

HJR

34

HOUSE COMMITTEE REPORT

(7) Date Referred: March 27, 1991 FURTHER REFERRALS: Finance

Date of Committee Action: 4-8-91

The JUDICIARY Committee considered: HJR 34

HOUSE JOINT RESOLUTION NO. 34 TAX DEDUCTIBILITY OF EXXON SETTLEMENT

Relating to the tax deductibility of the Exxon oil spill settlement.

RECOMMENDATIONS:  
 be replaced with CS HJR 34 (Jud)  the same title  a new title  
 have attached amendments(s)  
 do pass  
 do not pass  
 no recommendations  
 individual recommendations  
 additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date)  
 fiscal impact Dept. Revenue \_\_\_\_\_  fiscal note(s) \_\_\_\_\_  
 zero fiscal note \_\_\_\_\_  zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
		Terry Marston		✓	
W. H. ...	✓	Mark ...		✓	
J. ...	✓	Kevin ...		✓	
Daniel Donley	✓				

Daniel Donley  
 CHAIRMAN'S SIGNATURE

**FISCAL NOTE**

**STATE OF ALASKA**  
**1991 LEGISLATIVE SESSION**

**BILL NO.** HJR34

Revision Date: \_\_\_\_\_  
 Title: Relating to the Tax Deductibility  
of the Exxon Oil Spill Settlement  
 Sponsor: Ellis, Brown, Donley  
 Requestor: \_\_\_\_\_

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	FY97-02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CAPITAL</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>REVENUE</b>	490.0	817.0	545.0	381.0	381.0	381.0

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	490.0	817.0	545.0	381.0	381.0	381.0
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	490.0	817.0	545.0	381.0	381.0	381.0

**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: None

**ANALYSIS:** Attach a separate page for analysis.  
 SEE ATTACHED

Prepared By: Carl Meyer *Carl Meyer* Phone: (907) 465-2320  
 Division: Income and Excise Audit Division Date: April 5, 1991

Approved by Commissioner: Lee E. Fisher *Lee E. Fisher*  
 Agency: Department of Revenue Date: 4-5-91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

April 5, 1991

HJR 34  
FISCAL NOTE ANALYSIS  
DEPARTMENT OF REVENUE

HJR 34 urges the United States Congress to amend the federal income tax law to deny to Exxon a deduction for amounts paid to the state in settlement for the Exxon oil spill. Alaska law incorporates certain provisions of the federal law including those provisions which would currently allow spill expenses to be deducted. Therefore, a denial of the expenses under federal law would also result in a corresponding denial of the expenses for purposes of the Alaska Net Income Tax Act.

The estimated fiscal impact of the denial of a deduction for the settlement payments is based on payments of \$90,000,000 this summer or fall, \$150,000,000 on September 1, 1992, \$100,000,000 on September 1, 1993, and \$70,000,000 on September 1 of 1994 through 2001. Additional amounts to be paid as fines or penalties are not reflected in the fiscal note as these amounts are not deductible under current law. Also, the fiscal note does not take into account the provision providing for an additional \$100,000,000 payment if the settlement agreement is reopened to consider currently unknown injuries.

**HOUSE JOINT RESOLUTION NO. 34**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**SEVENTEENTH LEGISLATURE - FIRST SESSION**

**BY REPRESENTATIVES ELLIS, Brown, Donley**

**Introduced: 3/27/91**

**Referred: Judiciary, Finance**

**A RESOLUTION**

**1 Relating to the tax deductibility of the Exxon oil spill settlement.**

**2 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

**3 WHEREAS** on the night of March 23 - 24, 1989, the T/V Exxon Valdez, owned by Exxon  
**4 Shipping,** went aground on Bligh Reef in Prince William Sound in Alaska; and

**5 WHEREAS** as a result of the grounding, several of the vessel's cargo tanks ruptured and  
**6 approximately 11,000,000 gallons of crude oil owned by Exxon Corporation spilled into Prince William**  
**7 Sound; and**

**8 WHEREAS** on March 12, 1991, the United States, Exxon Corporation, Exxon Shipping  
**9 Company, Exxon Pipeline Company, and Governor Hickel for the State of Alaska entered into a**  
**10 proposed agreement and consent decree to settle the claims between them arising out of the oil spill; and**

**11 WHEREAS** under the agreement Exxon agrees to pay Alaska a specified sum of money as  
**12 compensatory and remedial damages for the oil spill; and**

**13 WHEREAS** under the present income tax laws of the United States, Exxon will be able to reduce  
**14 its income tax liability by deducting a portion of the money to be paid under the agreement; and**

**15 WHEREAS** the deduction by Exxon means that the taxpayers of the United States pay that part  
**16 of the settlement amount that is deducted from Exxon's income taxes, because the United States will not**  
**17 receive that amount in taxes; and**

1 WHEREAS the taxpayers of the United States should not have to pay for Exxon's negligence,  
2 and Exxon should not receive a tax break for compensating the State of Alaska for Exxon's negligence;  
3 and

4 WHEREAS there is movement in the United States Congress to repeal the income tax laws that  
5 allow Exxon to receive the tax break;

6 BE IT RESOLVED that the Alaska State Legislature urges the United States Congress to amend  
7 the income tax laws of the United States so that Exxon may not reduce its income tax liability by  
8 deducting any of the money that Exxon pays to the State of Alaska <sup>+ the Fed 800</sup> as settlement for the Exxon oil spill.

9 COPIES of this resolution shall be sent to the Honorable Dan Quayle, Vice-President of the  
10 United States and President of the U.S. Senate; the Honorable Thomas S. Foley, Speaker of the U.S.  
11 House of Representatives; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S.  
12 Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in  
13 Congress.

*Chair Sen Finance Comm.*

DD - Further Resolves -

JE MW' add language

*Adopted*

#2 past

#3 pst

*(7)*