMMITTEE

MEMORANDUM

TO: HOUSE STATE AFFAIRS COMMITTEE

FROM: REPRESENTATIVE BETTE CATO *BC*

DATE: 5 FEBRUARY, 1988

RE: HJR 47

I've introduced this resolution because I am concerned about inequities in the federal tax laws, particularly as they affect our children. Many families save their children's permanent fund dividends in a savings account or invest the dividend to establish a "college fund" to help send their kids to school. University tuitions are continually on the rise, our own student loan program is more and more expensive to use; in short, the costs of a postsecondary education today astronomical. It is natural to desire to send Alaskan youths to school, and individual families saving the Child's dividend is a logical step in that process.

Unfortunately, the new tax law makes it difficult for a child to save her dividends for school. As the federal law reads now, unearned income over and above \$1000 is taxed at their parent's rate. As dividends continue to grow and interest accrues on past dividends, children who are saving their dividends for school are finding the federal government chewing away at their principal by treating them as their parents. If Billy's mom is a doctor in a 40% tax bracket, then Billy's dividends and interest over \$1000 is taxed at mom's rate.

This resolution urges the congressional delegation to seek a caveat in the 1986 tax reform law for Alaskan minors on income received from Permanent Fund dividends or reinvestment of the dividends.

We are fortunate enough to have had leaders with the foresight to provide Alaskans with the dividend program. I urge you to have the foresight to help protect our children's dividends from exorbitant taxes, and to assist Alaskan families with meeting the significant costs of a college education through the careful savings and investments of their child's Permanent Funds.

Thank you.

Original sponsors: Cato, Gruenberg,
Davidson, et al.

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE
2 CS FOR HOUSE JOINT RESOLUTION NO. 47 (State Affairs)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION
5 Relating to a federal income tax ex
6 emption for minors for income earned on
7 reinvested permanent fund dividends.
8 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:
9 WHEREAS the interest of national leaders has recently turned to pro-
10 grams to provide assistance to families facing the increasing financial
11 burden of college education for their children; and
12 WHEREAS state law requires parents or guardians of minors in Alaska to
13 submit applications for permanent fund dividends on behalf of their minor
14 children; and
15 WHEREAS present and projected estimates of the permanent fund dividend
16 payable to minors suggest that the cumulative annual dividends, and income
17 earned from the careful reinvestment of them, may prove a significant
18 source of financial assistance to families facing costs of postsecondary
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20 WHEREAS the Tax Reform Act of 1986 (P.L. 99-514) makes extensive
21 changes in the tax treatment of income-producing assets transferred to
22 minors and may require the minor to pay taxes on at least a portion of the
23 net unearned income received at the top tax rate payable by the minor's
24 parents; and
25 WHEREAS the recent tax change is particularly detrimental to minors
26 who choose to save or invest permanent fund dividends they receive in order
27 to meet anticipated expenses of postsecondary education, only to see the
28 earnings on these investments taxed at rates comparable to rates payable by
29 their parents; and

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11 Bentsen, Chairman of the Senate Committee on Finance; and to the Honorable
12 Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the
13 Honorable Don Young, U.S. Representative, members of the Alaska delegation
14 in Congress.

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