

HR

7



HOUSE JUDICIARY COMMITTEE

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MEMORANDUM

Date: March 18, 2009

To: Representative John Coghill
Chairman House Rules Committee

From: Representative Jay Ramras
Chairman House Judiciary Committee

Re: Referral File for HR7

Attached please find the following documents, which represent the referral file for HR7:

- Sponsor Statement
- HR7 version \S
- H.R. 99 Fair and Simple Tax Act of 2009
- HR7 2008 Sponsor Statement
- HR7 2008 Press Release
- HR7 2008 Resolution
- HR7 2008 Bill History
- H.R. 8 Death Tax Elimination Tax vote map
- Revenue Collection detail
- HJUD Committee Report



Alaska State Legislature

Representative Anna Fairclough – House District 17

House Resolution 7

“Requesting the United States Congress to permanently repeal the federal unified gift and estate tax.”

House Resolution 7 urges Congress to permanently repeal the federal gift and estate tax. Two things I fundamentally believe in are fewer taxes and smaller government. This legislation takes a step toward both of those goals.

Many people believe that the Estate Tax, or Death Tax, has already been repealed in Alaska. This is not the case. Our Death Tax is linked to the Federal Estate Tax which was changed as a result of the Economic Growth and Tax Relief Reconciliation Act of 2001. This legislation phased in a number of tax reductions over a nine-year period. Among those reductions was the change from a state estate tax credit (which our tax is based upon) to a deduction for state estate taxes.

The change from a tax credit to a deduction was phased in over a period of time, gradually reducing the amount of money that the State of Alaska collected in Death Taxes.

Like the rest of the tax reductions included in the 2001 law, the estate tax provisions will sunset in 2010, unless Congress acts to extend them. Given the current climate in Washington, DC, this is unlikely.

This Resolution is Alaska’s opportunity to declare that as a state, we are intrinsically against the death tax. Alaskans are hardworking people who deserve to leave behind whatever wealth they are able to accumulate. Families shouldn’t be forced to pay taxes on the estates of Alaska’s decedents.

I urge your support on the passage of this Resolution.

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Next Hit	Forward	New Bills Search
Prev Hit	Back	HomePage
Hit List	Best Sections	Help
	Contents Display	

H.R.99

Fair and Simple Tax Act of 2009 (Introduced in House)

SEC. 3. REPEAL OF ESTATE AND GIFT TAXES.

(a) In General- Subtitle B is hereby repealed.

(b) Effective Date- The repeal made by subsection (a) shall apply to the estates of decedents dying, and gifts and generation-skipping transfers made, after December 31, 2008.

SEC. 4. ALTERNATIVE MINIMUM TAX EXEMPTION AMOUNTS INDEXED FOR INFLATION.

(a) In General- Subsection (d) of section 55 (relating to exemption amount) is amended by adding at the end the following new paragraph:

“(4) INFLATION ADJUSTMENT-

“(A) IN GENERAL- In the case of any taxable year beginning in a calendar year after 2008, the dollar amounts contained in paragraphs (1), (2), and (3) shall be increased by an amount equal to--

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section 1(f) (3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2006’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(B) ROUNDING- Any increase determined under subparagraph (A) shall be rounded to the nearest multiple of \$100.’.

(b) Prior Increase Made Permanent- Paragraph (1) of section 55(d) is amended--

(1) by striking ` \$45,000 (\$69,950 in the case of taxable years beginning in 2007)' and inserting ` \$69,950',

(2) by striking ` \$33,750 (\$46,200 in the case of taxable years beginning in 2007)' and inserting ` \$46,200', and

(3) by striking ` paragraph (1)(A)' and inserting ` subparagraph (A)'.

(c) Effective Date- The amendments made by this section shall apply to taxable years beginning after December 31, 2008.

SEC. 5. MAXIMUM CORPORATE INCOME TAX RATE REDUCED TO 25 PERCENT.

(a) In General- Paragraph (1) of section 11(b) (relating to amount of tax on corporations) is amended to read as follows:

` (1) IN GENERAL- The amount of the tax imposed by subsection (a) shall be the sum of--

 ` (A) 15 percent of so much of the taxable income as does not exceed \$50,000, and

 ` (B) 25 percent of so much of the taxable income as exceeds \$50,000.'.

(b) Personal Service Corporations- Paragraph (2) of section 11(b) is amended by striking ` 35 percent' and inserting ` 25 percent'.

(c) Conforming Amendments- Paragraphs (1) and (2) of section 1445(e) are each amended by striking ` 35 percent' and inserting ` 25 percent'.

(d) Effective Date- The amendments made by this section shall apply to taxable years beginning after December 31, 2008; except that the amendments made by subsection (c) shall take effect on January 1, 2009.

SEC. 6. 15 PERCENT RATE ON DIVIDENDS AND CAPITAL GAINS OF INDIVIDUALS REDUCED TO 10 PERCENT.

(a) In General- Subparagraph (C) of section 1(h)(1) (relating to maximum capital gains rate) is amended by striking ` 15 percent' and inserting ` 10 percent'.

(b) Effective Date- The amendment made by this section shall apply to taxable years beginning after December 31, 2008.

SEC. 7. INDEXING OF CERTAIN ASSETS FOR PURPOSES OF DETERMINING GAIN OR LOSS.

(a) In General- Part II of subchapter O of chapter 1 (relating to basis rules of general application) is amended by redesignating section 1023 as section 1024 and

Journal Text for HR7 in the 25th Legislature
Full Journal

03-20-2008

House Journal

2388

HR 7

The following was read the second time:

HOUSE RESOLUTION NO. 7

Urging the United States Congress to support, work to pass, and vote for the immediate and permanent repeal of the federal estate tax.

Representative Gruenberg declared a conflict of interest.

The question being: "Shall HR 7 pass the House?" The roll was taken with the following result:

HR 7

Second Reading

Final Passage

YEAS: 23 NAYS: 8 EXCUSED: 7 ABSENT: 2

Yeas: Coghill, Dahlstrom, Edgmon, Fairclough, Gatto, Gruenberg, Harris, Hawker, Johansen, Johnson, Joule, Keller, Kelly, Lynn, Meyer, Neuman, Olson, Ramras, Roses, Salmon, Samuels, Stoltze, Thomas

Nays: Buch, Cissna, Crawford, Doll, Doogan, Gara, Guttenberg, Kerttula

Excused: Foster, Holmes, Kawasaki, LeDoux, Nelson, Seaton, Wilson

Absent: Chenault, Gardner

And so, HR 7 passed the House and was referred to the Chief Clerk for engrossment and enrollment.

by inserting after section 1022 the following new section:

SEC. 1023. INDEXING OF CERTAIN ASSETS FOR PURPOSES OF DETERMINING GAIN OR LOSS.

(a) General Rule-

(1) INDEXED BASIS SUBSTITUTED FOR ADJUSTED BASIS- Solely for purposes of determining gain or loss on the sale or other disposition by a taxpayer (other than a corporation) of an indexed asset which has been held for more than 3 years, the indexed basis of the asset shall be substituted for its adjusted basis.

(2) EXCEPTION FOR DEPRECIATION, ETC- The deductions for depreciation, depletion, and amortization shall be determined without regard to the application of paragraph (1) to the taxpayer or any other person.

(b) Indexed Asset-

(1) IN GENERAL- For purposes of this section, the term 'indexed asset' means--

(A) common stock in a C corporation (other than a foreign corporation), and

(B) tangible property,

which is a capital asset or property used in the trade or business (as defined in section 1231(b)).

(2) STOCK IN CERTAIN FOREIGN CORPORATIONS INCLUDED- For purposes of this section--

(A) IN GENERAL- The term 'indexed asset' includes common stock in a foreign corporation which is regularly traded on an established securities market.

(B) EXCEPTION- Subparagraph (A) shall not apply to--

(i) stock in a passive foreign investment company (as defined in section 1296), and

(ii) stock in a foreign corporation held by a United States person who meets the requirements of section 1248(a)(2).

(C) TREATMENT OF AMERICAN DEPOSITORY RECEIPTS- An American depository receipt for common stock in a foreign corporation shall be treated as common stock in such corporation.

(c) Indexed Basis- For purposes of this section--

` (1) IN GENERAL- The indexed basis for any asset is--

` (A) the adjusted basis of the asset, increased by

` (B) the applicable inflation adjustment.

` (2) APPLICABLE INFLATION ADJUSTMENT- The applicable inflation adjustment for any asset is an amount equal to--

` (A) the adjusted basis of the asset, multiplied by

` (B) the percentage (if any) by which--

` (i) the gross domestic product deflator for the last calendar quarter ending before the asset is disposed of, exceeds

` (ii) the gross domestic product deflator for the last calendar quarter ending before the asset was acquired by the taxpayer (or, if later, the calendar quarter ending on December 31, 2007).

The percentage under subparagraph (B) shall be rounded to the nearest 1/10 of 1 percentage point.

` (3) GROSS DOMESTIC PRODUCT DEFLATOR- The gross domestic product deflator for any calendar quarter is the implicit price deflator for the gross domestic product for such quarter (as shown in the last revision thereof released by the Secretary of Commerce before the close of the following calendar quarter).

` (d) Suspension of Holding Period Where Diminished Risk of Loss; Treatment of Short Sales-

` (1) IN GENERAL- If the taxpayer (or a related person) enters into any transaction which substantially reduces the risk of loss from holding any asset, such asset shall not be treated as an indexed asset for the period of such reduced risk.

` (2) SHORT SALES-

` (A) IN GENERAL- In the case of a short sale of an indexed asset with a short sale period in excess of 3 years, for purposes of this title, the amount realized shall be an amount equal to the amount realized (determined without regard to this paragraph) increased by the applicable inflation adjustment. In applying subsection (c)(2) for purposes of the preceding sentence, the date on which the property is sold short shall be treated as the date of acquisition and the closing date for the sale shall be treated as the date of disposition.

` (B) SHORT SALE PERIOD- For purposes of subparagraph (A), the short sale period begins on the day that the property is sold and ends on the

closing date for the sale.

`(e) Treatment of Regulated Investment Companies and Real Estate Investment Trusts-

`(1) ADJUSTMENTS AT ENTITY LEVEL-

`(A) IN GENERAL- Except as otherwise provided in this paragraph, the adjustment under subsection (a) shall be allowed to any qualified investment entity (including for purposes of determining the earnings and profits of such entity).

`(B) EXCEPTION FOR CORPORATE SHAREHOLDERS- Under regulations--

`(i) in the case of a distribution by a qualified investment entity (directly or indirectly) to a corporation--

`(I) the determination of whether such distribution is a dividend shall be made without regard to this section, and

`(II) the amount treated as gain by reason of the receipt of any capital gain dividend shall be increased by the percentage by which the entity's net capital gain for the taxable year (determined without regard to this section) exceeds the entity's net capital gain for such year determined with regard to this section, and

`(ii) there shall be other appropriate adjustments (including deemed distributions) so as to ensure that the benefits of this section are not allowed (directly or indirectly) to corporate shareholders of qualified investment entities.

For purposes of the preceding sentence, any amount includible in gross income under section 852(b)(3)(D) shall be treated as a capital gain dividend and an S corporation shall not be treated as a corporation.

`(C) EXCEPTION FOR QUALIFICATION PURPOSES- This section shall not apply for purposes of sections 851(b) and 856(c).

`(D) EXCEPTION FOR CERTAIN TAXES IMPOSED AT ENTITY LEVEL-

`(i) TAX ON FAILURE TO DISTRIBUTE ENTIRE GAIN- If any amount is subject to tax under section 852(b)(3)(A) for any taxable year, the amount on which tax is imposed under such section shall be increased by the percentage determined under subparagraph (B)(i) (II). A similar rule shall apply in the case of any amount subject to tax under paragraph (2) or (3) of section 857(b) to the extent attributable to the excess of the net capital gain over the deduction for dividends paid determined with reference to capital gain dividends only. The first sentence of this clause shall not apply to so much of the amount subject to tax under section 852(b)(3)(A)

as is designated by the company under section 852(b)(3)(D).

` (ii) OTHER TAXES- This section shall not apply for purposes of determining the amount of any tax imposed by paragraph (4), (5), or (6) of section 857(b).

` (2) ADJUSTMENTS TO INTERESTS HELD IN ENTITY-

` (A) REGULATED INVESTMENT COMPANIES- Stock in a regulated investment company (within the meaning of section 851) shall be an indexed asset for any calendar quarter in the same ratio as--

` (i) the average of the fair market values of the indexed assets held by such company at the close of each month during such quarter, bears to

` (ii) the average of the fair market values of all assets held by such company at the close of each such month.

` (B) REAL ESTATE INVESTMENT TRUSTS- Stock in a real estate investment trust (within the meaning of section 856) shall be an indexed asset for any calendar quarter in the same ratio as--

` (i) the fair market value of the indexed assets held by such trust at the close of such quarter, bears to

` (ii) the fair market value of all assets held by such trust at the close of such quarter.

` (C) RATIO OF 80 PERCENT OR MORE- If the ratio for any calendar quarter determined under subparagraph (A) or (B) would (but for this subparagraph) be 80 percent or more, such ratio for such quarter shall be 100 percent.

` (D) RATIO OF 20 PERCENT OR LESS- If the ratio for any calendar quarter determined under subparagraph (A) or (B) would (but for this subparagraph) be 20 percent or less, such ratio for such quarter shall be zero.

` (E) LOOK-THRU OF PARTNERSHIPS- For purposes of this paragraph, a qualified investment entity which holds a partnership interest shall be treated (in lieu of holding a partnership interest) as holding its proportionate share of the assets held by the partnership.

` (3) TREATMENT OF RETURN OF CAPITAL DISTRIBUTIONS- Except as otherwise provided by the Secretary, a distribution with respect to stock in a qualified investment entity which is not a dividend and which results in a reduction in the adjusted basis of such stock shall be treated as allocable to stock acquired by the taxpayer in the order in which such stock was acquired.

`(4) QUALIFIED INVESTMENT ENTITY- For purposes of this subsection, the term `qualified investment entity' means--

`(A) a regulated investment company (within the meaning of section 851), and

`(B) a real estate investment trust (within the meaning of section 856).

`(f) Other Pass-Thru Entities-

`(1) PARTNERSHIPS-

`(A) IN GENERAL- In the case of a partnership, the adjustment made under subsection (a) at the partnership level shall be passed through to the partners.

`(B) SPECIAL RULE IN THE CASE OF SECTION 754 ELECTIONS- In the case of a transfer of an interest in a partnership with respect to which the election provided in section 754 is in effect--

`(i) the adjustment under section 743(b)(1) shall, with respect to the transferor partner, be treated as a sale of the partnership assets for purposes of applying this section, and

`(ii) with respect to the transferee partner, the partnership's holding period for purposes of this section in such assets shall be treated as beginning on the date of such adjustment.

`(2) S CORPORATIONS- In the case of an S corporation, the adjustment made under subsection (a) at the corporate level shall be passed through to the shareholders. This section shall not apply for purposes of determining the amount of any tax imposed by section 1374 or 1375.

`(3) COMMON TRUST FUNDS- In the case of a common trust fund, the adjustment made under subsection (a) at the trust level shall be passed through to the participants.

`(4) INDEXING ADJUSTMENT DISREGARDED IN DETERMINING LOSS ON SALE OF INTEREST IN ENTITY- Notwithstanding the preceding provisions of this subsection, for purposes of determining the amount of any loss on a sale or exchange of an interest in a partnership, S corporation, or common trust fund, the adjustment made under subsection (a) shall not be taken into account in determining the adjusted basis of such interest.

`(g) Dispositions Between Related Persons-

`(1) IN GENERAL- This section shall not apply to any sale or other disposition of property between related persons except to the extent that the basis of such property in the hands of the transferee is a substituted basis.

` (2) RELATED PERSONS DEFINED- For purposes of this section, the term 'related persons' means--

` (A) persons bearing a relationship set forth in section 267(b), and

` (B) persons treated as single employer under subsection (b) or (c) of section 414.

` (h) Transfers To Increase Indexing Adjustment- If any person transfers cash, debt, or any other property to another person and the principal purpose of such transfer is to secure or increase an adjustment under subsection (a), the Secretary may disallow part or all of such adjustment or increase.

` (i) Special Rules- For purposes of this section--

` (1) TREATMENT OF IMPROVEMENTS, ETC- If there is an addition to the adjusted basis of any tangible property or of any stock in a corporation during the taxable year by reason of an improvement to such property or a contribution to capital of such corporation--

` (A) such addition shall never be taken into account under subsection (c)(1)(A) if the aggregate amount thereof during the taxable year with respect to such property or stock is less than \$1,000, and

` (B) such addition shall be treated as a separate asset acquired at the close of such taxable year if the aggregate amount thereof during the taxable year with respect to such property or stock is \$1,000 or more.

A rule similar to the rule of the preceding sentence shall apply to any other portion of an asset to the extent that separate treatment of such portion is appropriate to carry out the purposes of this section.

` (2) ASSETS WHICH ARE NOT INDEXED ASSETS THROUGHOUT HOLDING PERIOD- The applicable inflation adjustment shall be appropriately reduced for periods during which the asset was not an indexed asset.

` (3) TREATMENT OF CERTAIN DISTRIBUTIONS- A distribution with respect to stock in a corporation which is not a dividend shall be treated as a disposition.

` (4) SECTION CANNOT INCREASE ORDINARY LOSS- To the extent that (but for this paragraph) this section would create or increase a net ordinary loss to which section 1231(a)(2) applies or an ordinary loss to which any other provision of this title applies, such provision shall not apply. The taxpayer shall be treated as having a long-term capital loss in an amount equal to the amount of the ordinary loss to which the preceding sentence applies.

` (5) ACQUISITION DATE WHERE THERE HAS BEEN PRIOR APPLICATION OF SUBSECTION (A)(1) WITH RESPECT TO THE TAXPAYER- If there has been a prior application of subsection (a)(1) to an asset while such asset was held by the taxpayer, the date of acquisition of such asset by the taxpayer shall be treated as not earlier than the date of the most recent such prior application.

`(j) Regulations- The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.'.

(b) Clerical Amendment- The table of sections for part II of subchapter O of chapter 1 is amended by striking the item relating to section 1023 and inserting after the item relating to section 1022 the following new items:

`Sec. 1023. Indexing of certain assets for purposes of determining gain or loss.

`Sec. 1024. Cross references.'.

(c) Effective Date- The amendments made by this section shall apply to dispositions after December 31, 2008, in taxable years ending after such date.

SEC. 8. RETIREMENT SAVINGS ACCOUNTS.

(a) In General- Subpart A of part I of subchapter D of chapter 1 (relating to pension, profit-sharing, stock bonus plans, etc.) is amended by inserting after section 408A the following new section:

`SEC. 408B. RETIREMENT SAVINGS ACCOUNTS.

`(a) General Rule- Except as provided in this section, a Retirement Savings Account shall be treated for purposes of this title in the same manner as an individual retirement plan.

`(b) Retirement Savings Account- For purposes of this title, the term `Retirement Savings Account' means an individual retirement plan (as defined in section 7701 (a)(37) which is designated at the time of establishment of the plan as a Retirement Savings Account).

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THIS DOCUMENT

[Forward](#)

[Back](#)

[Best Sections](#)

[Contents Display](#)

GO TO

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[HomePage](#)

[Help](#)



LEGISLATIVE BUDGET & AUDIT COMMITTEE

Representative Ralph Samuels, Chairman

Sponsor Statement

HR 7 Repeal Federal Estate Tax

“Urging the United States Congress to support, work to pass, and vote for the immediate and permanent repeal of the federal estate tax”

The Economic Growth and Tax Relief Reconciliation Act of 2001 made significant changes to the U. S. Internal Revenue Code, including federal estate taxes.

As a result of this act, federal estate tax rates and exemption amounts have been gradually reduced between 2002 and 2009. In 2010, the federal estate tax is fully repealed.

EGTRRA is subject to a “sunset” provision, however, which results in an automatic reinstatement for the federal estate tax in 2011 unless Congress acts to permanently repeal the tax before then.

The federal estate tax, often referred to as a “death tax” has been described as one of the most inefficient taxes in America. It is very difficult for the government to administer and enforce and has resulted in creating a large estate-planning and avoidance industry.

This tax is an unfair burden placed upon America’s small businesses and families during a time of grieving and pain. We should not penalize people for accumulating assets with income that has already been taxed and then expect their survivors to pay taxes on those assets once again through and estate taxes.

HR 7 urges the United States Congress to permanently repeal the federal estate tax.

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET & AUDIT

REPRESENTATIVE
Ralph Samuels
Chair
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State Capitol, Juneau, Alaska 99801-1182

FOR IMMEDIATE RELEASE: March 20, 2008

CONTACT: Rep. Ralph Samuels, (907) 465-2095

Resolution Urging Federal Estate Tax Repeal Headed to Congress

Juneau – The Alaska House of Representatives today passed House Resolution (HR) 7, urging the federal government to permanently repeal the federal estate tax. The resolution, sponsored by the House Rules Committee by request of the Joint Legislative Budget & Audit Committee, asks the U.S. Congress to permanently repeal the “death tax” before its scheduled reinstatement in 2011. Under the Economic Growth & Tax Relief Reconciliation Act of 2001 the estate tax rate gradually declined and the exemption amount increased from 2002 to 2009. In 2010, the tax is to be completely eliminated. However, in 2011, unless Congress has acted to make the repeal permanent, the tax will be reinstated at rates ranging from 41 percent to 60 percent on net assets of more than \$1 million.

“It is grossly unfair to tax a person’s income and assets after their death, especially after the government has been collecting taxes year after year on that same income and those same assets while they were alive,” said Representative Ralph Samuels, R-Anchorage, and the LB&A Chairman. “We in the House are urging the federal government to permanently repeal this death tax.”

“This policy debate really highlights the difference in political philosophy on this issue,” said Representative Craig Johnson, R-Anchorage. “Repealing the tax can and should lead to getting the money out of the hands of the government and into the economy where it can be of better use. If people invest the money, that’s a good thing. That leads to jobs, people going to work, more investment, and keeps the money circulating.”

The resolution states that “there is a fundamental problem of double taxation when a decedent’s survivors are forced to pay an inheritance tax on assets acquired by the decedent with after-tax dollars... we need a tax system that encourages lifelong saving, investment, and business activity, and not one that can result in heirs liquidating or selling family businesses that are often asset rich but cash poor, thereby destroying those ongoing job-producing businesses simply to fund increased government consumption.”

Copies of HR 7 will be prepared and submitted to President George W. Bush, Vice President Dick Cheney, U.S. Senate Majority Leader Harry Reid, Senate Minority Leader Mitch McConnell, Speaker of the U.S. House Nancy Pelosi, House Minority Leader John Boehner, the members of Alaska’s congressional delegation and all other members of the 110th U.S. Congress.

###

**STATE OF ALASKA
HOUSE OF REPRESENTATIVES**

2008

Source
HR 7

**House
Resolve No.**
7



Urging the United States Congress to support, work to pass, and vote for the immediate and permanent repeal of the federal estate tax.

BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES:

WHEREAS the Economic Growth and Tax Relief Reconciliation Act of 2001 temporarily phased out but did not permanently eliminate the federal estate tax; and

WHEREAS our form of government is premised on the right to enjoy the fruit of one's labor, to own one's own possessions, and to pass on one's bounty to one's heirs; and

WHEREAS, when a person works for a lifetime to build assets, saving and investing money, building a business, or buying and developing land, that person has a moral right to pass those assets on to the person's family without being penalized with inheritance taxes; and

WHEREAS there is a fundamental problem of double taxation when a decedent's survivors are forced to pay an inheritance tax on assets acquired by the decedent with after-tax dollars; and

WHEREAS we need a tax system that encourages lifelong saving, investment, and business activity, and not one that can result in heirs liquidating or selling family businesses that are often asset rich but cash poor, thereby destroying those ongoing job-producing

businesses simply to fund increased government consumption; and




WHEREAS the persistent uncertainty created by sec. 901 of the Economic Growth and Tax Relief Reconciliation Act of 2001, which provides for the reinstatement of federal estate tax law for decedents dying after December 31, 2010, prevents families and small businesses from fully benefitting from the temporary repeal;

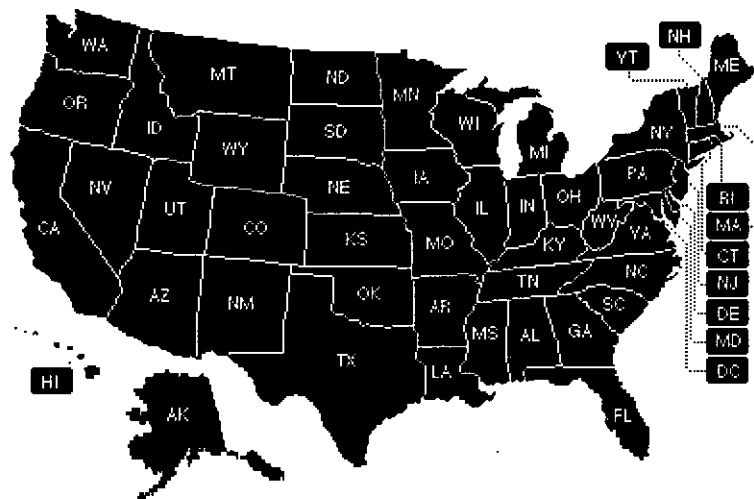
BE IT RESOLVED that the House of Representatives strongly urges the United States Congress to support, work to pass, and vote for the immediate and permanent repeal of the federal estate tax.




COPIES of this resolution shall be sent to the Honorable George W. Bush, President of the United States; the Honorable Richard B. Cheney, Vice-President of the United States and President of the U.S. Senate; the Honorable Harry Reid, Majority Leader of the U.S. Senate; the Honorable Mitch McConnell, Minority Leader of the U.S. Senate; the Honorable Nancy Pelosi, Speaker of the U.S. House of Representatives; the Honorable John Boehner, Minority Leader of the U.S. House of Representatives; and the Honorable Ted Stevens and the Honorable Lisa Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress; and all other members of the 110th United States Congress.

Vote Map: Senate Roll Call No. 197

H.R. 8, the Death Tax Elimination Act

Votes For :	59	
Votes Against :	39	
Not Voting :	2	



-  = majority of state's delegation voted AGAINST this legislation.
-  = majority of state's delegation voted FOR this legislation.
-  = split delegation (equal number voted FOR and AGAINST or NO VOTE).

The estate tax is an inheritance tax. The current estate tax triggers should be increased, but eliminating the estate tax entirely would have a huge budgetary impact in outlying years and preclude other important tax relief.

Opponents claim the estate tax is actually a "death" tax and prevents families from passing on farms and businesses to their children. In actuality, the estate tax affects less than 2% of the population and has exceptions for farms and businesses. This bill would cost approximately \$105 billion as it is phased in over the next 10 years. Beginning in 2011, when the estate tax is completely eliminated, this bill will cost \$50 billion a year, or \$500 billion between 2011-2020. Some of the wealthiest Americans, including Warren Buffet, have decried the elimination of the estate tax as a regressive effort and one that would negatively effect entrepreneurial spirit.

On July 14, the Senate approved H.R. 8, the Death Tax Elimination Act, by a vote of 59 to 39. NO is the pro-taxpayer vote. (Roll Call #197)

Figure 3 - Revenue Collections Detail

Listed in order of total amount of revenue collected

TAX TYPE	FY 2008	FY 2007	FY 2006
TIRE FEE			
Non-Studded	\$1,089,972	\$1,075,505	\$1,146,502
Studded	404,564	409,979	446,771
Penalties and Interest	<u>3,680</u>	<u>26,433</u>	<u>25,414</u>
Total Receipts	<u>\$1,498,216</u>	<u>\$1,511,917</u>	<u>\$1,618,687</u>
SEAFOOD DEVELOPMENT			
Tax by Development Region			
Bristol Bay	\$1,032,860	\$978,504	Not Applicable
Prince William Sound	352,686	285,984	152,465
Penalties and Interest	<u>736</u>	<u>1,845</u>	<u>0</u>
Total Receipts	<u>\$1,386,282</u>	<u>\$1,266,333</u>	<u>\$152,465</u>
DIVE FISHERY MANAGEMENT ASSESSMENT			
Total Receipts *	<u>\$373,120</u>	<u>\$426,006</u>	<u>\$273,521</u>
* All receipts are derived from Southeast Alaska Management area A			
ESTATE			
Total Receipts	<u>\$0</u>	<u>\$133,081</u>	<u>\$576,261</u>

**Estate Tax
AS 43.31**

Description

Alaska levies an estate tax on the transfer of an estate upon death.

Rate

The Alaska estate tax is the amount of state credit allowed on the estate's federal tax return.

Returns

State returns are required only for estates of decedents whose date of death was before January 1, 2005, and the estate has a federal filing requirement. Estates of decedents whose date of death is January 1, 2005 or later are not required to file a report.

Estate returns and tax payments are due 15 months from the decedent's date of death.

The tax payment due date may be extended in one-year increments, not to exceed 5 years. Interest accrues on the amount of tax due during the extension period. The return filing due date may be extended for up to 15 years.

Exemptions

Estates under \$1.5 million were generally exempt from paying estate taxes prior to 2005, taking into consideration the estate tax credit (formerly the unified credit) allowed under the Internal Revenue Code.

Disposition of Revenue

The division deposits all revenue derived from estate taxes into the General Fund.

History

1919 - The territorial legislature adopted a tax on inheritances and transfers of property from estates. Tax rates varied from 1 percent to 17.5 percent of the property's value.

1970 - The Alaska legislature enacted the current estate tax statutes. Estate tax statutes tie to the state credit allowed under Internal Revenue Code estate tax laws.

1991 - Interest on delinquent tax subject to compound interest under AS 43.05.225. Beginning FY 2003, the state estate tax will phase out as a consequence of changes in federal law.

2001 - The federal Economic Growth and Tax Relief Reconciliation Act enacted. As a consequence of the federal act, the state tax credit was phased out gradually over a four-year period. The state tax credit no longer applies to estates of decedents whose date of death is January 1, 2005 or later. However, the division may continue to collect tax from estates for years prior to January 1, 2005, as a result of returns filed, audits, or other enforcement activities.

The Estate tax was phased out by federal law - it no longer applies to estates of decedents whose date of death is January 1, 2005 or later.

Figure 4 - Revenue Collections Detail

Listed in order of total amount of revenue collected

TAX TYPE	FY 2007	FY 2006	FY 2005
ELECTRIC COOPERATIVE			
Total Receipts	\$2,029,554	\$1,971,690	\$1,939,598
Taxes shared	(1,953,262)	(1,893,770)	(1,868,400)
Amount Retained by state	<u>\$76,292</u>	<u>\$77,920</u>	<u>\$71,198</u>
TIRE FEE			
Non-Studded	\$1,075,505	\$1,146,502	\$1,136,589
Studded	409,979	446,771	436,440
Penalties and Interest	<u>26,433</u>	<u>25,414</u>	<u>5,856</u>
Total Receipts	<u>\$1,511,917</u>	<u>\$1,618,687</u>	<u>\$1,578,885</u>
ESTATE			
Total Receipts	<u>\$133,081</u>	<u>\$576,261</u>	<u>\$1,538,592</u>
DIVE FISHERY MANAGEMENT ASSESSMENT			
Southeast Alaska - Management Area A	<u>\$426,006</u>	<u>\$273,521</u>	<u>\$411,267</u>
Total Receipts	<u>\$426,006</u>	<u>\$273,521</u>	<u>\$411,267</u>
SEAFOOD DEVELOPMENT			
Tax by Development Region			
Bristol Bay	\$978,504	Not Applicable	
Prince William Sound	285,984	152,465	Not Applicable
Penalties and Interest	<u>1,845</u>	<u>0</u>	
Total Receipts	<u>\$1,266,333</u>	<u>\$152,465</u>	
SALMON MARKETING			
Tax	\$20,487	\$44,676	\$2,442,826
Penalties and Interest	<u>494</u>	<u>4,119</u>	<u>12,430</u>
Total Receipts	<u>\$20,981</u>	<u>\$48,795</u>	<u>\$2,455,256</u>

Note: The salmon marketing tax was repealed effective January 1, 2005. FY 2006 and FY 2007 receipts reflect amounts collected from amended and late filed returns.

**Estate Tax
AS 43.31**

Description

Alaska levies an estate tax on the transfer of an estate upon death.

Rate

The Alaska estate tax is the amount of state credit allowed on the estate's federal tax return.

Returns

State returns are required only for estates of decedents whose date of death was before January 1, 2005, and the estate has a federal filing requirement. Estates of decedents whose date of death is January 1, 2005 or later are not required to file a report.

Estate returns and tax payments are due 15 months from the decedent's date of death.

The tax payment due date may be extended in one-year increments, not to exceed 5 years. Interest accrues on the amount of tax due during the extension period. The return filing due date may be extended for up to 15 years.

Exemptions

Estates under \$1.5 million were generally exempt from paying estate taxes prior to 2005, taking into consideration the estate tax credit (formerly the unified credit) allowed under the Internal Revenue Code.

Disposition of Revenue

The division deposits all revenue derived from estate taxes into the General Fund.

History

1919 - The territorial legislature adopted a tax on inheritances and transfers of property from estates. Tax rates varied from 1 percent to 17.5 percent of the property's value.

1970 - The Alaska legislature enacted the current estate tax statutes. Estate tax statutes tie to the state credit allowed under Internal Revenue Code estate tax laws.

1991 - Interest on delinquent tax subject to compound interest under AS 43.05.225. Beginning FY 2003, the state estate tax will phase out as a consequence of changes in federal law.

2001 - The federal Economic Growth and Tax Relief Reconciliation Act enacted. As a consequence of the federal act, the state tax credit was phased out gradually over a four-year period. The state tax credit no longer applies to estates of decedents whose date of death is January 1, 2005 or later. However, the division may continue to collect tax from estates for years prior to January 1, 2005, as a result of returns filed, audits, or other enforcement activities.

The Estate tax was phased out by federal law - it no longer applies to estates of decedents whose date of death is January 1, 2005 or later.

FY 2007 Statistics

Tax Collections	\$133,081
Number of Returns	3
Number of Taxpayers	3
Program Cost	\$7,682
Staffing (full time equivalent)	0.1

Figure 4 - Revenue Collections Detail

Listed in order of total amount of revenue collected.

TAX TYPE	FY 2006	FY 2005	FY 2004
TELEPHONE COOPERATIVE			
Total Receipts	\$1,905,896	\$2,029,808	\$2,101,198
Taxes shared	(1,804,506)	(1,926,187)	(1,981,543)
Amount Retained by state	<u>\$101,390</u>	<u>\$103,621</u>	<u>\$119,655</u>
TIRE FEE			
Non-Studded	\$1,146,502	\$1,136,589	\$826,651
Studded	446,771	436,440	0
Penalties and Interest	<u>25,414</u>	<u>5,856</u>	<u>23</u>
Total Receipts	<u>\$1,618,687</u>	<u>\$1,578,885</u>	<u>\$826,674</u>
ESTATE			
Total Receipts	<u>\$576,261</u>	<u>\$1,538,592</u>	<u>\$2,250,662</u>
DIVE FISHERY MANAGEMENT ASSESSMENT			
Southeast Alaska - Management Area A	<u>\$273,521</u>	<u>\$411,267</u>	<u>\$253,503</u>
Total Receipts	<u>\$273,521</u>	<u>\$411,267</u>	<u>\$253,503</u>
SEAFOOD DEVELOPMENT			
Tax by Development Region			
Prince William Sound	<u>\$152,465</u>	N/A	N/A
Total Receipts	<u>\$152,465</u>	N/A	N/A
SALMON MARKETING			
Tax	\$44,676	\$2,442,826	\$1,907,811
Penalties and Interest	<u>4,119</u>	<u>12,430</u>	<u>55,968</u>
Total Receipts	<u>\$48,795</u>	<u>\$2,455,256</u>	<u>\$1,963,779</u>

Note: The salmon marketing tax was repealed effective January 1, 2005.

**Estate Tax
AS 43.31**

Description

Alaska levies an estate tax on the transfer of an estate upon death.

Rate

The Alaska estate tax is the amount of state credit allowed on the estate's federal tax return.

Returns

State returns are required only for estates of decedents whose date of death was before January 1, 2005, and the estate has a federal filing requirement. Estates of decedents whose date of death is January 1, 2005 or later are not required to file a report.

Estate returns and tax payments are due 15 months from the decedent's date of death.

The tax payment due date may be extended in one-year increments, not to exceed 5 years. Interest accrues on the amount of tax due during the extension period. The return filing due date may be extended for up to 15 years.

Exemptions

Estates under \$1.5 million were generally exempt from paying estate taxes prior to 2005, taking into consideration the estate tax credit (formerly the unified credit) allowed under the Internal Revenue Code.

Disposition of Revenue

The division deposits all revenue derived from estate taxes into the General Fund.

History

The estate tax dates back to 1919 when the territorial legislature adopted a tax on inheritances and transfers of property from estates. Tax rates varied from 1 percent to 17.5 percent of the property's value.

1970 - The Alaska legislature enacted the current estate tax statutes. Estate tax statutes tie to the state credit allowed under Internal Revenue Code estate tax laws.

1991 - Interest on delinquent tax subject to compound interest under AS 43.05.225. Beginning FY 2003, the state estate tax will phase out as a consequence of changes in federal law.

2001 - The federal Economic Growth and Tax Relief Reconciliation Act enacted. As a consequence of the federal act, the state tax credit was phased out gradually over a four-year period. The state tax credit no longer applies to estates of decedents whose date of death is January 1, 2005 or later. However, the division may continue to collect tax from estates for years prior to January 1, 2005, as a result of returns filed, audits, or other enforcement activities.

The Estate tax was phased out by federal law - it no longer applies to estates of decedents whose date of death is January 1, 2005 or later.

FY 2006 Statistics

Tax Collections	\$576,261
Number of Returns	17
Number of Taxpayers	17
Program Cost	14,074
Staffing (full time equivalent)	0.3

Table 2 - Revenue Collections Detail

Listed in order of total amount of revenue collected.

TAX TYPE	FY 05	FY 04	FY 03
TIRE FEE			
Non-Studded	\$ 1,136,589	\$ 826,651	
Studded	436,440	0	
Penalties and Interest	5,856	23	
Total Receipts	\$ 1,578,885	\$ 826,674	N/A
ESTATE			
Total Receipts	\$ 1,538,592	\$ 2,250,662	\$ 1,221,757
DIVE FISHERY MANAGEMENT ASSESSMENT			
Southeast Alaska - Management Area A	\$ 411,267	\$ 253,503	\$ 204,738
Total Receipts	\$ 411,267	\$ 253,503	\$ 204,738

ESTATE TAX
AS 43.31

Description

Alaska currently levies the estate tax on the transfer of an estate upon death.

Rate

The Alaska estate tax is the amount of state credit allowed on the estate's federal tax return.

Returns

Estates file returns and pay taxes within 15 months from the decedent's date of death.

The *tax payment* due date may be extended in one-year increments, not to exceed 5 years. Interest accrues on the amount of tax due during the extension period. The return *filing* due date may be extended for up to 15 years.

Generally state returns will be filed only for estates of decedents whose date of death was before January 1, 2005, and the estate has a federal filing requirement, or needs a tax clearance certificate for probate court. Estates of decedents whose date of death is January 1, 2005 or later do not need to file a report unless the estate needs a tax clearance certificate.

Exemptions

Estates under \$1.5 million were generally exempt from paying estate taxes in 2005 taking into consideration the estate tax credit (formerly the unified credit) allowed under the Internal Revenue Code.

Disposition of Revenue

The Division deposits all revenue derived from estate taxes into the General Fund.

History

The estate tax dates back to 1919 when the territorial legislature adopted a tax on inheritances and transfers of property from estates. Tax rates varied from 1% to 17.5% of the property's value.

1970 - The Alaska legislature enacted the current estate tax statutes. Estate tax statutes tie to the state credit allowed under Internal Revenue Code estate tax laws.

2001 - The federal Economic Growth and Tax Relief Reconciliation Act enacted. As a consequence of the federal act, the state tax credit was phased out gradually over a four-year period. The state tax credit no longer applies to estates of decedents whose date of death is January 1, 2005 or later. However, the Division may continue to collect tax from estates for years prior to January 1, 2005, as a result of returns filed, audits, or other enforcement activities.

FY 2005 Statistics

Tax Collections	\$1,538,592
Number of Returns	49
Number of Taxpayers	46
Number of Death Certificates Issued	775
Program Cost	\$35,166
Staffing (<i>full time equivalent</i>)	0.6

