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WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 22, 1991

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

Dear Speaker Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill providing for junior liabilities to be extinguished after a distraint sale held by the Department of Revenue for the collection of back taxes. Such liabilities are not now extinguished, with the effect that the property is worth less to a potential purchaser because of the existence of the liabilities. This situation hinders the department's ability to collect past due taxes.

The current state statutory scheme on distraint on property in AS 43.20.270 was taken nearly verbatim from the Internal Revenue Code (26 U.S.C. 6331 -- 6342), with the exception of language that would extinguish junior liabilities. This legislation would amend the state statute to include the provision from the comparable federal statute.

The legislation also extends the current right of redemption to include those persons whose interest would be extinguished by the sale. This allows junior claimants to protect their interest without adversely impacting the department. The provision is contained in the federal statute.

If the legislature chooses to not extinguish junior liabilities, AS 43.20.270(g)(5)(B) should be amended to remove a present ambiguity. This subparagraph includes language from the federal statute that is appropriate where junior liabilities are extinguished. It specifies that the interest conveyed by the deed of real property is the interest the taxpayer had when the state's lien attached and implies that junior liabilities are no longer of effect.

I urge your favorable consideration of this bill.

Sincerely,

Walter J. Hickel
Governor

FISCAL NOTE

No. 1
 Bill Version: HB 233
 (H) Publish Date: 3/22/91

**STATE OF ALASKA
 1991 LEGISLATIVE SESSION**

Revision Date: _____
 Title: An Act extinguishing junior
liabilities in state lien distraint sales
 Sponsor: Rules Committee
 Requestor: Governor

Department Affected: Department of Revenue
 BRU: Revenue Operations
 Component: Income and Excise Audit

COMPONENT SERIAL NO. | 1 | 1 | 3 |

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE	0.0	0.0	0.0	0.0	0.0	0.0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS	0.0	0.0	0.0	0.0	0.0	0.0
OTHER	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year impact: _____

ANALYSIS: Attach a separate page for analysis.

See Transmittal Letter Attached

Prepared By: Carl Meyer *Carl Meyer* Phone: (907) 465-2320
 Division: Income and Excise Audit Division Date: March 12, 1991

Approved by Commissioner: Lee E. Fisher *Lee E. Fisher*
 Agency: Department of Revenue Date: 3/13/91

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