

CSHJR

47

SENATE COMMITTEE REPORT

FURTHER

DATE TURNED INTO OFFICE _____

4/19/88

Mr. President:

Finance Committee considered CSHJR 47 (FIN)

providing a federal income tax exemption to minors and to the parents or guardians of minors for income earned on reinvested permanent fund dividends

and recommended

[] replace with _____ CS _____) [] same title
[] or adopt _____ CS _____) [] new title

[] attached amendment(s) and

[] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

[] letter of intent adopted _____

Committee [] attached or [] adopted fiscal note(s)

[] new [] updated or [] previous

[] zero [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Chairman signature and recommendation

[] Committee Backup attached

SENATE COMMITTEE REPORT

FURTHER Finance

3/10/88

DATE TURNED INTO OFFICE 4-18-88

Mr. President:

State Affairs Committee considered CSHJR 47 (FIN)

providing a federal income tax exemption to minors and to the parents or guardians of minors for income earned on reinvested permanent fund dividends

and recommended

replace with _____ CS _____) same title
 or adopt _____ CS _____) new title

attached amendment(s) and

Mazant
 do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous *no*
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Sen. Joseph P. Mazant
Sen. Joseph P. Mazant

Sen. Matt Alford
Sen. Matt Alford
Chairman signature and recommendation

Committee Backup attached

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

zero analysis

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

HR 047C
COMMITTEE COPY

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.

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSHJR 47(FIN)
PUBLISH DATE: HOUSE 3/2/88

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
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REVENUE	0	0	0	0	0	0
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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*
Division: House Finance Committee

Phone: 465-3706
Date: 2/26/88

Approved by Commissioner: _____
Agency: N/A

Date: _____

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

zero fiscal rate of analysis

3/2/88

ALASKA STATE LEGISLATURE

15th Legislature **SECOND** Session

JOINT RESOLUTION NO. 47

By **GATO, GRUENBERG**
Dowdson, Guel, Adams, Merrill, Hudson, Hoffman, Zowacke, Cady, Nozawa, Ulmer

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

CSHJR 47(Fin) BY FINANCE

Offered: 3/2/88
 Referred: Rules

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

Introduced in the House **Jan. 22, 1988** ..

HISTORY IN THE HOUSE

1988	Read first time and referred to Committee on										
JAN 22	STATE AFFAIRS, FINANCE										
<i>Feb 22</i>	Reported back with recommendation that <i>Date Affairs - CS/SA 60 days, 3/2/88 To Finance</i>										
<i>Mar 2</i>	<i>Finance - CS/Fin - 10 days 3/2/88 To Rules</i>										
<i>Mar 7</i>	Read second time and <i>CS/Fin adopted rules</i>										
<i>Mar 7</i>	Read third time and										
<i>Mar 7</i>	<table border="0"> <tr> <td>PASSED</td> <td>Effective Date</td> </tr> <tr> <td>Yeas <i>38</i></td> <td>Yeas</td> </tr> <tr> <td>Nays <i>0</i></td> <td>Nays</td> </tr> <tr> <td>Excused <i>2</i></td> <td>Excused</td> </tr> <tr> <td>Absent <i>0</i></td> <td>Absent</td> </tr> </table>	PASSED	Effective Date	Yeas <i>38</i>	Yeas	Nays <i>0</i>	Nays	Excused <i>2</i>	Excused	Absent <i>0</i>	Absent
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Nays <i>0</i>	Nays										
Excused <i>2</i>	Excused										
Absent <i>0</i>	Absent										
<i>Mar 7</i>	Reconsideration <i>Gruppenberg</i>										
<i>Mar 9</i>	Reconsideration not taken up										
<i>Mar 9</i>	<table border="0"> <tr> <td>PASSED</td> <td>Effective Date</td> </tr> <tr> <td>Yeas <i>38</i></td> <td>Yeas</td> </tr> <tr> <td>Nays <i>0</i></td> <td>Nays</td> </tr> <tr> <td>Excused <i>0</i></td> <td>Excused</td> </tr> <tr> <td>Absent <i>2</i></td> <td>Absent</td> </tr> </table>	PASSED	Effective Date	Yeas <i>38</i>	Yeas	Nays <i>0</i>	Nays	Excused <i>0</i>	Excused	Absent <i>2</i>	Absent
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Nays <i>0</i>	Nays										
Excused <i>0</i>	Excused										
Absent <i>2</i>	Absent										
<i>Mar 9</i>	Reported correctly engrossed Signed by Speaker Sent to Senate <i>Irene Cashen</i>										
	CHIEF CLERK OF THE HOUSE										

HISTORY IN THE SENATE

1988	Read first time and referred to Committee on										
<i>39</i>	<i>SA FIN</i>										
<i>4/9</i>	Reported back with recommendation that <i>SA 30 days, previous OK to Fin</i>										
	Read second time and										
	Read third time and										
	<table border="0"> <tr> <td>PASSED</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> </table>	PASSED	Effective Date	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent
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Yeas	Yeas										
Nays	Nays										
Excused	Excused										
Absent	Absent										
	Reported correctly engrossed Signed by President Returned to House										
	SECRETARY OF THE SENATE										

HISTORY IN THE HOUSE

19	Received from Senate
	Concurred in Senate amendment thus adopting: VOTE
	Failed to concur in Senate amendment; asked Senate to recede VOTE
	Senate receded from amendment VOTE
	Senate failed to recede from amendment VOTE
	CC appointed by House
	CC appointed by Senate
	CC adopted by House VOTE
	CC adopted by Senate VOTE
	To enrolling Reported correctly enrolled Sent to Governor
 by Governor
	Filed with Lt. Governor
	Chapter No.

Alaska State Legislature



House of Representatives

REPRESENTATIVE
BETTE CATO

DISTRICT 6
BOX 775

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(907) 835-4568

WHILE IN JUNEAU
P.O. BOX V

JUNEAU, ALASKA 99811
(907) 465-4858
(907) 586-2660

COMMITTEES

CHAIRMAN
HOUSE TRANSPORTATION

MEMBER
COMMUNITY AND
REGIONAL AFFAIRS

LEGISLATIVE COUNCIL

TRANSPORTATION
BUDGET SUBCOMMITTEE

MEMORANDUM

TO: The Honorable Mitch Abood, Chairman
and Members of the Committee
Senate State Affairs Committee

FROM: Representative Bette Cato, Chairman *Bette*
House Transportation Committee

DATE: April 18, 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 dividend to establish a "college fund" to help send their kids to school. University tuitions are continually on the rise and our own student loan program is more and more expensive to use. In short, the costs of a postsecondary education today are 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 his or her dividends for school. As the federal law now reads, unearned income over and above \$1000 is taxed at the 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.

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 fund dividends.

Thank you.

HOUSE JOINT RESOLUTION NO. 47

"An Act relating to federal income tax exemption for minors for income earned on reinvested permanent fund dividends."

Chairman Adams advised members that there is a Finance Committee Substitute which makes a title correction. He said the Resolution asks Congress to pass legislation which would exempt minors from paying federal income tax on income earned from reinvested permanent fund dividend checks. It asks that legislation be passed which exempts parents or guardians from federal income tax for dividends reinvested on behalf of the minors. He said the Resolution cites changes with the Tax Reform Act of 1986 which could require minors to pay taxes on a portion of net unearned income received at the tax rate of the minor's parents. The Resolution has no fiscal impact.

Representative Frank MOVED to adopt CS HJR 47 (Finance) and report the bill out of Committee with a zero fiscal note. There being NO OBJECTION, it was so ordered. CS HJR 47 (Finance) was reported out of Committee with a "do pass" recommendation and fiscal note dated 2/26/88 by the House Finance Committee.

J.C. Shine, speaking for Representative Cato, prime sponsor of HJR 47, read a statement from Representative Cato explaining the purpose of HJR 47. She said it would urge the congressional delegation to seek a tax exemption for Alaskan minors on income received from Permanent Fund dividends or reinvestment of Permanent Fund dividends. She said that currently dividends are taxed at the rate of the minor's parents and that in the case of parents who are in a high tax bracket, the children's dividends are taxed at that same rate. (Complete statement attached.)

Representative Martin said the congressional delegation may already be working on this issue. Representative Hoffman said the resolution would show the legislature's concern even if they were already working on it.

Representative Ulmer suggested that the language on page 2, line 5, could be changed to read, "is urged to continue in their efforts to obtain legislation providing...."

Representative Hoffman suggested that if Congress is already considering this, that copies of the resolution ought to be sent to the appropriate congressional committees. Representative Ulmer said that staff could check and insert the appropriate language as to the committees to which the resolution should be sent.

Representative Menard moved to adopt CS HJR 47 (SA) with the above changes and to pass it from State Affairs Committee with individual recommendations. There was no objection.

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



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

Committees

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



007 203 2027

REPRESENTATIVE FRAN ULMER

MEMORANDUM

TO: House State Affairs Committee
FROM: Fran Ulmer, Chair
RE: HJR 47

DATE: February 19, 1988

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CC: Representative Betty Cato

Alaska State Legislature



House of Representatives

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

MEMORANDUM

TO: The Honorable Rick Halford, Co-Chairman
and Members of the Committee
Senate Finance Committee

FROM: Representative Bette Cato, Chairman *Bette Cato*
House Transportation Committee

DATE: April 19, 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 dividend to establish a "college fund" to help send their kids to school. University tuitions are continually on the rise and our own student loan program is more and more expensive to use. In short, the costs of a postsecondary education today are 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 his or her dividends for school. As the federal law now reads, unearned income over and above \$1000 is taxed at the 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.

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 fund dividends.

Thank you.

Alaska State Legislature

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House of Representatives

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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.