

SB

46

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 46
Publish Date:

REQUEST: _____

Revision Date: _____ Agency Affected: Alaska Court System
Title: An Act relating to the BRU: Appellate Courts
payment of certain tax obligations...
Sponsor: Kerttula Components:
Requestor: _____

EXPENDITURES/REVENUES:		(Thousands of Dollars)					
	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92	
OPERATING							
Personal Services	
Travel	
Contractual	
Supplies	
Equipment	
Land & Structures	
Grants & Claims	
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	
CAPITAL	
REVENUE	

FUNDING:		(Thousands of Dollars)					
General Funds	0.0	0.0	0.0	0.0	0.0	0.0	
Federal Funds	. . . .	. . . .	. . . .	. . . .	. . . .	. . . .
Other	. . . .	. . . .	. . . .	. . . .	. . . .	. . . .
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	

POSITIONS:							
Full-time	. . . .	. . . .	. . . .	. . . .	. . . .	. . . .
Part-time	. . . .	. . . .	. . . .	. . . .	. . . .	. . . .
Temporary	. . . .	. . . .	. . . .	. . . .	. . . .	. . . .

ANALYSIS: (Attach a separate page if necessary)

No fiscal impact.

Prepared by: Robert G. Fisher, Fiscal Officer
Division: Alaska Court System

Phone: 264-8215
Date: 2-2-87

Approved by: *Stephanie J. Cole*
Stephanie J. Cole, Deputy Director
Agency: Alaska Court System

Date: 2-2-87

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

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

January 21, 1987

SUBJECT: Sectional analysis of SB 46
TO: Senator Jay Kerttula, Chair
Judiciary Committee
FROM: Theresa L. Bannister *tb*
Legislative Counsel

You have requested a sectional analysis of the above described bill.

As a preliminary matter, note that a sectional analysis or summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1 states the legislative intent of the bill.

Section 2. AS 43.05.240(e) requires a taxpayer to pay the taxes, penalties, and interest that the department has determined to be due, within 30 days after receiving the department's formal hearing decision, even if the person files an appeal to the Superior Court. Prohibits the court from allowing the person to postpone the payment during an appeal, unless the court determines that the person does not have sufficient assets to make the payment.

AS 43.05.240(f) indicates how the funds received under AS 43.05.240(e) are to be disposed of.

Section 3 indicates how sec. 2 changes Alaska Court Appellate Rule 603.

Section 4 indicates the tax years to which sec. 2 applies.

If I can be of further assistance, please advise.

TLB:mkr
m8/033

Rule 603. Stays.

(a) Civil Appeals.

(1) *Automatic Stay*. Stays of execution or enforcement of district court judgments shall be as set forth in District Court Civil Rule 24(a).

(2) *Stay Upon Appeal – Supersedeas Bond*. When an appeal is taken, the appellant may obtain a stay of proceedings to enforce the judgment by filing a supersedeas bond with the district court, or with the superior court in administrative appeals, not later than 30 days after the date shown in the clerk's certificate of distribution on the judgment or the date of mailing or delivery of the administrative order appealed from. The bond shall be conditioned for the satisfaction in full of any judgment (including interest and costs) which may be given against the appellant by the superior court, or for satisfaction in full of the judgment (including interest and costs) of the district court if the appeal is dismissed. The bond shall comply with the provisions of Civil Rule 80.

(3) *Proceedings on Stay*. When an appeal is taken, the district court judge or magistrate shall enter a written order indicating whether or not the proceedings to enforce a judgment have been stayed. If the proceedings are stayed, and process has been issued to enforce the judgment, the judge or magistrate must recall the same by written notice to the officer holding the process. Thereupon the process must be returned to the magistrate, and all property seized or levied upon by virtue of such process must be released if it has not been sold, and in cases of civil arrest, the person arrested must be released from custody. This subdivision of this rule shall not be construed as making any stay retroactive or as invalidating any proceedings or levies prior to the time the stay becomes effective.

(b) Criminal Appeals. If a sentence of imprisonment is imposed, admission to bail shall be allowed and the sentence stayed, pending appeal. A sentence to pay a fine or a fine and costs may be stayed, if an appeal is taken, by the district judge or magistrate or by the superior court upon such terms as the court deems proper. During appeal the court may require the defendant to deposit the whole or any part of the fine and costs in

II: APPELLATE
RULES

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the registry of the superior court, or to give bond for the payment thereof, or to submit to an examination of assets, and it may make an appropriate order to restrain the defendant from dissipating his assets. An order placing the defendant on probation shall be stayed if an appeal is taken. (Supreme Court Order 439 effective November 15, 1980; amended by Supreme Court Order 554 effective April 4, 1983)

Rule 604. Record.

(a) Preparation of Record.

The record on appeal shall be prepared in conformity with Rule 210, unless otherwise ordered by the superior court. The clerk of the trial courts shall prepare the record on appeal in an appeal of district court judgments. The administrative agency shall prepare the record on appeal in an appeal of an administrative decision. All reasonable costs incurred in connection with preparing the record on appeal shall be borne by the appellant; in the instance of a cross-appeal, the costs may be apportioned. The preparing agency may require in advance the costs as reasonably estimated by the agency.

(b) Time. The time for certification of the record on appeal shall run from service of the notice required by Rule 602 (b)(1) on the person who is to prepare the record. If the record is to be prepared by the clerk with whom the notice of appeal was initially filed, the time for certification of the record shall run from the date of filing of the notice of appeal.

(c) Power of Court to Correct or Modify Record of District Court. If any differences arise as to whether the record on appeal truly discloses what occurred in the district court, the difference shall be submitted to and settled by the superior court and the record made to conform to it. If anything material to either party is omitted from the record on appeal by error or accident or is misstated therein, the parties by stipulation, or the superior court on motion or of its own initiative may direct that the omission or misstatement shall be corrected, and if necessary that a supplemental record shall be certified and transmitted by the district court. (Supreme Court Order 439 effective November 15, 1980)

Superior court order which would have exempted all administrative appeals from the bond requirements of the appellate rules was invalid. *State, Dept. of Public Safety v. Wilkinson*, Op. No. 2875, 688 P2d 939 (Alaska 1984).

Appellate Rule 603

Cases

An employer must make a showing of irreparable damage as well as filing a supersedeas bond in order to obtain a stay of a disability award in worker's compensation cases. *Wise Mechanical Contractors v. Bignell*, Op. No. 2329, 626 P2d 1085 (Alaska 1981).

A monetary enforcement judgment on an administrative order may be stayed as a matter of right upon the posting of an appropriate supersedeas bond under this rule. *Pipeliner's Union v. Alaska State Commission*, Op. No. 2820, 681 P2d 330 (Alaska 1984).

In a consolidated review and enforcement proceeding pertaining to an order of the Alaska State Commission for Human Rights, the court could enter an enforcement judgment before entering a judgment on the appeal. *Pipeliner's Union v. Alaska State Commission*, Op. No. 2820, 681 P2d 330 (Alaska 1984).

Superior court improperly stayed the payment of taxes during its review of administrative agency's order where the supersedeas bond filed with the court for the principal amount of taxes due did not include costs and interest. *City of Nome v. Catholic Bishop of Northern Alaska*, Op. No. 2986, 707 P2d 870 (Alaska 1985).

Even if AS 29.53.390(a), which authorizes judicial review of a disputed tax assessment, were interpreted to require payment of taxes before appeal, this rule supersedes it. *City of Nome v. Catholic*

Bishop of Nome Alaska, Op. No. 2986, 707 P2d 870 (Alaska 1985).

Appellate Rule 605

Cases

Defendant's waiver of the right to file a brief on appeal to superior court was not revoked by supreme court's remand for a determination on the merits of the appeal, hence waiver was effective as to defendant's second appeal on the same issues. *Milne v. Anderson*, Op. No. 1587, 576 P2d 109 (Alaska 1978).

Appellate Rule 609

Cases

The superior court may extend the time for filing an appeal from an administrative agency decision if the appellant shows that enforcement of the appeal deadline would result in surprise and injustice to the appellant. *Owsichek v. Alaska Guide Licensing and Control Board*, Op. No. 2328, 627 P2d 616 (Alaska 1981).

Where superior court exercised its discretion and granted a "trial de novo on the record" on appeal of an administrative decision by a city manager dismissing a police officer, appellate court review would be of the superior court's decision affirming the dismissal rather than the administrative decision itself. *Kott v. City of Fairbanks*, Op. No. 2642, 661 P2d 177 (Alaska 1983).

Superior court order which would have exempted all administrative appeals from the bond requirements of the appellate rules was invalid. *State, Dept. of Public Safety v. Wilkinson*, Op. No. 2875, 688 P2d 939 (Alaska 1984).



ALASKA DEPARTMENT OF REVENUE
DIVISION OF AUDIT
BRIEFING TO JOINT SPECIAL COMMITTEE ON STATE'S TAX POLICY
ANCHORAGE SEPTEMBER 11, 1986

THE APPEALS PROCESS AND DISPUTED TAX DOLLARS

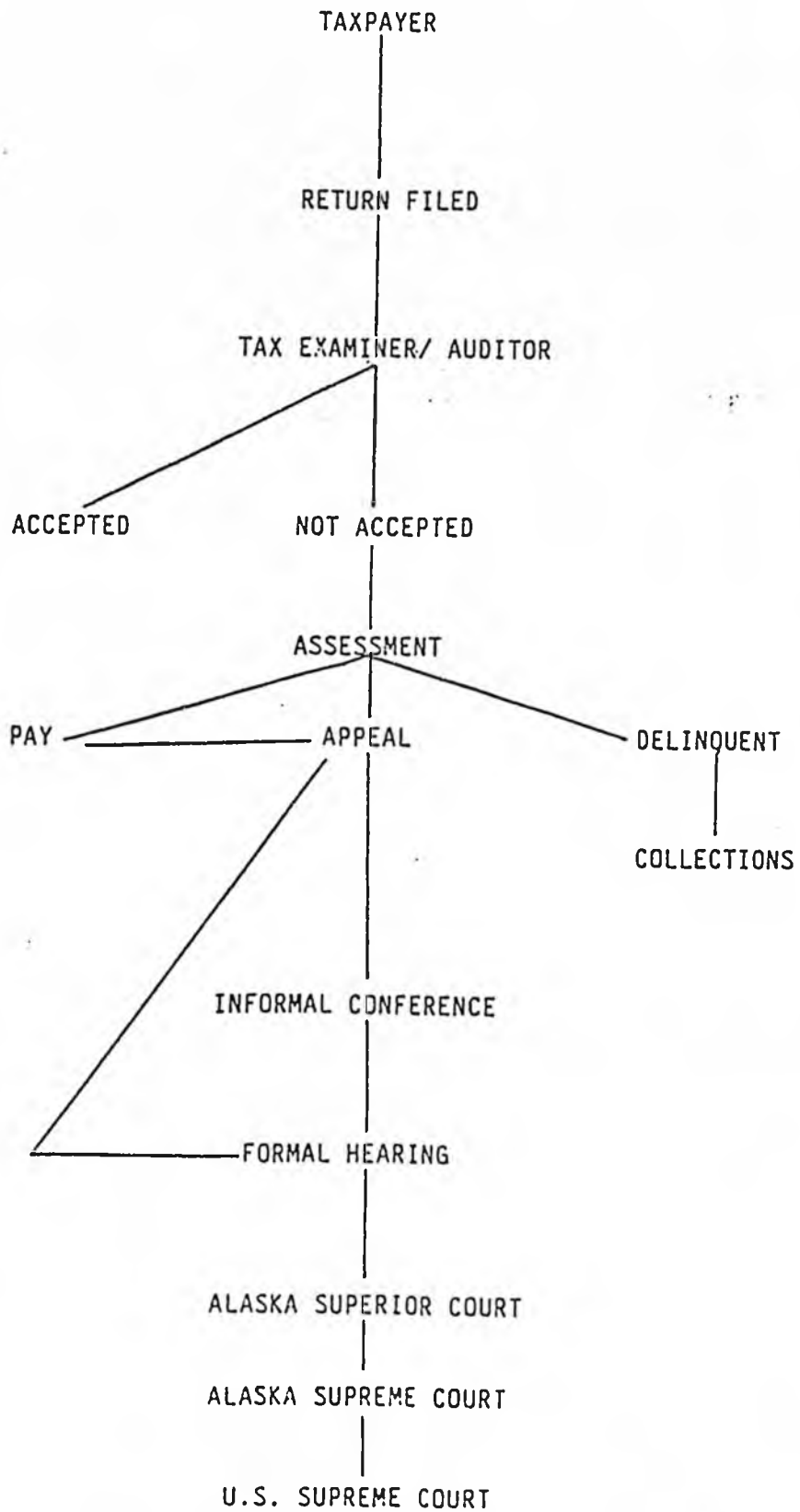
1. Introduction
2. An Overview of the Audit and Appeals Process
3. An Overview and Explanation of the Accounts Receivable
4. Time Frames for Resolution of Appealed Assessments
5. Current Efforts to Resolve Outstanding Appeals
6. Audit issues of major impact

Prepared By:

Division of Audit
September 8, 1986

DEPARTMENT OF REVENUE

APPEAL PROCESS



ALASKA DEPARTMENT OF REVENUE
TAX ACCOUNTS RECEIVABLE SUMMARY
 September 8, 1986

TAX TYPE	STATUTE	VALUE OF ACCOUNTS	NOTICES OF ASSESSMENT	APPEALED	DELINQUENT AND ASSIGNED	CURRENTLY COLLECTA
OIL & GAS CORP INC	AS 43.21	\$ 796,082,574.95	\$.00	\$ 796,082,574.95	\$.00	\$
OIL & GAS PRODUCTION	AS 43.55	162,364,658.57	.00	162,363,756.03	902.54	-
CORPORATE INCOME	AS 43.20	53,228,126.63	441,076.07	50,115,569.11	2,529,105.92	142,37
INDIVIDUAL INCOME	AS 43.20	13,069,990.76	289,982.60	3,813,588.26	8,492,500.07	473,91
FISHERIES—PRE FY87	AS 43.75	9,581,615.38	9,213.91	1,561,787.27	6,678,940.56	1,331,67
MOTOR FUEL—PRE FY87	AS 43.40	3,163,030.85	47,170.92	469,560.47	2,644,666.77	1,63
BUSINESS LIC GR RCPT	AS 43.70	2,671,333.27	.00	2,245,258.35	308,545.52	117,52
MINING	AS 43.65	2,257,196.66	210,233.12	2,046,963.54	.00	
WITHHOLDING	AS 43.20	1,630,804.08	.00	.00	1,492,345.84	138,45
SALMON ENHAN—PRE FY87	AS 43.76	955,871.26	.00	490,542.97	382,598.01	82,73
OIL & GAS PROPERTY	AS 43.56	375,463.31	5,759.49	.00	173,438.04	196,26
SEAFOOD MARKETING	AS 16.51	200,258.68	105.35	50,429.32	144,495.15	5,22
ESTATE	AS 43.31	132,871.76	97,956.59	29,243.96	5,671.21	
ALCOHOLIC BEVERAGE	AS 43.60	57,793.31	.00	.00	57,793.31	
CIGARETTE	AS 43.50	2,756.53	.00	.00	2,756.53	
AVERAGE WHOLESALE	AS 43.80	2,300.00	.00	.00	2,300.00	
MOTOR FUEL - AV.	AS 43.40	2,287.00	2,287.00	.00	.00	
COIN OPERATED DEVICE	AS 43.35	2,126.08	.00	.00	1,986.32	139
SALMON ENHAN. - NSE	AS 43.76	1,492.26	.00	.00	1,492.26	
TOTAL TAX RECEIVABLE (A)		\$1,045,782,551.34	\$1,103,785.05	\$1,019,269,274.23	\$22,919,538.05	\$2,489,954.
PERCENT OF TOTAL VALUE		100.00%	0.11%	97.46%	2.19%	0.
PERCENT OF WORKABLE VALUE					90.20%	9.

TAX TYPE	STATUTE	NUMBER OF ACCOUNTS	NOTICES OF ASSESSMENT	APPEALED	DELINQUENT AND ASSIGNED	CURRENTLY COLLECTABL
INDIVIDUAL INCOME	AS 43.20	1,314	45	234	871	164
CORPORATE INCOME	AS 43.20	671	92	374	168	37
OIL & GAS PRODUCTION	AS 43.55	580	0	579	1	0
WITHHOLDING	AS 43.20	363	0	0	271	92
MOTOR FUEL—PRE FY87	AS 43.40	268	15	110	137	6
FISHERIES—PRE FY87	AS 43.75	219	1	25	139	54
BUSINESS LIC GR RCPT	AS 43.70	108	0	33	46	29
SALMON ENHAN—PRE FY87	AS 43.76	87	0	14	68	5
SEAFOOD MARKETING	AS 16.51	54	1	8	43	2
OIL & GAS CORP INC	AS 43.21	34	0	34	0	0
MINING	AS 43.65	29	15	14	0	0
OIL & GAS PROPERTY	AS 43.56	19	3	0	15	1
ALCOHOLIC BEVERAGE	AS 43.60	9	0	0	9	0
COIN OPERATED DEVICE	AS 43.35	6	0	0	4	2
ESTATE	AS 43.31	6	2	1	3	0
AVERAGE WHOLESALE	AS 43.80	2	0	0	2	0
CIGARETTE	AS 43.50	1	0	0	1	0
MOTOR FUEL - AV.	AS 43.40	1	1	0	0	0
SALMON ENHAN. - NSE	AS 43.76	1	0	0	1	0
TOTAL TAX ACCOUNTS (B)		3,772	175	1,426	1,779	392
PERCENT OF TOTAL ACCOUNTS		100.00%	4.64%	37.80%	47.16%	10.39
PERCENT OF WORKABLE ACCOUNTS					81.94%	18.06

ALASKA DEPARTMENT OF REVENUE
APPEALED TAX ASSESSMENTS BY APPEAL LEVEL
 September 8, 1986

TAX TYPE	STATUTE	VALUE			
		OF ACCOUNTS	CONFERENCE	FORMAL	COURT
OIL & GAS CORP INC	AS 43.21	\$ 796,082,574.95	\$415,735,726.42	\$380,346,848.53	\$.00
GAS PRODUCTION CORPORATION	AS 43.55	162,363,756.03	155,815,089.12	6,171,496.34	377,170.57
INDIVIDUAL	AS 43.20	50,115,569.11	32,888,824.73	9,034,818.38	8,191,926.00
BUSINESS LIC GR RCPT	AS 43.70	3,813,588.26	3,753,923.70	59,664.56	.00
MINING	AS 43.65	2,245,258.35	1,420,740.46	603,726.17	220,791.72
FISH, FREEZER SHIP	AS 43.75	2,046,963.54	2,046,963.54	.00	.00
SALMON ENHAN. - COOK	AS 43.76	1,561,787.27	1,103,109.89	454,507.73	4,169.65
MOTOR FUEL - HWY	AS 43.40	490,542.97	490,542.97	.00	.00
SEAFOOD MARKETING	AS 16.51	469,560.47	424,262.08	45,298.19	.00
ESTATE	AS 43.31	50,429.32	50,164.84	264.48	.00
		29,243.96	29,243.96	.00	.00
TOTAL TAX RECEIVABLE (A)		\$1,019,269,274.23	\$613,758,591.91	\$396,716,624.38	\$8,794,057.94
PERCENT OF TOTAL VALUE		100.00%	60.22%	38.92%	0.86%

TAX TYPE	STATUTE	NUMBER			
		OF ACCOUNTS	CONFERENCE	FORMAL	COURT
INDIVIDUAL INCOME	AS 43.20	234	226	8	0
CORPORATE INCOME	AS 43.20	374	297	56	21
BUSINESS LIC GR RCPT	AS 43.70	33	19	12	2
FISHERIES—PRE FY87	AS 43.75	25	14	10	1
MOTOR FUEL—PRE FY87	AS 43.40	110	107	3	0
SEAFOOD MARKETING	AS 16.51	8	7	1	0
OIL & GAS CORP INC	AS 43.21	34	21	13	0
MINING	AS 43.65	14	14	0	0
ESTATE	AS 43.31	1	1	0	0
OIL & GAS PRODUCTION	AS 43.55	579	504	73	2
SALMON ENHAN. - COOK	AS 43.76	14	14	0	0
TOTAL TAX ACCOUNTS (B)		1,426	1,224	176	26
PERCENT OF TOTAL ACCOUNTS		100.00%	85.83%	12.34%	1.82%

ALASKA DEPARTMENT OF REVENUE
AGING OF APPEALED TAX ASSESSMENTS

September 8, 1986

TAX TYPE	STATUTE	VALUE OF ACCOUNTS	LESS THAN 1 YEAR	1 YEAR TO LESS THAN 2 YEARS	2 YEAR TO LESS THAN 5 YEARS	5 YEARS OR OLDER
OIL & GAS CORP INC	AS 43.21	\$ 796,082,574.95	\$275,237,156.20	\$436,778,244.98	\$ 60,039,980.49	\$24,027,193.
OIL & GAS PRODUCTION	AS 43.55	162,363,756.03	2,413,708.33	121,859,592.48	20,741,532.20	17,348,923.
CORPORATE INCOME	AS 43.20	50,115,569.11	3,430,983.75	18,160,728.86	19,353,962.71	9,169,893.
INDIVIDUAL INCOME	AS 43.20	3,813,588.26	490,971.23	925,106.34	2,325,156.56	354.
BUSINESS LIC GR RCPT	AS 43.70	2,245,258.35	.00	305,598.75	1,662,028.28	27,631.
MINING	AS 43.65	2,046,963.54	1,036,507.95	411,742.76	598,712.83	.
FISHERIES—PRE FY87	AS 43.75	1,561,787.27	906,953.25	.00	577,841.02	76,993.
SALMON ENHAN—PRE FY87	AS 43.76	490,542.97	475,546.66	11,256.39	3,739.92	.
MOTOR FUEL—PRE FY87	AS 43.40	469,560.47	49,396.46	374,865.82	.00	45,298.
SEAFOOD MARKETING	AS 16.51	50,429.32	43,129.73	.00	7,299.59	.
ESTATE	AS 43.31	29,243.96	29,243.96	.00	.00	.
TOTAL APPEALED		\$1,019,269,274.23	\$284,113,597.52	\$578,827,136.38	\$105,310,253.60	\$51,018,286.
PERCENT OF TOTAL VALUE		100.00%	27.87%	56.79%	10.33%	5.00%

TAX TYPE	STATUTE	VALUE OF ACCOUNTS	LESS THAN 1 YEAR	1 YEAR TO LESS THAN 2 YEARS	2 YEAR TO LESS THAN 5 YEARS	5 YEARS OR OLDER
OIL & GAS PRODUCTION	AS 43.55	579	93	8	437	41
CORPORATE INCOME	AS 43.20	374	152	41	141	40
INDIVIDUAL INCOME	AS 43.20	234	42	47	130	15
MOTOR FUEL—PRE FY87	AS 43.40	110	12	95	0	3
OIL & GAS CORP INC	AS 43.21	34	6	9	15	4
BUSINESS LIC GR RCPT	AS 43.70	33	0	12	18	3
FISHERIES—PRE FY87	AS 43.75	25	6	0	18	1
MINING	AS 43.65	14	2	2	10	0
SALMON ENHAN—PRE FY87	AS 43.76	14	4	7	3	0
SEAFOOD MARKETING	AS 16.51	8	5	0	3	0
ESTATE	AS 43.31	1	1	0	0	0
TOTAL APPEALED		1,426	323	221	775	107
PERCENT OF TOTAL ACCOUNTS		100.00%	22.65%	15.50%	54.35%	7.50%

OIL AND GAS TAXES OUTSTANDING
ON SEPTEMBER 2, 1986

INCOME TAX (CHPT. 21)	\$489,158,736
PRODUCTION TAX (CHPT. 55)	<u>94,760,523</u>
TOTAL OIL AND GAS TAXES	\$583,919,259

*← This include
du penalties
or
interest*

TAX ASSESSED WITHIN:

6 MONTHS	\$170,086,196		
12 MONTHS	2,248,117		
18 MONTHS	6,997,314		
24 MONTHS	335,097,693	57.37%	88.12%
36 MONTHS	10,722,320	1.83%	
OVER 36 MONTHS	<u>58,767,619</u>	10.05%	
	\$583,919,259	100.00%	

NUMBER OF ALL TAX ACCOUNTS	1,426	100.00%
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OIL & GAS ACCOUNTS:

INFORMAL CONFERENCE	525	36.81%
FORMAL HEARING	<u>86</u>	<u>6.03%</u>
TOTAL	611	42.84%

Prepared By:
Division of Audit
September 8, 1986

NEWS RELEASE

For Further Information
Contact:

Mary Nordale
or
Bruce Bothelo (465-2301)
Hal Brown (465-3600)

STATE OF ALASKA, ARCO ALASKA ANNOUNCE AGREEMENT
January 13, 1986

JUNEAU--The Alaska Department of Revenue and ARCO Alaska, Inc. announced today that they have entered into an agreement which will substantially resolve a long-standing dispute over tax liabilities owed under the Alaska Oil Production Tax for oil produced on Alaska's North Slope and from Cook Inlet. ARCO has agreed to pay a lump sum payment of \$243 million on or before January 15, 1986. ARCO Alaska, Inc. is a subsidiary of Atlantic Richfield Company. An Atlantic Richfield spokesman stated that Atlantic Richfield's 1986 profits will not be affected by the payment because previously established financial reserves are sufficient to cover the cost of the settlement.

The agreement, which is the result of extensive negotiations between ARCO and the State, was executed this week by Commissioner of Revenue, Mary A. Nordale and Harold M. Brown, Attorney General for the State of Alaska. Harold C. Heinze, President of ARCO Alaska, Inc. and Senior Vice President of Atlantic Richfield Company, has signed it for ARCO.

Commissioner Nordale observed: "This Settlement Agreement marks the end of a long dispute and culminates years of intensive audit work done by several people in the Department of Revenue in close cooperation with the Department of Law. I believe it has resulted in a fair and equitable resolution of several very complex legal and audit problems."

Mr. Heinze of ARCO stated: "The agreement reached with the State of Alaska is a reasonable resolution of complex and difficult issues. The settlement ends continuing uncertainty and avoids costly and protracted litigation."

-MORE-

Attorney General Harold Brown commented: "Although the State was prepared to litigate this matter to its ultimate conclusion, I am convinced that this is an excellent settlement which in fact, serves the best interest of the people of the State of Alaska."

The Oil and Gas Properties Production tax is responsible for approximately 43% of the State's annual general fund revenues. In Fiscal Year 1985, the total production tax collected from the Alaska producers was \$1,389,400,000. The payment of \$243,000,000 relates primarily to tax periods 1980 through most of 1985 and is in addition to those taxes already paid by ARCO.

Under the terms and provisions of Alaska tax statutes, the terms and conditions of the agreement may not be disclosed.

~~same subjects~~

\$243-

Severance Tax
'80-'85

ongoing effect -

Arco to pay \$315 million in oil-price case

By ROGER GILLOTT
The Associated Press

ADN

1/28/86

LOS ANGELES — Atlantic Richfield Co. said Monday it has agreed with the U.S. Energy Department to pay \$315 million in restitution and fines for alleged violations of federal oil-price controls from 1978 until 1981.

The settlement resulted in a \$164 million after-tax loss provision in the fourth quarter, causing Arco's net income for the three months ended Dec. 31 to drop to by 50 percent to \$142 million, or 73 cents per share, compared with year-earlier profits of \$285 million, or \$1.15 per share.

For the full year, the company showed a loss of \$202 million, or 94 cents per share, compared to a year earlier when it earned \$567 million, or \$5.36 per share.

Besides the loss provision in the Energy Department case, the full-year deficit reflects a previously announced \$1.5 billion writeoff

because of the company's massive restructuring.

Arco's revenues for the fourth period declined to \$5.45 billion from \$5.99 billion and for the year dropped to \$22.49 billion from \$24.58 billion.

Separately, Arco announced plans to sell what it called "certain small and geographically remote" oil- and gas-producing operations in the Lower 48 states and to cut 2,000 of 7,000 workers.

The company also said it will consolidate its Lower 48 oil and gas operations into Arco Oil and Gas Co. Currently the operations are divided between Arco Oil and Gas and Arco Exploration Co.

Arco spokesman Al Greenstein said the company intends to sell about 700 of its 1,000 oil-field properties in the Lower 48 states, but that the properties to be sold account for only about 10 percent of Arco's production.

Most of the fields on the auction block are in the mid-continent and Rocky Mountain regions, although all sections of the country will be affected, Greenstein said. The company will retain most of its onshore and offshore operations in California and Gulf Coast, as well as Alaska.

The settlement calls for Arco to pay \$313 million in restitution and \$2 million in civil penalties. The Energy Department will allocate the restitution money to those who were overcharged, but a specific list of recipients has not been disclosed.

Although it agreed to make the payments, Arco didn't admit any wrongdoing.

The government had contended that the alleged overcharges were accomplished through oil trades with smaller oil-trading concerns, including Marc Rich & Co. In October 1984, Marc Rich pleaded guilty to fraud in its oil trading.

1/14/86

Arco and Alaska Settle Tax Case For \$243 Million

By FREDERICK ROSE

Staff Reporter of THE WALL STREET JOURNAL
LOS ANGELES—Atlantic Richfield Co. said it agreed to pay the state of Alaska \$243 million as part of a tax settlement covering the company's oil production on the North Slope and Cook Inlet fields in Alaska.

Arco said the payment won't directly affect earnings because reserves covering the amount were taken in prior years. The agreement with Alaska relates primarily to tax periods from 1980 through most of 1985, it said.

Arco's dispute with Alaska is one of a number of cases centering on the company's valuation of crude oil produced in the state. Details of Arco's prices haven't been disclosed and the company said that its new pact with the state forbids disclosure of the details of the production-tax settlement.

Still to be resolved is a separate dispute with the state over royalties paid on the same oil production. Also, the Internal Revenue Service is auditing company calculations of windfall-profit taxes payable on Alaska oil production.

The agreement, reached with Arco's Arco Alaska Inc. unit, calls for the company to make a single, lump-sum payment of \$243 million by tomorrow. Harold C. Heinze, president of the unit and a senior vice president of the parent company, called the pact "a reasonable resolution of complex and difficult issues."

Arco's agreement with Alaska is the latest step in the Los Angeles-based oil company's efforts to settle a number of tax and regulatory disputes.

Last month, Arco disclosed that it had offered to pay the federal Energy Department \$225 million to settle department claims that the company violated federal oil-price controls. The agency hasn't yet decided to accept that offer, an Arco spokesman said. In a filing last month with the Securities and Exchange Commission, Arco said it planned to take a charge of either \$225 million or the actual amount of any settlement against 1985 fourth-quarter earnings.

In 1984, Arco ended a long disagreement with regulators over rates charged on the trans-Alaska pipeline system. The company agreed to repay \$50 million to shippers, including itself.

In an interview earlier this month, Lodwick Cook, Arco's chairman and chief executive officer, said the company wants "to move into the next couple of years with the decks cleared." He said the proposed agreement with the Energy Department was intended "to get this behind us on some reasonable basis."

Arco periodically has taken charges against its earnings for these prospective claims. At Dec. 31, 1984, the reserves amounted to \$690 million, before income tax.

State reports \$965 million in unpaid taxes

Oil companies dispute \$850 million

By PATTI EPLER
Daily News business reporter

Nearly \$1 billion in state taxes remain unpaid this week, most by oil companies that are contesting hundreds of millions of dollars in tax assessments, state officials say.

The increasing amount of uncollected taxes has some legislators drafting legislation aimed at speeding up the state's system for appealing tax assessments and freeing

the money for use by state government.

As of Tuesday, about \$965 million in taxes still are unpaid, according to state Department of Revenue figures.

More than \$850 million are taxes the oil companies have appealed, appeals that are awaiting resolution by state hearing officers or the courts. Some of the unpaid taxes date back as far as 1972.

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That money was not taken into account when state officials drew up next year's budget because it has not been collected and is not considered available for spending, said Steve Kettel, chief of the department's audit division.

Some of the taxes are on liquor, cigarettes, seafood, fisheries and other corporations not involved in the oil and gas business.

About \$21 million are taxes that have been ruled delinquent and that the state can collect, said Jim Leet, chief of enforcement operations for the department.

State officials, citing privacy laws, would not disclose how much money was disputed by specific oil companies.

Hank Rosenthal, a spokesman for ARCO Alaska Inc., said he didn't know how much in taxes ARCO has contested to date. He noted that

currently are valued at about \$40 billion and said \$850 million isn't an unusual percentage to be in contention.

Rosenthal emphasized that the money shouldn't be considered as back taxes or as being "owed" by the oil companies because it may turn out that the companies don't owe the amounts the state has assessed.

Rep. Sam Cotten, D-Eagle River, and Rep. Al Adams, D-Kotzebue, are drafting a five-part report on oil revenue to be presented to the legislature next month. The centerpiece is the unpaid tax accounts and how to deal with that issue, Cotten said Thursday.

While many legislators aren't enthusiastic about increasing taxes on the oil industry, Cotten said, most are interested in finding ways to collect back taxes.

Under the state's appeal process, taxes can remain uncollected for years while disputes make their way from hearing officers to judges.

Cotten said taxpayers, especially large corporations, are encouraged to dispute tax assessments because they can hang on to the money for long periods, investing it or collecting interest.

The state affords taxpayers a two-stage appeal process if the taxpayer doesn't agree with the state's tax assessment after an audit has been conducted. The first is an informal review or conference during which many problems are resolved, said Bruce Botelho, deputy commissioner for taxation.

If that doesn't work, the taxpayer can appeal to the

commissioner and the case is assigned to a hearing officer for a decision, he said.

If the taxpayer still disagrees with the decision, he can file suit in state court, Botelho said.

Taxpayers are not required to pay the assessed amounts until all appeals are exhausted, he said.

Cotten said he and other legislators likely will introduce bills in the upcoming legislative session that would require prepayment of the assessed amounts.

"The ideal thing would be to put the money up front and leave it in escrow," he said. "The reason to do it is to encourage an early resolution" of the back tax disputes.

Cotten said the legislature also should make sure that the Department of Revenue has enough staff working on resolving tax disputes so that the money can be collected and put to use by the state.