

HB

398

22-LS1446\F
Cook
2/27/02

CS FOR HOUSE BILL NO. 398(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES SCALZI, Mulder, Stevens

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the market value of the Alaska permanent fund and to disposition of**
2 **income of the Alaska permanent fund; and providing for an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 *** Section 1.** AS 37.13.140 is amended to read:

5 **Sec. 37.13.140. Income available for distribution. The market value [NET**
6 **INCOME] of the fund includes the market value [INCOME] of the earnings reserve**
7 **account established under AS 37.13.145. The market value [NET INCOME] of the**
8 **fund shall be computed annually as of the last day of the fiscal year in accordance with**
9 **generally accepted accounting principles [, EXCLUDING ANY UNREALIZED**
10 **GAINS OR LOSSES]. Income available for distribution equals 5 [21] percent of the**
11 **average year-end market value [NET INCOME] of the fund for the last five fiscal**
12 **years, including the fiscal year just ended, but may not exceed [NET INCOME OF**
13 **THE FUND FOR THE FISCAL YEAR JUST ENDED PLUS] the balance in the**
14 **earnings reserve account described in AS 37.13.145.**

1 * **Sec. 2.** AS 37.13.145(b) is amended to read:

2 (b) After the transfers under (c) and (e) of this section, at [AT] the end of
3 each fiscal year, the corporation shall transfer from the earnings reserve account to the
4 dividend fund established under AS 43.23.045, 50 percent of the income available for
5 distribution under AS 37.13.140 minus any amount transferred under (e) of this
6 section, or the balance in the account, whichever is less.

7 * **Sec. 3.** AS 37.13.145(c) is amended to read:

8 (c) At the end of each fiscal year [AFTER THE TRANSFER UNDER (b)
9 OF THIS SECTION], the corporation shall transfer from the earnings reserve account
10 to the principal of the fund an amount sufficient to offset the effect of inflation on
11 principal of the fund during that fiscal year. The corporation shall calculate the
12 amount to transfer to the principal under this subsection by

13 (1) computing the average of the monthly United States Consumer
14 Price Index for all urban consumers for each of the two previous calendar years;

15 (2) computing the percentage change between the first and second
16 calendar year average; and

17 (3) applying that rate to the value of the principal of the fund on the
18 last day of the fiscal year just ended.

19 * **Sec. 4.** AS 37.13.145(d) is amended to read:

20 (d) Notwithstanding (b) and (e) of this section, income earned on money
21 awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ.
22 (Superior Court, First Judicial District), including settlement, summary judgment, or
23 adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or
24 interest earned on the money, or on the earnings of the money shall be treated in the
25 same manner as other income of the Alaska permanent fund, except that it is not
26 available for distribution to the dividend fund, and shall be annually deposited into the
27 principal of the Alaska permanent fund.

28 * **Sec. 5.** AS 37.13.145 is amended by adding a new subsection to read:

29 (e) If, on June 30 of any fiscal year, the balance in the budget reserve fund
30 (art. IX, sec. 17, Constitution of the State of Alaska) is less than \$1,500,000,000, the
31 commissioner of revenue shall notify the corporation of the amount necessary to bring

1 the budget reserve fund balance up to \$1,500,000,000. After the transfer under (c) of
2 this section, the corporation shall transfer to the budget reserve fund from the earnings
3 reserve account the amount identified by the commissioner or the balance in the
4 account, whichever is less.

5 * **Sec. 6.** AS 37.13.150 is amended to read:

6 **Sec. 37.13.150. Corporation budget.** The revenue generated by the fund's
7 investments must be identified as the source of the operating budget of the corporation
8 in the state's operating budget under AS 37.07 (Executive Budget Act). The
9 unexpended balance of the corporation's annual operating budget does not lapse at the
10 end of the fiscal year but shall be treated as income from the fund under
11 AS 37.13.145(a) [AS 37.13.140].

12 * **Sec. 7.** AS 37.13.300(c) is amended to read:

13 (c) Income or other money [NET INCOME] from the mental health trust
14 fund may not be included in the computation of [NET] income available for
15 distribution under AS 37.13.140.

16 * **Sec. 8.** AS 37.14.031(c) is amended to read:

17 (c) The net income of the fund shall be determined by the Alaska Permanent
18 Fund Corporation annually as of the last day of the fiscal year in accordance with
19 generally accepted accounting principles, excluding any unrealized gains or losses
20 [IN THE SAME MANNER THE CORPORATION DETERMINES THE NET
21 INCOME OF THE ALASKA PERMANENT FUND UNDER AS 37.13.140].

22 * **Sec. 9.** AS 37.17.020(b) is amended to read:

23 (b) The endowment shall be held and invested by the Alaska Permanent Fund
24 Corporation subject to AS 37.13.120; however, net income from the endowment shall
25 be distributed under AS 37.17.010 - 37.17.110 and 37.17.225. Income or other
26 money [NET INCOME] from the endowment may not be included in the computation
27 of [NET] income available for distribution under AS 37.13.140.

28 * **Sec. 10.** AS 37.17.440(b) is amended to read:

29 (b) The principal and income of the endowment shall be held and invested by
30 the Alaska Permanent Fund Corporation subject to AS 37.13.120; however, net
31 income from the endowment and subsequent income earned on net income from the

1 endowment shall be held in a separate account until appropriated by the legislature.
2 Income or other money [NET INCOME] from the endowment may not be included
3 in the computation of [NET] income available for distribution under AS 37.13.140.

4 * **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to
5 read:

6 TRANSITION. Notwithstanding AS 37.13.140, as amended in sec. 1 of this Act,
7 income available for distribution following the end of fiscal year

8 (1) 2002 is equal to 5 percent of the year-end market value of the fund for the
9 fiscal year just ended, but may not exceed the balance in the earnings reserve account;

10 (2) 2003 is equal to 5 percent of the average of the year-end market value of
11 the fund for the last two fiscal years, including the fiscal year just ended, but may not exceed
12 the balance in the earnings reserve account;

13 (3) 2004 is equal to 5 percent of the average of the year-end market value of
14 the fund for the last three fiscal years, including the fiscal year just ended, but may not exceed
15 the balance in the earnings reserve account;

16 (4) 2005 is equal to 5 percent of the average of the year-end market value of
17 the fund for the last four fiscal years, including the fiscal year just ended, but may not exceed
18 the balance in the earnings reserve account.

19 * **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to
20 read:

21 CONDITIONAL EFFECT. (a) This Act takes effect only if the total amount of
22 appropriations passed by the legislature before June 29, 2002, for operating expenses of state
23 government for fiscal year 2003 is equal to or less than the total amount appropriated for
24 operating expenses of state government for fiscal year 2002. For purposes of this section,
25 appropriations from sources listed in AS 37.05.146(b) may not be considered.

26 (b) The legislative finance division shall notify the revisor of statutes on or before
27 June 29, 2002, as to whether this Act takes effect.

28 * **Sec. 13.** If, under sec. 12 of this Act, this Act takes effect, it takes effect June 29, 2002.



Alaska State Legislature

Official Business

REPRESENTATIVE DREW SCAJZI
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House Bill 398 Sponsor Statement

*"An Act relating to disposition of income of the Alaska permanent fund;
and providing for an effective date."*

House Bill 398 is much more than simply a mechanism to maintain an adequate balance in the Constitutional Budget Reserve Fund for public services. This legislation would:

- Restore the Budget Reserve Fund at the start of each fiscal year to \$1.5 billion, a reasonable amount to preserve public services while providing a cushion against any one-year risk in low oil prices. HB 398 would use Permanent Fund earnings to "refill" the Budget Reserve Fund each year, while still providing for a healthy dividend for Alaskans.
- By essentially setting a \$1.5 billion cap on the Budget Reserve, HB 398 would ensure that state government does not accumulate any more money than it needs. The public — not a government savings account — should benefit from any surplus revenues.
- HB 398 would serve as an incentive to the legislature, the governor and the public to adopt new revenue sources to help close the budget gap to preserve the dividend for many years to come.
- And HB 398 would encourage responsible state spending by linking state spending with the annual dividend.

HB 398 would link the amount of each year's dividend to the price of oil and to state spending, which would make the dividend more relevant to Alaska's economic situation than the existing program that links the dividend only to the Permanent Fund's Wall Street investments. The legislation would:

- Use the existing statutory formula to determine the amount of Permanent Fund earnings available for distribution each year. There would be no change in the current formula that averages the fund's earnings over the past five years.

- Use the existing statutory formula to inflation-proof the fund's principal. Before any money is distributed for any purpose, sufficient funds would be moved from the Earnings Reserve Account to the principal to cover inflation over the past year.
- Then, the Budget Reserve Fund trigger would kick in. In any year that the CBRF is below \$1.5 billion on June 30 (the last day of the fiscal year), this legislation would direct that an amount sufficient to restore the CBRF to \$1.5 billion be taken from the funds available for distribution.
- Whatever is left in the funds for distribution after the CBRF is refilled would then be handed out in dividends.

For example:

- If, after a broad-based tax and other revenue measures were adopted to raise a total of \$600 million a year, and if the remaining budget gap were then \$500 million, then \$500 million would be taken from Permanent Fund earnings to refill the CBRF.
- And, if \$1.1 billion in Permanent Fund earnings were available for distribution under the 5-year, income-averaging formula, there would be \$600 million left for dividends after \$500 million was used to refill the CBRF. That would equal a dividend of about \$1,000 per Alaskan.
- If oil prices are high, the budget gap would be smaller and the draw on Permanent Fund earnings would be smaller — and the dividends would be larger.
- If oil prices are low and the budget gap wider, the draw on earnings would be higher and the dividends would be smaller.
- If additional revenues come in from a broad-based tax or development of NPRA or ANWR or a natural gas pipeline, the budget gap would be smaller — and the dividend would be larger. This way, Alaskans would more directly benefit from economic development within our state.

- Use the existing statutory formula to inflation-proof the fund's principal. Before any money is distributed for any purpose, sufficient funds would be moved from the Earnings Reserve Account to the principal to cover inflation over the past year.
- Then, the Budget Reserve Fund trigger would kick in. In any year that the CBRF is below \$1.5 billion on June 30 (the last day of the fiscal year), this legislation would direct that an amount sufficient to restore the CBRF to \$1.5 billion be taken from the funds available for distribution.
- Whatever is left in the funds for distribution after the CBRF is refilled would then be handed out in dividends.

For example:

- If, after a broad-based tax and other revenue measures were adopted to raise a total of \$600 million a year, and if the remaining budget gap were then \$500 million, then \$500 million would be taken from Permanent Fund earnings to refill the CBRF.
- And, if \$1.1 billion in Permanent Fund earnings were available for distribution under the 5-year, income-averaging formula, there would be \$600 million left for dividends after \$500 million was used to refill the CBRF. That would equal a dividend of about \$1,000 per Alaskan.
- If oil prices are high, the budget gap would be smaller and the draw on Permanent Fund earnings would be smaller — and the dividends would be larger.
- If oil prices are low and the budget gap wider, the draw on earnings would be higher and the dividends would be smaller.
- If additional revenues come in from a broad-based tax or development of NPRA or ANWR or a natural gas pipeline, the budget gap would be smaller — and the dividend would be larger. This way, Alaskans would more directly benefit from economic development within our state.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 398
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Disposition of Permanent Fund BRU Revenue Operations
Income Component Treasury
 Sponsor Representative Scalzi
 Requester House State Affairs Committee Component No. 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	**	**	**	**	**	**
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type—Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See Page 2.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469
 Division Commissioner's Office Date/Time 2/16/02 1:42 PM
 Approved by: Larry Persily, Deputy Commissioner Date 02/16/2002
 Agency Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. HB 398

ANALYSIS CONTINUATION

** This legislation would direct that earnings from the Permanent Fund be transferred at the end of each fiscal year as needed to restore the Constitutional Budget Reserve Fund (which is managed by the Treasury Division at the Department of Revenue) to a \$1.5 billion starting balance for the next fiscal year. This transfer would be triggered only in those years when the CBRF ends the fiscal year with a balance below \$1.5 billion. Only those funds needed to refill the CBRF to \$1.5 billion would be transferred.

The amount needed each year to restore the CBRF to a \$1.5 billion balance would be appropriated from the funds available for distribution under the Permanent Fund dividend program (as calculated under AS 37.13.140-145). Whatever is left in the funds available for distribution that year would be paid out as dividends. Therefore, the larger the draw on the CBRF and the greater the amount needed to replenish the Reserve Fund for the next fiscal year, the smaller the dividend. Or, the smaller the draw on the CBRF, the less money would be needed to refill the CBRF, and the more money available for the dividend.

This legislation would link the amount of the annual dividend to the price of oil, which, in great part, dictates the amount of the annual draw on the CBRF. It also would link the amount of the dividend to state spending and to new revenue sources. The more money generated by new revenues sources, such as broad-based taxes and excise taxes, and oil and gas taxes and royalties paid to the state from new developments, the less money would be needed to refill the CBRF and the more money would be available for the dividends.

Based on current Department of Revenue projections, the CBRF will end Fiscal 2003 below \$1.5 billion, meaning this legislation would take effect with the October 2003 dividend. However, if the state receives additional revenues, or if the legislature adopts new revenue measures, the effective date of this legislation could be delayed to the October 2004 dividend or later.

This legislation would not affect the statutory inflation-proofing of the Permanent Fund, nor would it change how the amount of Permanent Fund earnings available for distribution is calculated.

CS FOR HOUSE BILL NO. 393(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES SCALZI, Mulder, Stevens

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the market value of the Alaska permanent fund and to disposition of**
2 **income of the Alaska permanent fund; and providing for an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 *** Section 1. AS 37.13.140 is amended to read:**

5 **Sec. 37.13.140. Income available for distribution. The market value [NET**
6 **INCOME] of the fund includes the market value [INCOME] of the earnings reserve**
7 **account established under AS 37.13.145. The market value [NET INCOME] of the**
8 **fund shall be computed annually as of the last day of the fiscal year in accordance with**
9 **generally accepted accounting principles [, EXCLUDING ANY UNREALIZED**
10 **GAINS OR LOSSES]. Income available for distribution equals 5 [21] percent of the**
11 **average year-end market value [NET INCOME] of the fund for the last five fiscal**
12 **years, including the fiscal year just ended, but may not exceed [NET INCOME OF**
13 **THE FUND FOR THE FISCAL YEAR JUST ENDED PLUS] the balance in the**
14 **earnings reserve account described in AS 37.13.145.**

1 * Sec. 2. AS 37.13.145(b) is amended to read:

2 (b) After the transfers under (c) and (e) of this section. at [AT] the end of
3 each fiscal year, the corporation shall transfer from the earnings reserve account to the
4 dividend fund established under AS 43.23.045, 50 percent of the income available for
5 distribution under AS 37.13.140 minus any amount transferred under (a) of this
6 section. or the balance in the account, whichever is less.

7 * Sec. 3. AS 37.13.145(c) is amended to read:

8 (c) At the end of each fiscal year [AFTER THE TRANSFER UNDER (b)
9 OF THIS SECTION], the corporation shall transfer from the earnings reserve account
10 to the principal of the fund an amount sufficient to offset the effect of inflation on
11 principal of the fund during that fiscal year. The corporation shall calculate the
12 amount to transfer to the principal under this subsection by

13 (1) computing the average of the monthly United States Consumer
14 Price Index for all urban consumers for each of the two previous calendar years;

15 (2) computing the percentage change between the first and second
16 calendar year average; and

17 (3) applying that rate to the value of the principal of the fund on the
18 last day of the fiscal year just ended.

19 * Sec. 4. AS 37.13.145(d) is amended to read:

20 (d) Notwithstanding (b) and (e) of this section, income earned on money
21 awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ.
22 (Superior Court, First Judicial District), including settlement, summary judgment, or
23 adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or
24 interest earned on the money, or on the earnings of the money shall be treated in the
25 same manner as other income of the Alaska permanent fund, except that it is not
26 available for distribution to the dividend fund, and shall be annually deposited into the
27 principal of the Alaska permanent fund.

28 * Sec. 5. AS 37.13.145 is amended by adding a new subsection to read:

29 (e) If, on June 30 of any fiscal year, the balance in the budget reserve fund
30 (art. IX, sec. 17, Constitution of the State of Alaska) is less than \$1,500,000,000, the
31 commissioner of revenue shall notify the corporation of the amount necessary to bring

1 the budget reserve fund balance up to \$1,500,000,000. After the transfer under (c) of
2 this section, the corporation shall transfer to the budget reserve fund from the earnings
3 reserve account the amount identified by the commissioner or the balance in the
4 account, whichever is less.

5 * Sec. 6. AS 37.13.150 is amended to read:

6 **Sec. 37.13.150. Corporation budget.** The revenue generated by the fund's
7 investments must be identified as the source of the operating budget of the corporation
8 in the state's operating budget under AS 37.07 (Executive Budget Act). The
9 unexpended balance of the corporation's annual operating budget does not lapse at the
10 end of the fiscal year but shall be treated as income from the fund under
11 AS 37.13.145(a) [AS 37.13.140].

12 * Sec. 7. AS 37.13.300(c) is amended to read:

13 (c) Income or other money [NET INCOME] from the mental health trust
14 fund may not be included in the computation of [NET] income available for
15 distribution under AS 37.13.140.

16 * Sec. 8. AS 37.14.031(c) is amended to read:

17 (c) The net income of the fund shall be determined by the Alaska Permanent
18 Fund Corporation annually as of the last day of the fiscal year in accordance with
19 generally accepted accounting principles, excluding any unrealized gains or losses
20 [IN THE SAME MANNER THE CORPORATION DETERMINES THE NET
21 INCOME OF THE ALASKA PERMANENT FUND UNDER AS 37.13.140].

22 * Sec. 9. AS 37.17.020(b) is amended to read:

23 (b) The endowment shall be held and invested by the Alaska Permanent Fund
24 Corporation subject to AS 37.13.120; however, net income from the endowment shall
25 be distributed under AS 37.17.010 - 37.17.110 and 37.17.225. Income or other
26 money [NET INCOME] from the endowment may not be included in the computation
27 of [NET] income available for distribution under AS 37.13.140.

28 * Sec. 10. AS 37.17.440(b) is amended to read:

29 (b) The principal and income of the endowment shall be held and invested by
30 the Alaska Permanent Fund Corporation subject to AS 37.13.120; however, net
31 income from the endowment and subsequent income earned on net income from the

1 endowment shall be held in a separate account until appropriated by the legislature.
2 Income or other money [NET INCOME] from the endowment may not be included
3 in the computation of [NET] income available for distribution under AS 37.13.140.

4 * Sec. 11. The uncodified law of the State of Alaska is amended by adding a new section to
5 read:

6 TRANSITION. Notwithstanding AS 37.13.140, as amended in sec. 1 of this Act,
7 income available for distribution following the end of fiscal year

8 (1) 2002 is equal to 5 percent of the year-end market value of the fund for the
9 fiscal year just ended, but may not exceed the balance in the earnings reserve account;

10 (2) 2003 is equal to 5 percent of the average of the year-end market value of
11 the fund for the last two fiscal years, including the fiscal year just ended, but may not exceed
12 the balance in the earnings reserve account;

13 (3) 2004 is equal to 5 percent of the average of the year-end market value of
14 the fund for the last three fiscal years, including the fiscal year just ended, but may not exceed
15 the balance in the earnings reserve account;

16 (4) 2005 is equal to 5 percent of the average of the year-end market value of
17 the fund for the last four fiscal years, including the fiscal year just ended, but may not exceed
18 the balance in the earnings reserve account.

19 * Sec. 12. The uncodified law of the State of Alaska is amended by adding a new section to
20 read:

21 CONDITIONAL EFFECT. (a) This Act takes effect only if the total amount of
22 appropriations passed by the legislature before June 29, 2002, for operating expenses of state
23 government for fiscal year 2003 is equal to or less than the total amount appropriated for
24 operating expenses of state government for fiscal year 2002. For purposes of this section,
25 appropriations from sources listed in AS 37.05.146(b) may not be considered.

26 (b) The legislative finance division shall notify the revisor of statutes on or before
27 June 29, 2002, as to whether this Act takes effect.

28 * Sec. 13. If, under sec. 12 of this Act, this Act takes effect, it takes effect June 29, 2002.



REPRESENTATIVE SCOTT OGAN

Alaska State Legislature

House District 27 • Palmer • Greater Palmer • Sutto. • Chickaloon • Sheep Mountain

Sponsor Statement for HB 400

Permanent Fund Contribution For Education

An Act relating to contributions from permanent fund dividends for municipal school districts and regional educational attendance areas; and providing for an effective date.

This legislation would allow recipients of the Alaska permanent fund dividend the option to contribute a portion of their dividend as a contribution to the local school district or regional educational attendance area (REAA) in which they reside. This can be provided by a simple check-off when an individual completes the annual application form.

A Legislative Attorney has indicated that contributions made exclusively for a public purpose are deductible as a charitable contribution for federal income tax purposes. Residents in many areas of the State have complained that their local schools are not funded adequately while at the same time, in some areas of the state, residents are not supporting their schools through local taxes. This bill will allow those who wish to provide additional financial support to their local school district a very personal and tax deductible method.

It is not the intent of HB 400 that any of these additional monies count against the local school district or REAA when the Department of Education calculates entitlements under the foundation formula.

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LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 5, 2002

SUBJECT: Tax Deduction for Contributions to State
(Work Order No. 22-LS14+0)

TO: Representative Scott Ogan

FROM: Kathryn L. Kurtz *KK*
Legislative Counsel

You asked whether contributions from individuals to the state are deductible as charitable contributions for federal income tax purposes.

The answer is generally yes, if the contribution is made exclusively for public purposes.

The federal tax code provides the following general rule: "[t]here shall be allowed as a deduction any charitable contribution (as defined in subsection (c)) payment of which is made within the taxable year." 26 U.S.C. 170(a)(1). The definition in subsection (c) provides, in part:

the term 'charitable contribution' means a contribution or gift to or for the use of --

(1) A State, a possession of the United States, or any political subdivision of any of the foregoing, or the United States or the District of Columbia, but only if the contribution or gift is made for exclusively public purposes.

26 U.S.C. 170(c)(1).

KLK:med
02-109.med



Have you been an Alaska resident since December 31, 2000?
 Do you intend to remain an Alaska resident indefinitely?
 If you answered "NO" to either of the above questions, you are not
 eligible for the 2002 dividend.

Alaska Permanent Fund Dividend 2002 Adult Application **A**

(Adults 18 and older on date of application)

Print clearly. Use blue or black ink. Use all capital letters. Complete the entire form.

Social Security Number - - Date of Birth (Month -Day-Year) - -

First Name M.I. Last Name

Mailing Address Apt. # City State Zip Code

Physical Address (Write "Same" if same as mailing address) Apt. # City State Zip Code

Daytime Telephone Message Telephone E-mail Address (optional)

Male
 Female

Under federal law you must provide your SSN. If we have it on file from a previous year, we will use it and provide it to the IRS. (See page 3)

Shade circles like this: Not like this:

- Did you receive a 2001 dividend? Answer YES even if your dividend was assigned or garnisheed. If NO, complete Question 11 on the back of this form AND complete the Adult Supplemental Schedule. Attach the Supplemental Schedule to this completed application. YES NO
 - Are you in Alaska today? If NO, complete Question 8 on the back of this form and Parts B & C of the Adult Supplemental Schedule and attach it to this completed application. YES NO
 - A. During 2001, were you gone from Alaska for more than 90 days total? YES NO
 If YES, complete Question 8 on the back of this form AND Parts B & C of the Adult Supplemental Schedule and attach it to this completed application.
 - B. During 2001, were you gone from Alaska for more than 180 days total? YES NO
 If YES, complete Questions 8 through 10 on the back of this form AND Parts B & C of the Adult Supplemental Schedule and attach it to this completed application.
- Failure to disclose absences may result in the denial of your application.
- Are you a United States citizen? If NO, complete Questions 12 and 13 on the back of this form. YES NO
 - At any time since December 31, 2000, were you on active duty as a member of the U.S. Armed Forces? Alaska National Guard members and Alaska Reservists, Answer NO. See page 33. YES NO

Read the Following Statements and Sign Below

I certify that:

- I am now and intend to remain an Alaska resident indefinitely.
- I was an Alaska resident for all of 2001.
- I haven't claimed residency in another state.
- I was in the state of Alaska for at least 72 consecutive hours in 2000 or 2001.

I understand that if what I say is not true, it is a criminal offense and if I am convicted, in addition to any criminal penalties:

- I will lose this and all future dividends.
- I must pay back all dividends I have been paid.

I understand that if I deliberately misrepresent or recklessly disregard a fact, I am liable for civil penalties:

- I could lose this dividend and my next five dividends.
- I may have to pay a fine of up to \$5,000.

I authorize the Alaska Department of Revenue to obtain information to verify my eligibility. I also authorize the Social Security Administration to release any information regarding my identity to the Department of Revenue. I agree that a copy of this authorization is as valid as the original.

I certify that the information I am supplying on and with this form is true and correct.

Your Signature	Date
----------------	------

Provide names, addresses and telephone numbers of two adult Alaska residents who can verify your residency (VERIFIERS' SIGNATURE NOT REQUIRED)

Full Name	
Mailing Address	
City, State, Zip Code	
Daytime Phone #	Social Security # (optional)
Full Name	
Mailing Address	
City, State, Zip Code	
Daytime Phone #	Social Security # (optional)

- UA College Savings Plan**
- Do you want to place 50% of your dividend in the UA College Savings Plan? See page 5 of the PFD Application Booklet for a description of the plan. YES NO

Direct Deposit Program

- Do you want your dividend deposited directly into your bank account? If YES, indicate if you want your dividend deposited into:
 Same account as last year OR New account listed below
 NEW ACCOUNTS ONLY, fill in information below. See page 31 for instructions.

Bank Code Account Type (Select one)
 Checking Savings Securities

New Account Number

You may photocopy this form.
 Do not change anything printed on this form.
 Web site: www.pfd.state.ak.us

Read Each Question Carefully.

Name (First, MI, Last)

Answer question 8 if you answered NO to question 2 or YES to questions 3A or 3B.

8. If you left before January 1, 2001, enter the date you actually departed. List all dates you were absent from Alaska in 2001 through the date of this application. If you are still absent, leave the end date blank. For each type of absence, write the absence reason code in the space provided and list the dates on separate lines. Attach additional sheets as needed and use the format below. (See pages 33 and 34 of instructions). All absence reason codes are detailed below. If you have more absences than the number of lines provided below, see Additional Absences Form on page 32.

Code (A-Q)	Absence Begin Date Month - Day - Year	Absence End Date Month - Day - Year	Why were you absent?
<input type="checkbox"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>
<input type="checkbox"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>
<input type="checkbox"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>
<input type="checkbox"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>
<input type="checkbox"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>
<input type="checkbox"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>

If you have more absences, see Additional Absences Form (page 32)

Absence Reason Codes

(See pages 33 and 34 of instructions)

A. Accompanied an eligible Alaska resident as the resident's spouse.

Spouse's First Name	M.I.	Spouse's Last Name
<input style="width: 100%; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>
Spouse's Social Security Number	Spouse's Date of Birth	
<input style="width: 100%; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>	

B. Enrolled and attended school as a full-time student receiving postsecondary education (beyond grade 12). You may download our Education Verification form from our web site (See page 2). See Q for secondary education.

C. Served as a member of the U.S. Armed Forces.

D. Received continuous medical treatment under a doctor's care (Attach doctor's statement).

E. Served as a member of Alaska's congressional delegation or staff.

H. As a requirement of employment by the State of Alaska.

I. Vacated.

J. Sought employment or was employed for a reason other than B, C, E, H or Q (Attach explanation).

K. Other reasons, including business (Attach explanation).

L. Cared for a parent, spouse, sibling, child or stepchild with a critical life-threatening illness that required the ill individual to leave Alaska for treatment.

M. Settled the estate of a deceased parent, spouse, sibling, child or stepchild.

N. Provided care for a terminally ill parent, spouse, sibling, child or stepchild.

P. Employed aboard a vessel of the U.S. Merchant Marine.

Q. Enrolled and attended school as a full-time student receiving secondary education (grades 7 through 12). You may download our Education Verification form from our web site (See page 2). See B for postsecondary education.

Answer questions 9 and 10 if you answered YES to 3B.

9. Have you ever lived in Alaska as a resident for at least 180 days? If YES, list the dates of that most recent period. YES NO

From (Month-Day-Year)	Through (Month-Day-Year)
<input style="width: 100%; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>

10. Were you in Alaska for at least 72 consecutive hours during 2000 or 2001? YES NO

If YES, when were you most recently in Alaska? Attach documentation showing you were in Alaska.

2000	2001
<input type="radio"/>	<input type="radio"/>

Answer question 11 if you answered NO to question 1.

11. Print your name as it appears on your birth certificate.

First Name	M.I.	Last Name
<input style="width: 100%; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>

U.S. Birth State	Country of Birth (If not U.S.)
<input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>

If married, print your spouse's name.

First Name	M.I.	Last Name
<input style="width: 100%; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>

Spouse's Social Security Number

Spouse's Date of Birth (Month-Day-Year)

Answer questions 12 & 13 if you answered NO to question 4.

12. What is your alien registration number?
A-

13. What was your legal immigration status on December 31, 2007?
 Resident Asylee
 Refugee Other (Attach explanation)

If this is the first time you are applying for a dividend, attach a copy of the front and back of your visa or alien registration card.

Mail your application to: Alaska Department of Revenue, PO Box 110462, Juneau, AK 99811-0462



REPRESENTATIVE SCOTT OGAN

Alaska State Legislature

House District 27 • Palmer • Greater Palmer • Sutton • Chickaloon • Sheep Mountain

MEMORANDUM

TO: Representative John Coghill, Chair State Affairs
FROM: Representative Scott Ogan
DATE: February 25, 2002
SUBJECT: Scheduling of HB 400 for Hearing

This legislation would allow recipients of the Alaska permanent fund dividend the option to contribute a portion of their dividend as a contribution to the local school district or regional educational attendance area (REAA) in which they reside. This can be provided by a simple check-off when an individual completes the annual application form.

A Legislative Attorney has indicated that contributions made exclusively for a public purpose are deductible as a charitable contribution for federal income tax purposes.

It is not the intent of HB 400 that any of these additional monies count against the local school district or REAA when the Department of Education calculates entitlements under the foundation formula.

I would appreciate your taking up HB 400 at your earliest possible convenience.

SO/wc

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 400
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Permanent Fund Dividend BRU Revenue Operations
Contribution for Education Component Permanent Fund Dividend
Sponsor Representative Scott Ogden
Requester House State Affairs Component No. 981

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual	17.0	8.0	8.0	8.0	8.0	8.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	17.0	8.0	8.0	8.0	8.0	8.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Dividend Fund	17.0	8.0	8.0	8.0	8.0	8.0
TOTAL	17.0	8.0	8.0	8.0	8.0	8.0

Estimate of any current year (FY2002) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill creates a new statutory provision that would allow Permanent Fund Dividend applicants to contribute up to 50% of their individual dividend to a municipal school district or Regional Educational Attendance Area in which the applicant resides.

The Dividend Division would incur additional operating costs associated with implementation of this bill. See attached pages for further explanation.

Prepared by: Nanci A. Jones, Director Phone 465-2323
Division Permanent Fund Dividend Division Date/Time 3/18/02 9:47 AM
Approved by: Larry Persily, Deputy Commissioner Date 3/18/2002
Agency Department of Revenue

**Department of Revenue
Permanent Fund Dividend Division**

Bill Analysis - House Bill 400

An Act Relating to Contributions from Permanent Fund Dividends for Municipal School Districts and Regional Educational Attendance Areas

This bill would allow dividend applicants the opportunity to contribute 10%, 30% or 50% of their dividends to the municipal school district or Regional Educational Attendance Area (REAA) in which the applicant resides.

It appears from this legislation that the new contributions would be accommodated by a new check-off system on dividend applications, rather than handled through the existing assignment system in AS 43.23.069. The difference between the two methods would be the cost to the division. The assignment method already exists for municipalities and state agencies, although the Regional Educational Attendance Areas would have to be added. The result would be a minimal cost to the division, which could be absorbed within the existing budget (unless thousands of people assign a portion of their dividend to school districts or Regional Educational Attendance Areas). We prepared the fiscal note with the understanding that the legislation would set up an entirely new application check-off for contributing a portion of the dividend.

A new check-off system on dividend applications would have the following immediate and substantial cost considerations.

A check-off system for dividend contributions would require the Dividend Division to maintain and publish a list in the annual application booklet of all the municipal school districts and REAAs. In addition, the application system would have to be redesigned to accommodate this new option. We estimate the increase in printing and programming costs at \$10,000 in the first year and then level out to \$5,000 per year.

Our payment system on the state's mainframe computer system would have to be redesigned and tested. This would cost \$7,000 initially and \$3,000 per year thereafter to process the additional payments to the municipalities and REAAs.

Other Considerations

- We suggest change the legislation's effective date from January 1, 2003, to January 1, 2004. The current date of 2003 will not give the division enough time to redesign the forms and the computer system to accommodate the new process. Moving back the date to 2004 would allow the division enough time to reprogram its mainframe system and test calculations. The later effective date also would give the municipalities and REAAs sufficient time to publicize the new option.

- According to the bill, the contribution would go to a municipal school district or Regional Educational Attendance Area in which the applicant resides. The division will not be able to monitor and or determine whether or not an applicant is contributing to the appropriate school district or educational area because many applicants only give the division a mailing address.
- Currently there is a \$2 fee charged to the applicant for each garnishment and assignment processed on an applicant's dividend. If the legislature intends for the Dividend Division to set up an entirely new application check-off system for donations, we would suggest that this legislation be amended to allow the division to retain the proceeds from the \$2 fee to help cover the program costs.