

HB

85



NFIB National Federation
of Independent Business

The Guardian of Small Business.

TO: Senate Judiciary Committee
Alaska Senate

March 16, 1987

SUBJECT: HB 85-KEY SMALL BUSINESS ISSUE

FROM: Gary L. Jenkins, Dir., Gov't Relations
NFIB/Alaska

We urge you to carefully consider the impact of this issue on all businesses in Alaska. If adopted, this legislation will have an unjustified detrimental effect on every Alaska business. Our position is based on the vote of our over 3,300 Alaska members of which 73% voted in favor of keeping the exemption currently in Alaska law.

ISSUE: Repeal of the Alaska small business \$750.00 exemption in the Unclaimed Property Act.

NFIB POSITION: We strongly oppose the original Governor's bill as well as the House Judiciary Committee CS which passed the House.

SUMMARY STATEMENT. We oppose this legislation for the following reasons:

1. It will cost Alaska businesses \$5,750,000 per year (\$100 per business) to comply but will generate a guesstimated \$500,000 in revenue per the Dept. of Revenue. That revenue estimate is only a guess and the revenue will likely be much less than that amount.

2. Regarding uniformity with other states, all other state legislatures have exercised the prerogative of making modifications to the Act. The exemption for Alaska small businesses is not detrimental to the effective operation of the Act.

3. Alaska adopted all the interest and civil penalty provisions of the income tax law as well as specific criminal penalties which will apply to those small businesses who do not comply with the Act. These are very harsh penalties for failing to account for a \$30.00 deposit or a \$25.00 customer overpayment. Do you really want to impose these penalties on every business in Alaska?

4. The House version of the bill only confuses the issue since it identifies only two kinds of unclaimed property which will be exempted up to the \$100.00 limit. The exemption of \$750.00 in present law should be retained.

For further information, feel free to contact the NFIB/Alaska office.

NFIB/ALASKA
Legislative Office
P.O. Box 210194
Auke Bay, AK 99821
907/586-4100

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

1:13:25

January 29, 1987

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to reporting of unclaimed intangible property.

The Uniform Unclaimed Property Act, promulgated in 1981 by the National Conference of Commissioners on Uniform State Laws, was enacted in Alaska last year (ch. 133, SLA 1986). During the hectic final days of the 1986 legislative session, two amendments to the bill proposing the Uniform Act were adopted to exempt holders of unclaimed and abandoned intangible property from filing a report with the Department of Revenue if the total amount held by a particular holder is less than \$750. (See AS 34.45.280 and compare sec. 17 of the Uniform Act.) Those two amendments, significantly increasing the breadth and depth of AS 34.45.280(f)'s exemption (already in the then pending, but not the original, version of the bill), grossly intensified the problem of AS 34.45.280(f) itself. I am convinced that their effect was not fully analyzed before adoption. The most appropriate solution is the complete repeal of AS 34.45.280(f), and that is what this bill does.

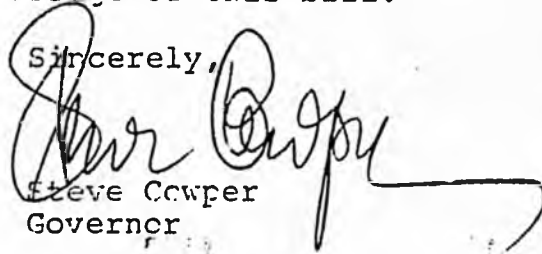
Not only is AS 34.45.280(f) inconsistent with the Uniform Act, retaining it would preclude the state and eventually the people of the state from being reunited with hundreds of thousands of dollars of property. It is important that this subsection be repealed at the earliest possible date, before holders of unclaimed property become accustomed to its exemption and get in the habit of not filing a report for this property.

One primary reason for enacting the Uniform Act was to give the state the authority to require holders located outside of this state to turn over property held for persons with a last known address in this state. It is believed that millions of dollars are held by thousands of out-of-state

businesses, especially banks and other financial institutions, in amounts less than the \$750 specified in AS 34.45.280(f). Repeal of that subsection would enable the state to reclaim most of that money.

For the good of the state and its people, and to help provide uniformity with other states enacting the Uniform Act, I strongly urge your prompt passage of this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cooper", with a long horizontal flourish extending to the right.

Steve Cooper
Governor

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CSHB 85(Jud)
Publish Date: HOUSE 3/6/87

REQUEST

Revision Date: 2/18/87
Title: An act relating to reporting
of unclaimed property
Sponsor: Rules/Governor
Requestor: Finance

Agency Affected: Revenue
BRU: Audit
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
CAPITAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
REVENUE	500.0	500.0	500.0	500.0	500.0	500.0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: See attached.

Prepared By: Steven E. Kettel *[Signature]*
Division: Audit

Phone: 465-2320
Date: 2/18/87

Approved by Commissioner: Hugh Malone *[Signature]*
Agency: Revenue

Date: 2/15/87

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Fiscal Note Analysis
CSHB 85

During the final hours of the 1986 legislative session, an amendment to the Uniform Act was offered by a local businessman. The amendment, AS 34.45.280(f) exempts holders of unclaimed property and abandoned property from filing a report with the Department if the total amount held is less than \$750.00. The Department was not given an opportunity to testify on the amendment and would have been in extreme opposition to it. The Uniform Act was adopted primarily to give this State the authority to require holders located outside this State to turn over property held for persons with a last known address in Alaska. We believe millions of dollars are held by thousands of financial institutions, often in increments much less than the \$750.00 minimum contained in 280(f). Retaining this amendment will preclude the State, and eventually its citizens, from being reunited with hundreds of thousands of dollars of their property. Repeal of this section must be enacted immediately before holders become accustomed to its provisions allowing them exemption from filing a report.

109 of 193 holders that filed a 1986 report with the Department were lower 48 companies that paid less than \$750.00 each. Much of the property being reported to us consists of dividends paid to shareholders on the company's stock. The state is entitled to receive these unclaimed dividends annually and after seven dividends are abandoned the underlying shares are also subject to being reported to the State. These companies, many of them Fortune 500 companies, represent the "tip of the iceberg" as far as the number of foreign corporations and businesses that should be reporting unclaimed property to us. Many others are not yet aware of our new legislation. However, because of the number of requests we have received for copies of our law, we also believe that hundreds of companies have not exceeded the \$750 threshold and have legally not filed a report this year. Interestingly, only five Alaska corporations with unclaimed property of less than \$750.00 have reported it to us.

The compromise language in the committee substitute bill is not expected to greatly impact revenues that otherwise are expected to be received.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF REVENUE

STATE OFFICE BUILDING
P.O. BOX SA
JUNEAU, ALASKA 99811-0400

April 9, 1987

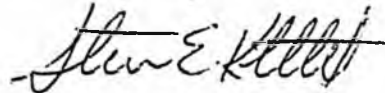
The Honorable Jay Kerttula
Chairman - Senate Judiciary Committee
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

APR -- 9 1987

Dear Senator Kerttula:

Attached is a list of approximately 100 foreign corporations which have filed a 1986 unclaimed property report and paid over less than \$750.00. We believe this represents less than one-percent of the foreign corporations that should otherwise be filing an annual report with this State. What is interesting to note is that under the present statute even these 100 companies were not required to file a report. We suspect that these companies were not aware of Alaska's deviation from the uniform filing requirements adopted by the other states in which they file. We can only assume that unless CSHB 85 is enacted, even these few foreign corporations will discontinue reporting unclaimed property to us.

Sincerely,



Steven E. Kettel
Acting Director of Audit
(907) 465-2320

SEK/sp

87-73

Enclosure

cc: Committee Members

Unclaimed Property Unit
Foreign Companies Reporting \$750 or less
As of February 1, 1987

Prepared by:
Steven E. Kettel
Audit Division
February 6, 1987

USX CORPORATION
F. W. WOOLWORTH CO.
ZURICH INSURANCE CO., U.S. BRANCH
COLEMAN COMPANY, INC.
LOUISIANA-PACIFIC CORPORATION
TAISHO MANAGAEMENT CORP.
SPERRY CORPORATION
BANKAMERICA CORPORATION
ITT CORPORATION
NORTHERN LIFE INSURANCE CO.
NATIONAL GENERAL INSURANCE CO.
NATIONAL WESTERN LIFE INSURANCE CO.
NCR CORPORATION
NORTHWESTERN NATIONAL LIFE INSURANCE CO.
PENNSYLVANIA LIFE INSURANCE CO.
PILLSBURY COMPANY, THE
POLAROID CORPORATION

ROCKWELL INTERNATIONAL CORP.
SECURITY LIFE INS. CO. OF AMERICA
SUNSET LIFE INSURANCE CO. OF AMERICA
TEXACO INC. & SUBSIDIARIES
TEXAS GAS TRANSMISSION CORPORATION
TICOR TITLE INSURANCE
TRUST SERVICES OF AMERICA
UNION CARBIDE CORP.
UNITED AIRLINES, INC.
FIRST FARWEST CORP.
FIRST NATIONAL BANK OF ANCHORAGE
FORT CAMPBELL FEDERAL CREDIT UNION
GENERAL ELECTRIC

HERCULES INC.
HONEYWELL, INC.
IDS FINANCIAL SERVICES, INC.
JERMAIN, DUNNAGAN & OWNES, P.C.
LA MEXICANA, INC.
MERCK & CO., INC.
MIDLAND NATIONAL LIFE INSURANCE CO.
MOBIL OIL CORPORATION

WARNER COMMUNICATIONS, INC.
YOSEMITE INSURANCE COMPANY
ZURN INDUSTRIES, INC.
CONOCO, INC.
GEORGIA-PACIFIC CORP (BANK OF AMERICA)
CENVILL INVESTORS, INC.
FUQUA INDUSTRIES, INC.
SAFEWAY STORES, INC.
ARMCO, INC.
MUTUAL PROTECTIVE INSURANCE CO.
NATIONAL HOME LIFE ASSURANCE CO.
NATIONWIDE MUTUAL INSURANCE CO.
NEW HAMPSHIRE INSURANCE GROUP
NORWEST CORP.
PENTAGON FEDERAL CREDIT UNION
PMI MORTGAGE INSURANCE CO.
R. L. POLK & CO.
RAINIER MORTGAGE COMPANY
ROYAL INSURANCE
SHELL OIL CO. AND SUBSIDIARIES
TEACHERS INSURANCE CO.
TEXAS EASTERN CORPORATION
TEXAS INSTRUMENTS INC.
TITLE INSURANCE AGENCY
UAL, INC.
UNIROYAL, INC.
UNITED GUARANTY RESIDENTIAL INS CO OF IOWA
FIRST INTERSTATE BANK OF OREGON, N.A.
FORD AEROSPACE & COMMUNICATIONS CORP.
GENCORP, INC.
GENERAL ELECTRIC MTG INS CORP
HALLIBURTON COMPANY
HOME SAVINGS OF AMERICA
HOUSEHOLD FINANCE CORP & FINANCE SUBS
INVESTORS INSURANCE CORP
KIEWIT HOLDINGS
MANAGMENT & TECHNICAL SERVICES CO.
APCO LIQUIDATING TRUST
MINNESOTA MINING & MANUFACTURING
A.I. CREDIT CORPORATION

ALLEGHENY INTERNATIONAL, INC.
AMERICAN GEN'L LIFE INS. CO. OF DELAWARE
AMP INCORPORATED
ARKANSAS LOUISIANA GAS CO.
B. F. GOODRICH COMPANY, THE
CAMPBELL SOUP COMPANY
CHASE MANHATTAN BANK, N.A.

CITIES SERVICE OIL & GAS CORP.
CONSOLIDATED PAPERS, INC.
CREDIT THRIFT FINANCIAL MANAGEMENT
EASTMAN KODAK COMPANY

EMPLOYERS REINSURANCE CORPORATION

ALLIED-SIGNAL, INC.
AMERICAN LIFE & CASUALTY INS. CO.
AERONAUT INSURANCE CO.
BECHTEL, INC.
BRUNSWICK CORPORATION
CATERPILLAR, INC.
CHURCH OF JESUS CHRIST OF LATTER-DAY
SAINTS
COLONIAL PENN LIFE INSURANCE COMPANY
CONTROL DATA CORPORATION
DANIEL INTERNATIONAL CORPORATION
EMPLOYERS INSURANCE OF WAUSAU
A MUTUAL COMPANY
FARMERS NEW WORLD LIFE INS. CO.