

SJR

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# HOUSE COMMITTEE REPORT

(7)

Date Referred: March 3, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action 5-2-89

The LABOR & COMMERCE Committee considered:

SJR 8am

SENATE JOINT RESOLUTION NO. 8 am

[TAX TREATMENT OF FORECLOSED PROPERTY]

Urging a change under the Internal Revenue Code in the tax treatment of the transfer of real property subject to a mortgage that is a recourse loan when the indebtedness on the property is discharged through foreclosure, repossession, or surrender of the property.

**RECOMMENDATIONS:**

- [ ] be replaced with \_\_\_\_\_ [ ] the same title
- [ ] have 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):  
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- [ ] fiscal impact \_\_\_\_\_
- [ ] zero fiscal note \_\_\_\_\_
- [ ] zero with analysis \_\_\_\_\_

- [ ] fiscal note(s) \_\_\_\_\_
- [  ] zero fiscal note(s) \_\_\_\_\_
- [ ] zero fn/analysis \_\_\_\_\_

**SIGNING DO PASS:**

**SIGNING:**

(Check approp. column)

Donley Donley  
Boyer Boyer  
Boucher Boucher  
Leman Leman  
Collins Collins  
Finkelstein Finkelstein  
Gruenberg Gruenberg

	Do Not Pass	No Rec	Amend

Donley

Chairman's signature

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**Senator Rick Halford**

## MEMORANDUM

To: Representative Dave Donley, Chairman  
Labor and Commerce

From: Senator Rick Halford 

Subject: SJR 8, regarding the tax treatment of real property when the property is transferred through foreclosure, repossession, or surrender.

Date: April 19, 1989

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I would appreciate a hearing on SJR 8 at the Committee's earliest convenience.

It has come to my attention that in certain cases individuals are being taxed on their losses. Senate Joint Resolution 8 is an effort to correct this problem that is occurring in our State as a result of Alaska's struggling economy.

When an individual has a recourse loan, they are held personally liable for their debt beyond simply giving up the rights to the property. According to the Internal Revenue Code when an owner is personally liable for repayment of a debt which is secured by real property that has been transferred to satisfy the debt and the fair market value of that property is less than the amount of the outstanding debt, the resulting difference is taxable as ordinary income if any portion of the debt is forgiven by the lending institution.

In essence, what is occurring is that individuals who have lost their homes because they can no longer make monthly mortgage payments in our declining economy are held liable for taxes on the amount of their loan over and above fair market value and are thus being taxed on their losses.

I hope you will join me in this attempt to correct this terrible inequity.

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: Transfer of real property

Agency Affected: Revenue  
BRU: Income & Excise Audit

Sponsor: Halford and Pearce  
Requestor: Labor and Commerce

Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
<b>OPERATING</b>						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
<b>CAPITAL</b>						
	0	0	0	0	0	0
<b>REVENUE</b>						
	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel *Steven E. Kettel* Phone: (907) 465-2320  
Division: Income and Excise Audit Date: February 21, 1989

Approved by Commissioner: Hugh Malone *Hugh Malone* Date: February 21, 1989  
Agency: Department of Revenue *2/21/89*

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