

HJR

47

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

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

*[Handwritten signatures]*

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*[Handwritten signature]*  
Chairman signature and recommendation

Committee Backup attached

# Alaska State Legislature



## House of Representatives

REPRESENTATIVE  
BETTE CATO

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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 MOVEI 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**

## MEMORANDUM

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

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* Phone: 465-3706  
Division: House Finance Committee Date: 2/26/88

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: N/A

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