

Leg. Finance - Finance Comte Files (1971-72) 8879

HB 512 cont., 513am, 514am

Reg. §1.48-4(b) continued

built, or reconditioned property. However, the lessee would be considered the original user if he is the first person to use the property for its intended function. Thus, the fact that the lessor may have, for example, tested, stored, or attempted to lease the property to other persons will not preclude the lessee from being considered the original user.

(c) Basis of leased property--(1) General rule. If a valid election is made under this section, the amount of qualified investment under section 48(c) with respect to the leased property shall be determined by reference to the basis of such property in the hands of the lessee as determined under subparagraph (2) or (3) of this paragraph, whichever is applicable.

(2) Property transferred before February 25, 1964. (i) In the case of leased property possession of which is transferred to the lessee before February 25, 1964, unless subdivision (ii) of this subparagraph applies, the basis of the property in the hands of the lessee shall be the basis of the property in the hands of the lessor.

(ii) If the property was constructed by the lessor (or by a corporation which controls or is controlled by the lessor within the meaning of section 308(c)), the basis of the property in the hands of the lessee shall be an amount equal to the fair market value of such property on the date possession is transferred to the lessee. The term "constructed" shall be given its commonly accepted meaning, that is, to build, manufacture, or erect something which did not theretofore exist. Thus, reconstruction, rebuilding, or reconditioning does not constitute "construction". However, it is not necessary that the materials used in construction be new in use.

(3) Property transferred after February 25, 1964. (i) In the case of leased property possession of which is transferred to the lessee after February 25, 1964, unless subdivision (ii) of this subparagraph applies, the basis of the property in the hands of the lessee shall be an amount equal to the fair market value of such property on the date possession is transferred to the lessee.

(ii) If the property is leased by a corporation which is a member of an affiliated group (within the meaning of paragraph (f) (5) of §1.46-1) to another corporation which is a member of the same affiliated group on the date possession of the property is transferred to the lessee, the basis of the property in the hands of the lessee shall be the basis of the property in the hands of the lessor.

(d) Estimated useful life of leased property. The estimated useful life to the lessee of property subject to the election shall be deemed to be the estimated useful life in the hands of the lessor for purposes of computing depreciation, regardless of the term of the lease. The lessor shall determine the estimated useful life of each leased property on an individual basis even though multiple asset accounts (including guideline class accounts described in Revenue Procedure 62-21) are used.

However, in the case of assets similar in kind contained in a multiple asset account, the lessor shall assign to each of such assets the average useful life of such assets used in computing depreciation. Thus, for example, if during a taxable year a lessor leases 20 similar trucks with an average estimated useful life for depreciation purposes of 7 years, based on an estimated range of 6 to 8 years, he must assign a useful life of 7 years to each of the 16 trucks.

(e) Lessor itself a lessee. If the lessor of property is itself a lessee who is treated, under this section, as having purchased such property, and such sublessor makes a valid election under this section to treat the sublessee as a purchaser, then the basis and estimated useful life of such property in the hands of the sublessee shall be determined under paragraphs (c) and (d) of this section as if the original lessor had leased the property directly to the sublessee on the date possession of

Reg. § 1.43-4(e) continued

the property is transferred to the sublessee. Thus, for example, if on March 1, 1964, corporation X leases property to corporation Y, which in turn subleases the property to individual A (who is the first person to use the property for its intended function), and if both X and Y make valid elections under this section, the basis of the property to A is equal to its fair market value on the date on which possession is transferred from Y to A (regardless of whether X and Y are members of the same affiliated group), and its estimated useful life to A is the estimated useful life in the hands of X.

(f) **Property-by-property election—(1) Manner of making election.** The election of a lessor with respect to a particular property (or properties) shall be made by filing a statement with the lessee, signed by the lessor and including the written consent of the lessee, containing the following information:

(i) The name, address, and taxpayer account number of the lessor and the lessee;

(ii) The district director's office with which the income tax returns of the lessor and the lessee are filed;

(iii) A description of each property with respect to which the election is being made;

(iv) The date on which possession of the property (or properties) is transferred to the lessee;

(v) The estimated useful life category of the property (or properties) in the hands of the lessor, that is, 4 years or more but less than 6 years, 6 years or more but less than 8 years, or 8 years or more; except that, in the case of property possession of which is transferred to the lessee before January 1, 1964, the lessor may, at his option, use the estimated useful life of the property (or properties) in the hands of the lessor expressed in terms of years;

(vi) The basis of the leased property in the hands of the lessee (or sublessee) as determined under paragraph (c) of this section; and

(vii) If the lessor is itself a lessee, the name, address, and taxpayer account number of the original lessor, and the district director's office with which the income tax return of such original lessor is filed.

(2) **Time for making election.** The statement referred to in subparagraph (i) of this paragraph shall be filed with the lessee on or before the *due date (including any extensions of time) of the lessee's return for lessee's taxable year during which possession of the property is transferred to the lessee, or on or before July 15, 1964, whichever is later.*

(3) **Election is irrevocable.** An election under this paragraph shall be irrevocable as of the time the statement referred to in subparagraph (i) of this paragraph is filed with the lessee.

(g) **General election—(1) In general.** In lieu of making elections on a property-by-property basis in the manner and time prescribed in paragraph (f) of this section, a lessor may, with respect to a particular taxable year of a particular lessee, make a general election to treat such lessee as having purchased all properties possession of which is transferred under lease by the lessor to the lessee during such taxable year of the lessee.

(2) **Manner and time for making general election.** The general election of a lessor with respect to a taxable year of a lessee shall be made by filing a statement

[Footnote 5939] Matter in *Italics* added by TD 6323, which struck out:

(1) "60th day after"

Reg. §1.43-4(g)(2) continued

with the lessee, signed by the lessor and including the written consent of the lessee, on or before the *due date (including any extensions of time)* of the lessee's return for such taxable year, or on or before July 15, 1964, whichever is later. Such statement of general election shall contain:

- (i) The name, address, and taxpayer account number of the lessor and the lessee;
- (ii) The taxable year of the lessee with respect to which such general election is made;
- (iii) The district director's office with which the income tax returns of the lessor and the lessee are filed;
- (iv) If the lessor is itself a lessee, the name, address, and taxpayer account number of the original lessor, and the district director's office with which the income tax return of such original lessor is filed.

(3) Election is irrevocable. A general election under this paragraph shall be irrevocable as of the time the statement referred to in subparagraph (2) of this paragraph is filed with the lessee and shall be binding on the lessor and the lessee for the entire taxable year of the lessee with respect to which such general election is made.

(4) Information requirement. If a lessor, with respect to a taxable year of a lessee, makes a general election under this paragraph, such lessor shall provide such lessee, on or before the *due date (including any extensions of time)* of the lessee's return for such taxable year, or on or before July 15, 1964, whichever is later, with a statement (or statements) containing the information required by paragraph (f)(1)(iii), (iv), (v), and (vi) of this section with respect to all properties possession of which is transferred under lease by the lessor to the lessee during such taxable year.

(h) Signature. The statement referred to in paragraph (f)(1) or (g)(2) of this section shall not be valid unless signed by both the lessor and the lessee. The signature of the lessee shall constitute the consent of the lessee to the election. The statement shall be signed by the taxpayer or a duly authorized agent of the taxpayer. For purposes of this section, a facsimile signature may be used in lieu of a signature manually executed and, if used, shall be as binding as a signature manually executed.

(i) [Reserved]

(j) Record requirements. The lessor and the lessee shall keep as a part of their records the statement referred to in paragraph (f)(1), or the statements referred to in paragraphs (g)(2) and (g)(4), of this section. The lessor shall attach to his income tax return a summary statement of all property leased during his taxable year with respect to which an election is made. However, if the due date of the return (including extensions of time) is before July 15, 1964, the summary statement may be filed on or before such date with the district director with whom the return has been filed. Such summary statement shall contain the following information: (1) The name, address, and taxpayer account number of the lessor; and (2) in numerical account number order, each lessee's account number, name, and address, the estimated useful life category of the property (or, if applicable, the estimated useful life expressed in years), and the basis or fair market value of the property, whichever is applicable.

[Footnote 5362 continued]

(2) "60th day after the first transfer under lease (during such year) to the lessee of possession of property eligible for the general election under subparagraph (i) of this paragraph"

(3) "60th day after the last day of the lessee's"

Reg. § 1.43-4 continued

(k) Adjustment of rental deductions--(1) In general. The rules of this paragraph apply only to section 33 property placed in service before January 1, 1964, and with respect to any such property only for taxable years of a lessee beginning before January 1, 1964. If a lessor makes a valid election under this section with respect to property placed in service by the lessee before January 1, 1964, section 45(g) and § 1.43-7 (relating to adjustments to basis of property) shall not apply to the lessor with respect to such property. Thus, the lessor is not required to reduce under section 45(g)(1) the basis of such property. However, if such an election is made, the deductions otherwise allowable under section 162 to the lessee for amounts paid or accrued to the lessor under the lease shall be adjusted in the manner provided in this paragraph. For special adjustment for taxable years beginning after December 31, 1963, see paragraph (m) of this section.

(2) Decrease in rental deduction. (i) The deductions otherwise allowable under section 162 to the lessee for amounts paid or accrued to the lessor under the lease with respect to leased property placed in service before January 1, 1964, shall be decreased under subdivision (ii) or (iii) of this subparagraph, whichever is applicable, by an amount determined by reference to the credit earned on the leased property. The "credit earned" on the leased property is determined by multiplying the qualified investment (as defined in section 46(c)) with respect to such property by 7 percent. Thus, the credit earned (and the decrease in deductions) is determined without regard to the limitation based on tax which, under section 45(n)(2), may limit the amount of the credit the lessee may take into account in any one year.

(ii) If, in the case of property placed in service before January 1, 1964, the lessor, under paragraph (1)(v) of this section, supplies the lessee with the useful life of such property expressed in years, then for each taxable year beginning before January 1, 1964, any part of which falls within a period beginning with the month in which the leased property is placed in service by the lessee and ending with the close of the estimated useful life of such property (as determined under paragraph (d) of this section), the lessee shall decrease the deduction otherwise allowable under section 162 for each such taxable year with respect to such property. The decrease for each such taxable year shall be equal to (a) the credit earned, divided by (b) the estimated useful life of the property (expressed in months), multiplied by (c) the number of calendar months in which the leased property was held by the lessee during such taxable year. Thus, if leased property with a basis of \$27,000 in the hands of a calendar-year lessee, and with an estimated useful life of 10 years, is placed in service by the lessee on July 15, 1963, the lessee must decrease his section 162 deduction with respect to the leased property for the taxable year 1963 by \$91.50 (\$1,260 credit earned, divided by 120, multiplied by 9).

(iii) If, in the case of property placed in service before January 1, 1964, the lessor, under paragraph (1)(v) of this section, supplies the lessee with the useful life category of such property, then for each taxable year beginning before January 1, 1964, during a period equal to the shortest life of the useful life category used by the lessee in computing qualified investment under section 46(c) with respect to the leased property, the lessee shall decrease the deduction otherwise allowable under section 162 for such taxable year with respect to such property. The decrease for each such taxable year shall be equal to the credit earned divided by such shortest life, that is, 4, 6, or 8. Such decreases shall begin with the taxable year during which the lessee places the property in service. Thus, if leased property with a basis of \$60,000 to the lessee, and an estimated useful life falling within the 4 years or more but less than 6 years useful life category, is placed in service by the lessee within the lessee's taxable year ending December 31, 1962, the lessee must decrease his section 162 deduction with respect to the leased property for each of the taxable years 1962 and 1963 by \$175 (\$160 credit earned divided by 4).

Reg. § 1.48-4(1)(2) continued

(iv) To the extent that a required decrease, under subdivision (ii) or (iii) of this subparagraph, is not taken into account for any taxable year beginning before January 1, 1964, because the deduction otherwise allowable under section 162 for such taxable year with respect to the leased property is less than the required decrease for such taxable year, then the balance of the required decrease not taken into account for such taxable year shall decrease the amount otherwise allowable as a deduction under section 162 with respect to such property for the next succeeding taxable year (or years) beginning before January 1, 1964, if any, for which a deduction is allowable with respect to such property. Thus, if the required decrease with respect to leased property is \$200 for 1963 but the lessee's deduction otherwise allowable under section 162 for such taxable year with respect to such property is only \$80, the balance of \$120 must be applied in 1963 to decrease the deduction otherwise allowable to the lessee with respect to the leased property for such taxable year.

(v) See paragraph (b) of § 1.48-7 for reduction of basis in the case of an actual purchase of leased property by a lessee (in a taxable year of such lessee beginning before January 1, 1964) who has been treated as a purchaser of such property under this section.

(3) Increase in rental deductions on account of early disposition, etc. (i) If, as a result of an early disposition, etc., in a taxable year beginning before January 1, 1964, with respect to leased property placed in service before such date, the lessee's tax is increased under section 47(c)(1) or (2), or an adjustment in a carryback or carryover is made under section 47(a)(3) by reduction of an unused credit, the rental deduction (if any) otherwise allowable under section 162 to such lessee for amounts paid or accrued to the lessor under the lease with respect to such property shall be increased in an amount equal to the total decreases previously made in the lessee's rental deductions under subparagraph (2) of this paragraph.

(ii) Except as provided in subdivision (iii) of this subparagraph, the increase in rental deductions described in subdivision (i) of this subparagraph shall be taken into account as an increase in rental deductions otherwise allowable under section 162 for the taxable year in which the early disposition, etc., occurred.

(iii) If, after the event which caused section 47(a)(1), (2), or (3) to apply, the lessee continues the use of the property in a trade or business or in the production of income, the increase in rental deductions described in subdivision (i) of this subparagraph shall be taken into account ratably over the remaining portion of the useful life of the property which was used in making the decreases in rental deductions with respect to the property under subparagraph (2) of this paragraph.

(iv) If subdivision (iii) of this subparagraph applies, and if, prior to the expiration of the useful life of the property used in making the decreases in rental deductions, the lease is terminated other than by actual purchase of the property by the lessee, any increase in rental deductions not previously taken into account shall be taken into account as an increase in rental deductions for the taxable year in which the lease is terminated. In the case of an actual purchase of the property by the lessee, see paragraph (e) of § 1.48-7.

(4) Examples. The provisions of this section may be illustrated by the following examples:

Example (1). X Corporation is engaged in the business of manufacturing and leasing new and reconstructed equipment which in its hands has an estimated useful life of 23 years. After December 31, 1961, X Corporation constructs machine no. 1 at a cost of \$20,000 and reconstructs machine no. 2 at a cost of \$5,000. On Febru-

Reg. § 1.48-1(i) Example (1) continued

any 15, 1962, Y Corporation, a calendar-year taxpayer, leases both machines from X Corporation and places them in service. The fair market value of machine no. 1 on the date on which possession is transferred to Y is \$25,200. Machine no. 1 would qualify as new section 38 property in Y's hands if it had been purchased by Y. If X elects to treat Y as the purchaser of machine no. 1, under paragraph (e) (2) (ii) of this section such machine will have a basis of \$25,200 in Y's hands. Under paragraph (i) (1) (v) of this section, X supplies Y with an estimated useful life of 12 years (expressed in years rather than useful life category) with respect to machine no. 1 for purposes of determining Y's qualified investment. Y's credit earned with respect to the property is \$1,764 (7 percent of \$25,200). Under paragraph (k) (2) (ii) of this section, Y's deduction attributable to the leased property for 1962 will be decreased by \$184.75 (credit earned of \$1,764, divided by 144, multiplied by 11), and for 1963 such deduction will be decreased by \$147 (\$1,764, divided by 144, multiplied by 12). The election is not available with respect to machine no. 2 since a reconstructed machine would not constitute new section 38 property if Y had purchased it. In such case, while X cannot make the election to treat Y as a purchaser, X would be entitled to a credit under section 38 based on its expenditure of \$5,600 as an investment in new section 38 property, since such amount represents cost of reconstruction after December 31, 1961.

Example (2). Assume the same facts as in example (1) except that under paragraph (i) (1) (v) of this section, X supplies Y with an estimated useful life category of 8 years or more (rather than an estimated useful life expressed in years) with respect to machine no. 1 for purposes of determining Y's qualified investment. Under paragraph (k) (2) (iii) of this section, Y's deduction attributable to the leased property will be decreased by \$220.50 (credit earned of \$1,764, divided by 8) for each of its taxable years 1962 and 1963.

Example (3). Assume the same facts as in example (1) except that the lessee disposes of his interest in the lease on January 1, 1963, and that there is an increase in Y's tax for 1963 under section 47(a) (1) in the amount of \$1,764. Under paragraph (k) (2) of this section, Y's deductions attributable to the leased property are decreased only in 1962, and the amount of such decrease is \$184.75. In 1963 there shall be an increase of \$184.75 in the deductions otherwise allowable under section 162 for such taxable year with respect to the leased property.

Example (4). Assume the same facts as in example (1) except that during the year 1963 the property was used by Y predominantly outside the United States within the meaning of paragraph (g) of § 1.48-1, and thereafter was used in Y's trade or business. Under paragraph (k) (3) of this section, the increase of \$184.75 described in example (3) is taken into account ratably as an increase in rental deductions otherwise allowable under section 162 in the amount of \$12.25 (\$184.75 divided by 11 years) for 1963 and each of the 10 succeeding years.

(ii) Increase in rental deductions on account of section 203(a) (3) (B) of the Revenue Act of 1961--(1) In general. (i) Under section 203(a) (2) (B) of the Revenue Act of 1961, if, for any taxable year of a lessee beginning before January 1, 1964, the rental deductions otherwise allowable under section 162 to such lessee for amounts paid or accrued to the lessor under the lease with respect to leased property placed in service before January 1, 1964, were decreased under paragraph (k) (2) of this section, such rental deductions shall be increased.

(ii) The increase in rental deductions described in subdivision (i) of this subparagraph shall be in an amount equal to the total decreases in the lessee's rental deductions previously made under paragraph (k) (2) of this section less any increases in rental deductions made under paragraph (k) (3) of this section.

(iii) Except as provided in subdivision (iv) of this subparagraph, the increase in rental deductions described in subdivision (i) of this subparagraph shall be taken

Reg. § 1.46-4(m)(1)(iii) continued

into account ratably over the remaining portion of the useful life of the property commencing with the first day of the first taxable year beginning after December 31, 1963. For this purpose, the useful life of the property shall be the useful life used in making the decreases in rental deductions with respect to the property under paragraph (1)(2) of this section.

(iv) If the lease is terminated other than by the lessee's actual purchase of the property during a taxable year beginning after December 31, 1963, and before the end of the remaining useful life of the property used in making the decreases in rental deductions, the amount of the increase in rental deductions described in subdivision (i) of this subparagraph and not previously taken into account shall be allowed as a deduction for the taxable year in which such termination occurs.

(v) The rental deductions with respect to any section 39 property are not to be increased under this paragraph if the lessee dies in a taxable year beginning before January 1, 1964.

(vi) The increase in rental deductions described in subdivision (i) of this subparagraph shall ordinarily be taken into account by the lessee treated as the purchaser, that is, the lessee entitled to the credit. However, if the property under the lease is transferred by the lessee to a successor lessee in a transaction described in section 47(b) (other than a transfer by reason of death) under which the successor lessee assumes the lessee's obligations under the lease, such increase in rental deductions shall be taken into account by the successor lessee in the manner prescribed in this paragraph.

(8) **Examples.** The operation of this paragraph may be illustrated by the following examples:

Example (1). (a) X Corporation acquired on January 1, 1962, an item of new section 39 property with a basis of \$24,000 and with a useful life to the lessor of 10 years. Y Corporation, which makes its returns on the basis of a calendar year, leased such property from X Corporation and placed it in service on January 3, 1962. Under this section, X Corporation made a valid election to treat Y Corporation as having purchased such property for purposes of the credit allowed by section 39 and supplied the lessee with information that the property had a useful life of 10 years. The amount of the credit earned with respect to such property was \$1,630 (7 percent of \$24,000). For each of the taxable years 1962 and 1963, Y Corporation decreased, under paragraph (1)(2) of this section, its deductions otherwise allowable under section 162 with respect to such property by \$163 (\$1,630 multiplied by 12/120).

(b) For each of the taxable years 1964 through 1971, Y Corporation increases its deductions otherwise allowable under section 162 for amounts paid to X Corporation under the lease by \$12 (\$233 (that is, \$163 multiplied by 2) divided by the remaining useful life of 3 years).

Example (2). (a) The facts are the same as in example (1) except that the lease is terminated on January 3, 1965.

(b) For the taxable year 1964, Y Corporation increases its deductions otherwise allowable under section 162 by \$12.

(c) For the taxable year 1965, Y Corporation increases its deductions otherwise allowable under section 162 for the portion of the increase which had not been taken into account as of the time of the termination of the lease. Thus, the amount of such increase for the taxable year 1965 is \$294 (\$233 minus \$12).

G. I. 59737 Reg. § 1.46-5 (FD 6761, filed 5-7-64; amended by TD 6331, filed 10-9-67.) **Electing small business corporations.**

(a) **In general.** (1) In the case of an electing small business corporation (as defined in section 1371(b)), the basis of "new section 39 property" and the cost of

Reg. § 1.46-5(a)(1) continued

"used section 38 property" placed in service during the taxable year shall be apportioned pro rata among the persons who are shareholders of such corporation on the last day of such corporation's taxable year. Section 38 property shall not (by reason of such apportionment) lose its character as new section 38 property or used section 38 property, as the case may be. The estimated useful life of such property in the hands of a shareholder shall be deemed to be the estimated useful life of such property in the hands of the electing small business corporation. The bases of all new section 38 properties which have a useful life falling within a particular useful life category shall be aggregated; likewise, the cost of all used section 38 properties which have a useful life falling within a particular useful life category shall be aggregated. The total bases of new section 38 properties within each useful life category and the total cost of used section 38 properties within each useful life category shall be apportioned separately. The useful life categories are: (i) 4 years or more but less than 6 years; (ii) 6 years or more but less than 8 years; and (iii) 8 years or more. There shall be apportioned to each person who is a shareholder of the electing small business corporation on the last day of the taxable year of such corporation, for his taxable year in which or with which the taxable year of such corporation ends, his pro rata share of the total bases of new section 38 properties within each useful life category, and his pro rata share of the total cost of used section 38 properties within each useful life category. In determining who are shareholders of an electing small business corporation on the last day of its taxable year, the rules of paragraph (d)(1) of § 1.1371-1 and of paragraph (a)(2) of § 1.1372-1 shall apply.

(2) The total cost of used section 38 property that may be apportioned by an electing small business corporation to its shareholders for any taxable year of such corporation shall not exceed \$50,000. If the total cost of used section 38 property placed in service during the taxable year by the electing small business corporation exceeds \$50,000, such corporation must select, under paragraph (c)(4) of § 1.46-5, the used section 38 property the cost of which is to be apportioned to its shareholders.

(3) A shareholder to whom the basis (or cost) of section 38 property is apportioned shall, for purposes of the credit allowed by section 38, be treated as the taxpayer with respect to such property. Thus, the total cost of used section 38 property apportioned to him by the electing small business corporation must be taken into account as cost of used section 38 property in determining whether the \$50,000 limitation on the cost of used section 38 property which may be taken into account by the shareholder in computing qualified investment for any taxable year is exceeded. If a shareholder takes into account in determining his qualified investment any portion of the basis (or cost) of section 38 property placed in service by an electing small business corporation and if such property subsequently is disposed of or otherwise ceases to be section 38 property in the hands of the corporation, such shareholder shall be subject to the provisions of section 47. See § 1.47-1.

(b) Summary statement. An electing small business corporation shall attach to its return a statement showing the apportionment to each shareholder of the total bases of new, and the total cost of used, section 38 properties within each useful life category.

(c) Example. This section may be illustrated by the following example:

Example. (i) X Corporation, an electing small business corporation which makes its return on the basis of the calendar year, acquires and places in service on June 1, 1962, three new assets which qualify as new section 38 property and three

Footnote 5067. Matter in *italics* added by TD 6331.

Reg. 31.18-5(c) Example (i) continued

used assets which qualify as used section 33 property. The basis of each new, and the cost of each used, section 33 property and the estimated useful life of each property are as follows:

Asset No. 1 (new)	Basis (or cost)	Estimated useful life
Asset No. 2 (new)	\$30,000	4 years
Asset No. 3 (new)	30,000	4 years
Asset No. 4 (used)	12,000	8 years
Asset No. 5 (used)	12,000	6 years
Asset No. 6 (used)	12,000	6 years

On December 31, 1982, X Corporation has 10 shares of stock outstanding which are owned as follows: A owns 3 shares, B owns 2 shares, and C owns 5 shares.

(ii) Under this section, the total bases of the new, and the total cost of the used, section 33 properties are apportioned to the shareholders of X Corporation as follows:

Useful life category	New--		Used--
	4 to 6 years	more	
Total bases or total cost	\$60,000	\$30,000	\$24,000
Shareholder A (3/10)	\$18,000	\$9,000	\$7,200
Shareholder B (2/10)	12,000	6,000	4,800
Shareholder C (5/10)	30,000	15,000	12,000

Assume that shareholders A, B, and C did not place in service during their taxable years in which falls December 31, 1982 (the first day of X Corporation's taxable year) any section 33 property and that such shareholders did not own any interests in other electing small business corporations, partnerships, estates, or trusts. Under section 4C(c), the qualified investment of shareholder A is \$23,400, of shareholder B is \$16,600, and of shareholder C is \$39,000, computed as follows:

Shareholder A			
Basis (or cost)	New or used	Applicable percentage	Qualified investment
\$18,000	(new)	x 83 1/3 percent	\$ 6,000
9,000	(new)	x 100 percent	9,000
7,500	(used)	x 60 2/3 percent	4,500
3,000	(used)	x 100 percent	3,600
Total			\$23,400

Shareholder B			
Basis (or cost)	New or used	Applicable percentage	Qualified investment
\$12,000	(new)	x 33 1/3 percent	\$ 4,000
6,000	(new)	x 100 percent	6,000
4,800	(used)	x 65 2/3 percent	3,200

Reg. § 1.48-5(c) Example (ii) continued

	2,400	(used)	x 100 percent	2,400
Total				<u>\$15,600</u>
Shareholder C				
Basis (or cost)	New or used		Applicable percentage	Qualified investment
\$20,000	(new)		x 33 $\frac{1}{3}$ percent	\$10,000
15,000	(new)		x 100 percent	15,000
12,000	(used)		x 66 $\frac{2}{3}$ percent	8,000
6,000	(used)		x 100 percent	6,000
Total				<u>\$39,000</u>

C-11 5974 Reg. § 1.48-6 (TD 6721, filed 5-7-61; amended by TD 6931, filed 10-9-67; TD 6958, filed 6-20-68.) Estates and trusts.

(c) In general. (1) In the case of an estate or trust, the basis of "new section 38 property" and the cost of "used section 38 property" placed in service during the taxable year shall be apportioned among the estate or trust and its beneficiaries on the basis of the income of such estate or trust allocable to each. Section 38 property shall not (by reason of such apportionment) lose its character as new section 38 property or used section 38 property, as the case may be. The estimated useful life of such property in the hands of a beneficiary shall be deemed to be the estimated useful life of such property in the hands of the estate or trust. The bases of all new section 38 properties which have a useful life falling within a particular useful life category shall be aggregated; likewise, the cost of all used section 38 properties which have a useful life falling within a particular useful life category shall be aggregated. The total bases of new section 38 properties within each useful life category and the total cost of used section 38 properties within each useful life category shall be apportioned separately. The useful life categories are: (i) 4 years or more but less than 6 years; (ii) 6 years or more but less than 8 years; and (iii) 8 years or more. There shall be apportioned to the estate or trust for its taxable year, and to each beneficiary of such estate or trust for his taxable year in which or with which the taxable year of such estate or trust ends, his share (as determined under paragraph (b) of this section) of the total bases of new section 38 properties within each useful life category, and his share of the total cost of used section 38 properties within each useful life category.

(2) The total cost of used section 38 property that may be apportioned among an estate or trust and its beneficiaries for any taxable year of such estate or trust shall not exceed \$50,000. If the total cost of used section 38 property placed in service during the taxable year by the estate or trust exceeds \$50,000, such estate or trust must select, under paragraph (c) (1) of § 1.48-3, the used section 38 property the cost of which is to be apportioned among such estate or trust and its beneficiaries.

(3) A beneficiary to whom the basis (or cost) of section 38 property is apportioned shall, for purposes of the credit allowed by section 38, be treated as the taxpayer with respect to such property. Thus, the total cost of used section 38 property apportioned to him by the estate or trust must be taken into account as cost of used section 38 property in determining whether the \$50,000 limitation on the cost of used property which may be taken into account by the beneficiary in computing qualified investment for any taxable year is exceeded. If a beneficiary takes into account in determining his qualified investment any portion of the basis

Reg. § 1.48-6(a)(3) continued

(or cost) of section 38 property placed in service by an estate or trust and if such property subsequently is disposed of or otherwise ceases to be section 38 property in the hands of the estate or trust, such beneficiary shall be subject to the provisions of section 47. See § 1.47-5.

(4) For purposes of this section, the term "beneficiary" includes heir, legatee, and devisee.

(5) If during the taxable year of an estate or trust a beneficiary's interest in the income of such estate or trust terminates, the basis (or cost) of section 38 property placed in service by such estate or trust after such termination shall not be apportioned to such beneficiary.

(a) Share. A trust's, estate's, or beneficiary's share of the total bases of new section 38 properties, and the total cost of used section 38 properties, within a useful life category shall be—

(1) The total bases of new (or the total cost of used) section 38 properties which have a useful life falling within such useful life category placed in service in the taxable year of the estate or trust, multiplied by

(2) The amount of income allocable to such estate or trust or to such beneficiary for such taxable year, divided by

(3) The sum of the amounts of income allocable to such estate or trust and all its beneficiaries taken into account under subparagraph (2) of this paragraph.

(c) Limitation based on amount of tax. In the case of an estate or trust, the \$25,000 amount specified in section 48(a)(2)¹, relating to limitation based on amount of tax, shall be reduced for the taxable year to—

(1) \$25,000² multiplied by

(2) The qualified investment with respect to the total bases of new section 38 properties plus the qualified investment with respect to the total cost of used section 38 properties, apportioned to such estate or trust under paragraph (a) of this section, divided by

(3) The qualified investment with respect to the total bases of all new section 38 properties plus the qualified investment with respect to the total cost of all used section 38 properties, apportioned among such estate or trust and its beneficiaries. For purposes of subparagraph (3) of this paragraph, cost of used section 38 property shall not be considered as apportioned to any beneficiary to the extent that such cost is not taken into account by such beneficiary in computing qualified investment in used section 38 property.

(d) Summary statement. An estate or trust shall attach to its return a statement showing the apportionment to such estate or trust and to each beneficiary of the total bases of new, and the total cost of used, section 38 properties within each useful life category.

(e) Example. This section may be illustrated by the following example:

Example. (i) XYZ Trust, which makes its return on the basis of the calendar year, acquires and places in service on June 1, 1952, three new assets which qualify as new section 38 property and three used assets which qualify as used section 38 property. The basis of the new, and the cost of the used, section 38 property and the estimated useful life of each property are as follows:

¹Footnote 55947. Matter in *italics* added by TIR 6113, which struck out:

(1) "Under section 48(a)(2),"

(2) "(1) and (2)"

(3) "3"

Reg. § 1.45-9(c) Example (1) continued

	Basis (or cost)	Estimated useful life
Asset No. 1 (new)	\$30,000	4 years
Asset No. 2 (new)	30,000	4 years
Asset No. 3 (new)	50,000	5 years
Asset No. 4 (used)	12,000	6 years
Asset No. 5 (used)	12,000	6 years
Asset No. 6 (used)	12,000	5 years

For the taxable year 1962 the income of XYZ Trust is \$20,000 which is allocable as follows: \$10,000 to XYZ Trust, \$8,000 to beneficiary A, and \$1,000 to beneficiary B. Beneficiaries A and B make their returns on the basis of a calendar year.

(2) Under this section, the total bases of the new, and the total cost of the used, section 38 properties are apportioned to XYZ Trust and its beneficiaries as follows:

Useful life category	New-- 4 to 6 years	New--5 years or more	Used-- 6 to 8 years	Used-- 8 years or more
Total bases or total cost.....	\$30,000	\$30,000	\$24,000	\$12,000
XYZ Trust				
$\left(\frac{\$10,000}{20,000}\right)$	\$30,000	\$15,000	\$12,000	\$ 6,000
Beneficiary A				
$\left(\frac{\$ 6,000}{20,000}\right)$	\$18,000	\$ 5,000	\$7,200	\$3,000
Beneficiary B				
$\left(\frac{\$ 4,000}{20,000}\right)$	12,000	6,000	4,800	2,000

Assume that beneficiary A placed in service during his taxable year 1962 new section 38 property with a basis of \$10,000 and an estimated useful life of 3 years. Also, assume that beneficiary B did not place in service during his taxable year 1962 any section 38 property and that beneficiaries A and B did not own any interests in other trusts, estates, partnerships, or electing small business corporations. Under section 46(c), the qualified investment of XYZ Trust is \$35,000, of beneficiary A is \$32,400, and of beneficiary B is \$15,600, computed as follows:

XYZ Trust			
Basis (or cost)	New or used	Applicable percentage	Qualified investment
\$30,000	(new)	X 33 1/3 percent	\$10,000
15,000	(new)	X 100 percent	15,000
12,000	(used)	X 33 1/3 percent	8,000
6,000	(used)	X 100 percent	6,000
Total			\$39,000
Beneficiary A			
Basis (or cost)	New or used	Applicable percentage	Qualified investment
\$10,000	(new)	X 33 1/3 percent	\$ 6,000

Reg. § 1.48-6(e) Example (3) continued

9,000	(new)	× 100 percent	9,000
7,200	(used)	× 66⅔ percent	4,800
2,800	(used)	× 100 percent	3,600
			<hr/>
			\$28,400
10,000	(new)	× 100 percent	10,000
			<hr/>
Total			\$38,400

Beneficiary B

Basis (or cost)	New or used	Applicable percentage	Qualified investment
\$12,000	(new)	× 33⅓ percent	\$ 4,000
6,000	(new)	× 100 percent	6,000
4,800	(used)	× 66⅔ percent	3,200
2,400	(used)	× 100 percent	2,400
			<hr/>
Total			\$15,600

(3) In the case of XYZ Trust, the \$25,000 amount specified in section 46(a)(2)² is reduced to \$12,500, computed as follows: (i) \$25,000, multiplied by (ii) 250,000 (qualified investment apportioned to the trust), divided by (iii) \$78,000 (total qualified investment apportioned among such trust (\$39,000), beneficiary A (\$28,400), and beneficiary B (\$15,600)).

Reg. § 1.48-7 (TD 6781, filed 5-7-64; amended by TD 6832, filed 7-19-65; TD 6831, filed 10-9-67.) Adjustment to basis.

(a) Reduction of basis; general.—(1) In general. Under section 48(g)(1), the basis of "section 38 property" placed in service before January 1, 1964, shall be reduced by an amount equal to 7 percent of the "qualified investment" with respect to such property. The reduction in basis shall be made as of the time such property is placed in service by the taxpayer. The basis of such property must be reduced by 7 percent of the qualified investment even though the limitation based on amount of tax under section 46(a)(2) reduces the amount of the credit allowed by section 38 for the taxable year in which the property is placed in service. The reduction in basis of section 38 property placed in service before January 1, 1964, shall be taken into account for all purposes of subtitle A of the Code, except in computing (or recomputing in the case of early dispositions, etc.) the qualified investment with respect to such property. Thus, such reduction in basis is taken into account in determining a reasonable allowance for depreciation under section 167, except that the additional amount allowed under section 179 (relating to additional first-year depreciation allowance for small business) with respect to the cost of certain

[Footnote to § 5871—continued]

(4) "(3)"

(5) "(b)"

(6) "(c)"

Reg. § 1.48-7(a)(1) continued

property is determined without regard to such reduction in basis. Section 48(g)(1) and this section do not apply to section 38 property placed in service after December 31, 1962. For increase in basis of property to which this section applies, see paragraphs (c), (d), and (e) of this section.

(2) Special rules. For purposes of applying subparagraph (1) of this paragraph—

(i) If, under § 1.48-4, the lessor of new section 38 property makes a valid election to treat the lessee as having purchased such property for purposes of the credit allowed by section 38, the basis of such property shall not be reduced.

(ii) If property is used section 38 property and if the cost, or any part thereof, of such property is not, because of the application of the \$50,000 limitation on the cost of used section 38 property, taken into account in computing qualified investment (see paragraph (c) of § 1.48-3) by the person who placed such property in service or by a person to whom the cost of such property was apportioned, no reduction shall be made to the basis of such property to the extent such cost, or any part thereof, is not so taken into account.

(iii) In the case of used section 38 property within a particular useful life category the cost of which is apportioned by an electing small business corporation, estate, or trust, if any part of such cost is not taken into account in computing qualified investment (because of the \$50,000 limitation) by a shareholder or beneficiary, the electing small business corporation, estate, or trust shall choose, to the extent such cost is not so taken into account, the item (or items) of used section 38 property, within such useful life category, with respect to which no reduction in basis shall be made.

(iv) The basis of section 38 property, which is disposed of or otherwise ceases to be section 38 property in the taxable year in which it is placed in service (except where § 1.47-3 applies), shall not be reduced. See paragraph (a)(2) of § 1.48-3.

(8) Examples. This paragraph may be illustrated by the following examples:

Example (1). (i) X Corporation, which makes its return on the basis of the calendar year, acquires and places in service on January 2, 1962, an item of new section 38 property with a basis of \$10,000 and a useful life of 10 years. The amount of qualified investment with respect to such asset is \$10,000 (\$10,000 basis multiplied by 100% applicable percentage). For the taxable year 1962, X Corporation is allowed under section 38 a credit of \$700 (7 percent of \$10,000) against its liability for tax of \$1,000.

(ii) Under section 48(g)(1), the basis of the property is reduced to \$9,300 (\$10,000 minus \$700). Thus, for purposes of determining a reasonable allowance for depreciation under section 167 with respect to such property for the taxable year 1962, its adjusted basis is \$9,300.

Example (2). (i) The facts are the same as in example (1) except that for the taxable year 1962 X Corporation's liability for tax under section 46(a)(3) is \$500. Therefore, the credit allowed by section 38 against X Corporation's liability for tax for 1962 is limited to \$500 and the excess of \$200 (\$700 credit earned minus \$500 limitation) is an investment credit carryover.

(ii) The result is the same as in example (1), that is, under section 48(g)(1), the basis of the property is reduced to \$9,300 (\$10,000 minus \$700).

Example (3). (i) The facts are the same as in example (1) except that the property is, for purposes of depreciation, placed in a multiple asset account. On January 1, 1962, the cost or other basis of the property in such account amounted to \$50,000 and no other additions or retirements were reflected in such account during 1962.

[Footnote 5973] Matter in *italics* added by TD 6061, which struck out:
(1) "section 47(b) or 48(c)(1)"

Reg. § 1.48-7(a)(3) Example (3) continued

(ii) Under section 48(g)(1), since the basis of the property is reduced to \$9,200 (\$10,000 minus \$700), the cost or other basis of the property in the multiple asset account is increased to \$9,300 (\$50,000 plus \$9,300) for purposes of computing depreciation under section 167.

Example (4). (i) The facts are the same as in example (1) except that Y Corporation makes a valid election under paragraph (a) of § 1.370-2 to claim an additional first-year depreciation allowance with respect to the entire cost of the property.

(ii) Under section 48(g)(1), the basis of the property is reduced to \$9,300 (\$10,000 minus \$700). In addition, \$2,000 (20 percent of \$10,000) is allowed as an additional first-year depreciation allowance. Thus, for purposes of determining a reasonable allowance for depreciation under section 167 (in addition to the \$2,000 computed under section 179) for the taxable year 1962 with respect to such property, its adjusted basis is \$7,300 (\$9,300 minus \$2,000).

Example (5). (i) X Corporation acquires and places in service on January 1, 1962, used assets nos. 1, 2, and 3. Each asset has a cost of \$25,000 and a useful life of 10 years. Such used assets qualify as used section 38 property. X Corporation selects the \$25,000 cost of used asset no. 1 and the \$25,000 cost of used asset no. 2 to be taken into account in computing qualified investment.

(ii) Under section 48(g)(1), the basis of asset no. 1 is reduced to \$23,250, that is, basis of \$25,000 minus \$1,750 (7 percent of \$25,000 qualified investment). Likewise, the basis of asset no. 2 is reduced to \$23,250. The basis of asset no. 3 is not reduced.

Example (6). (i) X Corporation acquires and places in service on January 1, 1963, used assets nos. 1, 2, and 3 which qualify as used section 38 property. Each asset has a cost of \$20,000 and a useful life of 10 years. X Corporation selects the \$20,000 cost of used asset no. 1, the \$20,000 cost of used asset no. 2, and \$10,000 of the cost of used asset no. 3 to be taken into account in computing qualified investment.

(ii) Under section 48(g)(1), the basis of asset no. 1 is reduced to \$18,600, that is, basis of \$20,000 minus \$1,400 (7 percent of \$20,000 qualified investment). Likewise, the basis of asset no. 2 is reduced to \$18,600. The basis of asset no. 3 is reduced to \$19,300, that is, basis of \$20,000 minus \$700 (7 percent of \$10,000 qualified investment).

Example (7). (i) X Corporation, an electing small business corporation which makes its return on the basis of the calendar year, acquires and places in service on January 1, 1963, five used assets which qualify as used section 38 property. The cost of each used section 38 property and the estimated useful life of each property are as follows:

	Cost	Estimated useful life
Asset No. 1	\$20,000	8 years
Asset No. 2	21,000	6 years
Asset No. 3	3,000	4 years
Asset No. 4	6,000	4 years
Asset No. 5	3,000	4 years

On December 31, 1963, X Corporation has 10 shares of stock outstanding which are owned as follows: A owns 3 shares, B owns 2 shares, and C owns 5 shares. All the shareholders make their returns on the basis of a calendar year. X Cor-

Reg. § 1.46-7(a)(2) Example (7)(i) continued

poration selects the \$20,000 cost of asset no. 1, the \$24,000 cost of asset no. 2, the \$3,000 cost of asset no. 3, and \$3,000 of the cost of asset no. 4 to be apportioned to its shareholders. Under § 1.46-5, the total cost of the used section 35 property selected is apportioned to the shareholders of X Corporation as follows:

Useful life category	Used— 4 to 5 years	Used— 6 to 8 years	Used— 8 years or more
Total cost	\$6,000	\$24,000	\$20,000
Shareholder A (3/10)	\$1,800	\$ 7,200	\$ 6,000
Shareholder B (2/10)	1,200	4,800	4,000
Shareholder C (5/10)	3,000	12,000	10,000

Assume that shareholders A, B, and C did not place in service during their taxable years ending December 31, 1962, any section 35 property and that such shareholders did not own any interests in other electing small business corporations, partnerships, estates, or trusts. Under section 46(c)(1)(B) each shareholder computes his qualified investment as follows:

Shareholder A . . .

Cost	Applicable percentage	Qualified investment
\$1,800 ×	33½ percent	\$ 600
7,200 ×	66½ percent	4,800
6,000 ×	100 percent	6,000
		<u>\$11,400</u>

Shareholder B

Cost	Applicable percentage	Qualified investment
\$1,200 ×	33½ percent	\$ 400
4,800 ×	66½ percent	3,200
4,000 ×	100 percent	4,000
		<u>\$ 7,600</u>

Shareholder C

Cost	Applicable percentage	Qualified investment
\$ 3,000 ×	33½ percent	\$ 1,000
12,000 ×	66½ percent	8,000
10,000 ×	100 percent	10,000
		<u>\$19,000</u>

(ii) Under section 46(g)(1), the basis of each asset (except asset no. 5) is reduced by 7 percent of the qualified investment with respect to such asset, as follows:

Asset	Basis before reduction	Qualified investment	Basis after reduction
No. 1	\$20,000 minus 7% of \$20,000 =		\$18,600
No. 2	24,000 minus 7% of 18,000 =		22,860
No. 3	3,000 minus 7% of 1,000 =		2,930
No. 4	6,000 minus 7% of 1,000 =		5,930

The basis of asset no. 5 is not reduced.

Example (8). (i) The facts are the same as in example (7) except that share-

Reg. § 1.43-7(a) (3) Example (3) (i) continued

holder C acquired and placed in service on June 1, 1962, in his individual proprietorship, used asset no. 6 with a cost of \$27,000 and an estimated useful life of 10 years. In computing his qualified investment, shareholder C selects the \$27,000 cost of asset no. 6, the \$10,000 cost of used section 38 property within the 8 years or more useful life category apportioned to him by X Corporation, the \$12,000 cost of used section 38 property within the 6 to 8 years useful life category apportioned to him by X Corporation, and \$1,000 of the cost of used section 38 property within the 4 to 6 years useful life category apportioned to him by X Corporation. Under section 46(c) (1) (B), he computes his qualified investment as follows:

Proprietorship	Cost	Applicable percentage	Qualified investment
Asset No. 6	\$27,000	X 100%	\$27,000
Apportioned by X Corporation			
8 years or more	10,000	X 100%	10,000
6 to 8 years	12,000	X 66⅔%	8,000
4 to 6 years	1,000	X 33⅓%	333
			<u>\$45,333</u>

(ii) Since only \$1000 of the \$3000 cost of used section 38 property in the 4 to 6 years useful life category apportioned by X Corporation was taken into account by shareholders A, B, and C in computing their qualified investment, only \$1000 of the bases of the assets in such category is subject to reduction. Under subparagraph (2) (iii) of this paragraph, X must choose an item of property in such category, \$2000 of the basis of which will not be subject to the reduction. Therefore, X Corporation chooses to reduce the basis of asset no. 4 by 7 percent of qualified investment with respect to only \$1000 of the cost of such asset (in lieu of the \$3000 previously selected). The bases of assets nos. 1, 2, and 3 are reduced by 7 percent of the qualified investment with respect to each such asset. The basis of each asset is reduced as follows:

Asset	Basis before reduction	Qualified investment	Basis after reduction
No. 1	\$20,000	minus 7% of \$27,000	= \$18,110
No. 2	21,000	minus 7% of 16,000	= 20,880
No. 3	3,000	minus 7% of 1,000	= 2,800
No. 4	6,000	minus 7% of 333	= 5,977

The basis of asset no. 5 is not reduced.

(iii) The basis of asset no. 6, in the hands of shareholder C, is reduced to \$25,110, that is, basis of \$27,000 minus \$1890 (7 percent of \$27,000 qualified investment).

Example (4). (i) ABC Partnership, which makes its return on the basis of the calendar year, acquires and places in service on January 1, 1962, five used assets which qualify as used section 38 property. The cost of each used section 38 property and the estimated useful life of each property are as follows:

Asset No.	Cost	Estimated useful life
Asset No. 1	\$20,000	8 years
Asset No. 2	24,000	6 years
Asset No. 3	2,000	4 years
Asset No. 4	6,000	4 years
Asset No. 5	2,000	4 years

Reg. § 1.48-7(a)(3) Example (9)(i) continued

Partners A, B, and C share the profits and the losses of partnership ABC in the ratio of 50 percent, 30 percent, and 20 percent, respectively. ABC Partnership selects the \$20,000 cost of asset no. 1, the \$24,000 cost of asset no. 2, the \$3,000 cost of asset no. 3, and \$3,000 of the cost of asset no. 4, to be taken into account by its members in computing qualified investment. Under paragraph (f)(2) of § 1.46-3, each partner's share of the cost of the partnership used section 38 property to be taken into account in computing qualified investment is as follows:

	Estimated useful life	Cost	Partner's share of cost		
			A(50%)	B(30%)	C(20%)
Asset No. 1	3 yrs.	\$20,000	\$10,000	\$6,000	\$4,000
Asset No. 2	6 yrs.	24,000	12,000	7,200	4,800
Asset No. 3	4 yrs.	3,000	1,500	900	600
Asset No. 4	4 yrs.	3,000	1,500	900	600

Each partner makes his return on the basis of the calendar year. Assume that partners A, B, and C did not place in service during their taxable years ending December 31, 1962, any section 38 property and that such partners did not own any interests in other partnerships, estates, trusts, or electing small business corporations. Under section 48(c), each partner computes his qualified investment as follows:

Partner A				
	Share of cost		Applicable percentage	Qualified investment
Asset No. 1	\$10,000	X	100%	\$10,000
Asset No. 2	12,000	X	66⅔%	8,000
Asset No. 3	1,500	X	33⅓%	500
Asset No. 4	1,500	X	33⅓%	500
				<u>\$19,000</u>

Partner B				
	Share of cost		Applicable percentage	Qualified investment
Asset No. 1	\$ 6,000	X	100%	\$ 6,000
Asset No. 2	7,200	X	66⅔%	4,800
Asset No. 3	900	X	33⅓%	300
Asset No. 4	900	X	33⅓%	300
				<u>\$11,400</u>

Partner C				
	Share of cost		Applicable percentage	Qualified investment
Asset No. 1	\$ 4,000	X	100%	\$ 4,000
Asset No. 2	4,800	X	66⅔%	3,200
Asset No. 3	600	X	33⅓%	200
Asset No. 4	600	X	33⅓%	200
				<u>\$7,600</u>

(ii) Under section 48(g)(1), the basis of each asset selected by the partnership is reduced by 7 percent of the qualified investment with respect to such asset, as follows:

Reg. § 1.48-7(a)(3) Example (b) (ii) continued

Asset	Basis before reduction	Qualified investment	Basis after reduction
No. 1	\$20,000 minus 7% of \$20,000 =		\$18,600
No. 2	24,000 minus 7% of 16,000 =		22,880
No. 3	3,000 minus 7% of 1,000 =		2,930
No. 4	6,000 minus 7% of 1,600 =		5,888

The basis of asset no. 5 is not reduced.

Example (10). (i) The facts are the same as in example (9) except that partner A acquired and placed in service on June 1, 1962, in his individual proprietorship, used asset no. 5 with a cost of \$26,000 and an estimated useful life of 10 years. Partner A selects the \$26,000 cost of asset no. 5, his \$10,000 share of the cost of asset no. 1, his \$12,000 share of the cost of asset no. 2, his \$1,500 share of the cost of asset no. 3, and \$500 of his share of the cost of asset no. 4, to be taken into account in computing his qualified investment. Under section 48(c), he computes his qualified investment as follows:

Proprietorship Property	Cost	Applicable percentage	Qualified investment
Asset No. 5	\$26,000	X 100%	\$26,000
Partnership property	Share of cost		
Asset No. 1	\$10,000	X 100%	10,000
Asset No. 2	12,000	X 66 2/3%	8,000
Asset No. 3	1,500	X 33 1/3%	500
Asset No. 4	500	X 33 1/3%	167
			<hr/> \$44,637

(ii) Under section 48(g)(2), the basis of each asset selected by the partnership is reduced by 7 percent of the qualified investment with respect to such asset as follows:

Asset	Basis before reduction	Qualified investment	Basis after reduction
No. 1	\$20,000 minus 7% of \$20,000 =		\$18,600
No. 2	24,000 minus 7% of 16,000 =		22,880
No. 3	3,000 minus 7% of 1,000 =		2,930
No. 4	6,000 minus 7% of 1,600 =		5,888

The basis of asset no. 5 is not reduced.

(iii) The basis of asset no. 5, in the hands of partner A, is reduced to \$24,160, that is, basis of \$26,000 minus \$1840 (7 percent of \$26,000 qualified investment).

(b) Reduction of basis; purchase of leased property by lessee treated as purchaser. (1) If a lessor of property placed in service before January 1, 1964, makes a valid election under § 1.48-4 to treat the lessee as having purchased such property for purposes of the credit allowed by section 38 and if such lessee at a later date (in a taxable year of the lessee beginning before January 1, 1964) actually purchases such property, the basis of such property shall be reduced, as of the time of the actual purchase, by an amount equal to the excess of--

(i) The credit earned (as defined in paragraph (c)(2)(i) of § 1.48-4) with respect to such property, over

(ii) The sum of the amounts by which the lessee-purchaser has decreased, under paragraph (b)(2) of § 1.48-4, his deductions otherwise allowable under section 162 for amounts paid or accrued to the lessor-vendor under the lease with respect to such property.

Reg. § 1.48-7(b) continued

(3) The operation of this paragraph may be illustrated by the following example:

Example. (i) X Corporation acquires on January 1, 1962, an item of new section 38 property with a basis of \$12,000 and with a useful life of 8 years. Y Corporation, which makes its return on the basis of a calendar year, leases such property from X Corporation and places it in service on February 1, 1962. Under § 1.48-4, X Corporation makes a valid election to treat Y Corporation as having purchased such property for purposes of the credit allowed by section 23. Under paragraph (k)(2)(i) of § 1.48-4, the amount of the credit earned with respect to such property is \$840 (7 percent of \$12,000). For the taxable year 1962 Y Corporation decreases, under paragraph (k)(2)(ii) of § 1.48-4, its deductions otherwise allowable under section 162 for amounts paid to X Corporation under the lease with respect to such property by \$93.25 (\$840 multiplied by 11/66). On January 1, 1963, Y Corporation actually purchases such property from X Corporation for \$9,000.

(ii) As of January 1, 1963, Y Corporation must reduce the basis of the property by \$743.75 (\$840 minus \$93.25). Thus, for purposes of determining a reasonable allowance for depreciation under section 167 with respect to such property for the taxable year 1963, its adjusted basis is \$8,256.25 (\$9,000 minus \$743.75).

(c) Increase in basis on account of early disposition, etc.—(1) In general. If, as a result of an early disposition, etc., in a taxable year beginning before January 1, 1964, with respect to section 38 property placed in service before such date, the tax imposed under chapter 1 of the Code is increased under section 47(a)(1) or (2), or an adjustment in an unused credit carryback or carryover is made under section 47(a)(3), then the basis of such property shall be increased. Such increase shall be in an amount equal to the sum of the portion of such increase in tax and the portion of such adjustment in carrybacks or carryovers attributable to such property but not in excess of the reduction in basis made under paragraph (a) of this section or, in the case of leased property purchased by a lessee treated as the purchaser, the reduction in basis under paragraph (b) of this section plus the decrease in rental deductions made under paragraph (k)(2) of § 1.48-4. See paragraph (a)(2) of this section for rules indicating when basis is not reduced under paragraph (a) of this section. The increase in basis of such property shall be made immediately before the event which causes section 47(a)(1), (2), or (3) to apply, and this increase in basis shall be taken into account for all purposes of subtitle A of the Code. If, after the event described in the preceding sentence, the taxpayer continues the use of the property in a trade or business or in the production of income, the principles described in paragraph (d)(1) of this section shall be applied in computing the allowances for depreciation over the remaining useful life of the property.

(2) Examples. The operation of this paragraph may be illustrated by the following examples:

Example (1). (a) The facts are the same as those in example (1) of paragraph (a)(3) of this section except that on June 15, 1963, corporation X sold the property causing section 47(a)(1) to apply.

(b) Section 48(g)(2) requires that the basis of said property be increased immediately before the sale by the amount of \$700, which amount is equal to the increase in tax for the taxable year 1963 arising under section 47(a)(1) (\$700 credit allowed less credit allowable of 0).

Example (2). (a) The facts are the same as in example (1) of this subparagraph except that for the taxable year 1962 X Corporation's liability for tax was only \$500, and a \$200 unused credit carryover to 1963 resulted.

(b) The result is the same as in example (1) of this subparagraph, that is, the basis of the property is increased under section 48(g)(2) by the amount of \$700

Reg. § 1.48-7(c)(2) Example (2)(b) continued

(\$500 credit allowed plus \$200 adjustment in carryover to 1933 less credit allowable of 0).

Example (3). (a) The facts are the same as those in example (1) of paragraph (a)(3) of this section except that the property was physically located outside of the United States during more than 50 percent of the taxable year 1933 within the meaning of paragraph (g) of § 1.48-1, and section 47(a)(1) therefore became applicable.

(b) The basis of the property is increased by \$700 as of the first day of the taxable year 1933.

Example (4). (a) The facts are the same as example (5) of paragraph (a)(3) of this section. Assume also that on January 1, 1933, there is an early disposition, etc., of the three assets as described under section 47(a)(1).

(b) Section 48(g)(2) requires that the basis of asset No. 1 be increased immediately before such early disposition, etc., by the amount of \$1,750 (\$1,750 credit allowed less credit allowable of 0). Likewise, the basis of asset No. 2 is increased by the amount of \$1,750. There is no increase in the basis of asset No. 3 since the basis of such asset was not reduced.

(d) Increase in basis of property placed in service before January 1, 1964--(1) In general. Under section 203(a)(2)(A) of the Revenue Act of 1954, the basis of section 38 property placed in service before January 1, 1964, shall be increased by an amount equal to 7 percent of the qualified investment with respect to such property (determined as of the date the property was placed in service) but not in excess of the net reduction in basis under section 48(g). For this purpose, the net reduction in basis under section 48(g) is the reduction in basis under section 48(g)(1) and paragraph (a) of this section less any increase in basis under section 48(g)(2) and paragraph (c) of this section. The increase in basis described in this paragraph shall be made as of the first day of the taxpayer's first taxable year beginning after December 31, 1963. For taxable years beginning after December 31, 1963, this increase in basis shall be taken into account for all purposes of subtitle A of the Code. Thus, for example, during that part of the remaining useful life of the property falling within the taxable years beginning after December 31, 1963, such increase in basis shall be taken into account in determining reasonable allowances for depreciation under section 167. In determining depreciation allowances with respect to the property for periods after such increase in basis, appropriate adjustments shall be made (except as otherwise provided in this paragraph), whenever necessary, to the rate or other factors previously applied for taxable years beginning before January 1, 1964, so that the total depreciation allowances made during the remaining useful life of the property, plus the allowances for the expired useful life, will equal or approximate the allowances which would have resulted if section 48(g)(1) had not applied. In the case of section 38 property contained in a multiple asset account, the taxpayer may reflect the increase in basis by adjusting the basis of the account and by adjusting the rate of depreciation applied to the entire account. In lieu of that, he may continue to apply to the entire account (reflecting the basis increase) the rate previously employed. As a third alternative, solely for the purposes of determining the depreciation adjustment occasioned by the increase in basis (and not for the purposes of determining method of depreciation, effect of retirements, application of sections 1215 and 1259, or other purposes), he may continue to utilize the previous rate for the main account (not reflecting the increase in basis) and treat the increase in basis as a separate account to be depreciated over the remaining useful life of the assets to which the increase in basis relates. Except as provided in section 167 and the regulations thereunder, no change may be made in the method of depreciation to be applied during the remaining life of the property. For purposes of section 167(d), any increase in basis under this paragraph

Reg. § 1.48-7(d)(1) continued

shall constitute a fact not taken into consideration in the adoption of any agreement under that section fixing the rate of depreciation. In no event shall an adjustment be made which would result in recovery of the increase in basis through depreciation allowances prior to expiration of the remaining useful life.

(2) Special rules. (i) The increase in basis provided by subparagraph (1) of this paragraph shall be taken into account ordinarily by the person in whose hands the basis of the property was reduced under section 45(g)(1). However, if the property is transferred in a transaction described in section 47(b) (other than a transfer by reason of death) prior to the first day of the first taxable year of the transferor beginning after December 31, 1963, then, to the extent that the basis of such property reflects the net reduction in basis described in subparagraph (1) of this paragraph in the hands of the transferor, the increase in basis provided for in this paragraph shall be taken into account by the transferee.

(ii) The basis of any section 38 property is not to be increased under subparagraph (1) of this paragraph if the taxpayer dies in a taxable year beginning before January 1, 1964.

(3) Examples. The application of this paragraph may be illustrated by the following examples:

Example (1). (a) A, an individual who makes his return on the basis of the calendar year, acquired and placed in service on January 1, 1962, asset No. 1 and asset No. 2, both of which assets qualified as new section 38 property. Each asset had a basis of \$10,000, a salvage value of \$1,000, and an estimated useful life of 10 years. Depreciation for each asset was computed under the straight line method. For the taxable year 1962, A was allowed under section 38 a credit of \$1,400 (7 percent of \$20,000). On January 2, 1963, A took asset No. 1 out of his business and on said date commenced to use such property entirely for personal purposes. Thus, for purposes of section 45(g)(2), there was an early disposition, etc., as described under section 47(e)(1).

(b) Under section 45(g)(1), the basis of each asset in 1962 was reduced to \$9,300. Thus, depreciation with respect to each asset for the taxable year 1962 was \$830 (adjusted basis of \$9,300 minus salvage value of \$1,000 divided by estimated useful life of 10 years).

(c) Immediately before the early disposition, etc., with respect to asset No. 1, the basis of such asset was increased by \$700 to \$20,700 (cost of \$10,000 minus reduction in 1962 under section 45(g)(1) of \$700, minus depreciation of \$300, and plus the addition to basis in 1963 under section 45(g)(2) of \$700). As of December 31, 1963, the adjusted basis of asset No. 2 was \$7,610 (original cost of \$10,000 minus reduction in 1962 under section 45(g)(1) of \$700, minus depreciation of \$230 in 1962, and minus depreciation of \$380 in 1963).

(d) The basis of asset No. 1 is not increased under this section since the basis of such asset had previously been increased under section 45(g)(2) in the amount of \$700, the full amount of the reduction previously made under section 45(g)(1). The basis of asset No. 2 is increased under this paragraph as of January 1, 1964, by \$700 to \$8,310 (\$7,610 plus 7 percent of \$10,000). The rate of depreciation to be applied to the adjusted basis of asset No. 2 for the remaining useful life of 8 years is adjusted in order to produce a total depreciation allowance of \$9,000 at the end of the asset's useful life. Depreciation with respect to such asset for the taxable year 1964 and for each of the succeeding 7 years is \$317.50 (adjusted basis of \$8,310 minus salvage value of \$1,000 divided by estimated remaining useful life of 8 years).

Example (2). (a) Z Corporation, which makes its return on the basis of the calendar year, acquired and placed in service on January 1, 1962, an asset which

Reg. § 1.49-7(c)(2) Example (2) (a) continued

qualified as new section 38 property. The asset had a basis of \$165,000, a salvage value of \$15,000, and an estimated useful life of 5 years. Depreciation was computed under the declining balance method at a rate of 200 percent of the straight line rate. The qualified investment with respect to such asset was \$55,000 (33 $\frac{1}{3}$ percent of \$165,000). For the taxable year 1962, X Corporation was allowed under section 38 a credit of \$3,850 (7 percent of \$55,000).

(b) Under section 49(g)(1), the basis of such property in 1962 was reduced to \$161,150 (\$165,000 minus \$3,850). Thus, depreciation with respect to such asset for the taxable year 1962 was \$64,460 (adjusted basis of \$161,150 multiplied by 40 percent). Depreciation for the taxable year 1963 was \$33,676 (\$161,150 minus \$64,460 multiplied by 40 percent).

(c) As of January 1, 1964, the basis of such property is increased by \$3,850 to \$61,864 (\$161,150 minus \$64,460, minus \$33,676, and plus \$3,850). No adjustment in the rate of the allowance for depreciation is necessitated by the increase in basis under this section since the rate and method applied in 1962 and 1963 will produce a total allowance of \$150,000 over the entire estimated useful life of the property. Thus, depreciation with respect to such asset for 1964 is \$24,726 (\$61,864 multiplied by 40 percent), for 1965 is \$14,317 (\$61,864 minus \$24,726 multiplied by 40 percent), and for 1966 is \$7,573, since such property cannot be depreciated below its salvage value of \$15,000.

Example (3). (a) The facts are the same as in example (2) except that depreciation was computed under the sum of the years-digits method. Thus, depreciation with respect to such asset for the taxable year 1962 was \$49,717 (adjusted basis of \$161,150 minus \$15,000 multiplied by 5/15). For the taxable year 1963 depreciation was \$33,973 (\$161,150 minus \$15,000 multiplied by 4/15).

(b) As of January 1, 1964, the basis of such property is increased in the amount of \$3,850. In order to produce a total allowance of \$150,000 over the entire useful life, it is necessary to adjust the annual allowance. Thus, as of January 1, 1964, under the taxpayer's method of depreciation, a new rate of 2/3 is determined for the taxable year 1964. Commencing with such taxable year, this new rate is applied against the asset's adjusted basis of \$77,310 minus salvage value of \$15,000. The adjusted basis as of January 1, 1964, is determined as follows:

Original cost to taxpayer	\$165,000	
Less: Reduction for investment credit as prescribed by paragraph (a)	\$ 3,850	
Depreciation for 1962	49,717	
Depreciation for 1963	33,973	91,510
		<hr/>
		\$ 78,460
Add: Increase prescribed by this paragraph	3,850	
		<hr/>
Adjusted basis as of January 1, 1964	\$ 77,310	

Depreciation for the taxable year 1964 is \$31,155 (adjusted basis of \$77,310 minus salvage value of \$15,000 multiplied by 2/3). Likewise, depreciation for the taxable year 1965 shall be \$20,770 (\$77,310 minus \$15,000 multiplied by 1/3).

Example (4). (a) The facts are the same as in example (2) except that the useful life was estimated in terms of units of production and depreciation was computed under the unit-of-production method. The estimated total production of the property was 150,000 units, and 30,000 units were produced annually. Thus,

Reg. § 1.48-7(d)(3) Example (4)(a) continued

depreciation for the taxable year 1982 was \$29,230 (adjusted basis of \$181,150 minus \$15,000 multiplied by 20,000/150,000). For the taxable year 1983 depreciation was again \$29,230.

(b) As of January 1, 1984, the basis of such property is increased in the amount of \$3,850. In order to permit a total allowance of \$150,000 over the entire useful life of the property, it is necessary to adjust the annual allowance for depreciation over its remaining life. Thus, as of January 1, 1984, under the taxpayer's method of depreciation, a new rate of \$50,000/90,000 is determined for the taxable year 1984. Commencing with such taxable year, this new rate is applied against the adjusted basis of the property of \$106,540 minus salvage value of \$15,000. The adjusted basis as of January 1, 1984, is determined as follows:

Original cost to taxpayer	\$153,000	
Less: Reduction for investment credit as prescribed by paragraph (a)	\$ 3,850	
Depreciation for 1982	29,230	
Depreciation for 1983	29,230	62,810
		<hr/>
		\$102,600
Add: Increase prescribed by this paragraph	3,850	
		<hr/>
Adjusted basis as of January 1, 1984	\$106,540	
		<hr/> <hr/>

Depreciation for the taxable year 1984 is \$89,518 (adjusted basis of \$106,540 minus salvage value of \$15,000 multiplied by 20,000/90,000). Likewise, for the taxable year 1985 depreciation shall be \$89,518 (\$106,540 minus \$15,000 multiplied by 20,000/90,000).

Example (5). (a) X Corporation, a calendar year basis taxpayer, acquired and placed in service on January 1, 1982, a number of assets which qualified as new section 38 property. Such assets had a total basis of \$180,000, a total salvage value of \$18,000 and were accounted for in a multiple asset account containing other assets similar in kind, but not qualifying as section 38 property. Depreciation was computed under the straight line method over an average estimated useful life of 10 years.

For the taxable year 1982, X Corporation was allowed under section 38 a credit of \$12,600 (7 percent of \$180,000). Under section 48(g)(1), the basis of such property in 1982 was reduced to \$167,400.

(b) As of January 1, 1984, the basis of the assets is increased in the amount of \$12,600. To produce a total allowance equal to the allowance which would have resulted if section 48(g)(1) had not applied, an adjustment in the rate of depreciation would be necessary. If the taxpayer selects the third alternative described for multiple asset accounts in subparagraph (1) of this paragraph, the amount of the adjustment will be determined with reference to the increase in basis alone. In that case, under the taxpayer's method of depreciation, depreciation with respect to the increase in basis for the taxable year 1984 and for each of the seven succeeding years is \$1,575 (increase in basis of \$12,600 divided by estimated remaining useful life of 8 years).

(c) Increase in basis; purchase of leased property by lessee treated as purchaser
--(1) In general. If a lessor of property placed in service before January 1, 1984, made a valid election under § 1.48-4 to treat the lessee as having purchased such property for purposes of the credit allowed by section 38 and if the lessee actually purchased the property at a later date prior to the expiration of the useful life used

Reg. § 1.48-7(e)(1) continued

in computing the credit, the basis of the property shall be increased. If the property was purchased by the lessee in a taxable year beginning before January 1, 1961, the increase shall be made as of the first day of the lessee's first taxable year beginning after December 31, 1963, in an amount equal to 7 percent of the qualified investment in the property (determined as of the date the property was placed in service), but not in excess of the reduction in basis made under paragraph (b) of this section plus the decrease in rental deductions made under paragraph (k)(2) of § 1.48-1. If the property was purchased by the lessee in a taxable year beginning after December 31, 1963, the increase shall be made to the basis of the property as of the date of purchase by an amount equal to any decrease in rental deductions actually made under paragraph (k)(2) of § 1.48-1 minus any increase in rental deductions taken into account by the lessee under paragraph (m) of § 1.48-1. Any increase in basis under this paragraph shall be reduced to the extent of any increase in basis previously made under paragraph (c) of this section on account of early disposition, etc., of the property. For taxable years of a lessee beginning after December 31, 1963, such increase in basis shall be taken into account for all purposes of subtitle A of the Code.

(2) Special rules. (i) The increase in basis provided by this paragraph shall be taken into account ordinarily by the lessee treated as the purchaser. However, if the property under the lease is transferred before the purchase by the lessee to a successor lessee in a transaction described in section 47(b) (other than a transfer by reason of death) under which the successor lessee assumes the lessee's obligations under the lease, or if the property is purchased by the lessee in a taxable year beginning before January 1, 1964, and subsequently transferred in a transaction described in section 47(b) (other than a transfer by reason of death), the increase in basis provided for in this paragraph shall be taken into account by the transferee.

(ii) The basis of any section 33 property is not to be increased under subparagraph (1) of this paragraph if the taxpayer dies in a taxable year beginning before January 1, 1964.

(3) Examples. The application of this paragraph may be illustrated by the following examples:

Example (1). (a) X Corporation acquired on January 1, 1962, an item of new section 33 property with a basis of \$10,000, an estimated useful life of 10 years, and a salvage value of \$1,000. X Corporation, which makes its return on the basis of a calendar year, leased such property from Y Corporation and placed it in service on January 2, 1962. Under § 1.48-1, X Corporation made a valid election to treat Y Corporation as having purchased such property for purposes of the credit allowed by section 33. The amount of the credit earned with respect to such property was \$700 (7 percent of \$10,000). For the taxable year 1962, Y Corporation decreased, under paragraph (k)(2) of § 1.48-1, its deductions otherwise allowable under section 162 for amounts paid to X Corporation under the lease with respect to such property by \$70 (\$700 multiplied by 10/120). On January 1, 1963, Y Corporation purchased such property from X Corporation for \$3,800.

(b) As of January 1, 1963, Y Corporation in accordance with paragraph (b) of this section reduced the basis of the property by the amount of \$630 (\$700 minus \$70). The adjusted basis of the property for the taxable year 1963 for purposes of determining a reasonable allowance for depreciation under section 167 was \$3,200 (\$3,800 minus \$630). Depreciation under the straight line method for such taxable year amounted to \$300 (adjusted basis of \$3,200 minus salvage value of \$1,000 and divided by estimated remaining useful life of 9 years). As of December 31, 1963, the adjusted basis had been reduced to \$2,900 (\$3,200 minus depreciation of \$300 for the taxable year 1963).

(c) As of January 1, 1964, the basis of such property is increased to \$3,100

Reg. § 1.28-7(c)(3) Example (1)(c) continued

(\$7,400 plus \$700). To permit a total allowance of \$7,900 over the entire useful life of the property (treating as a part of the depreciable basis of the property the decrease of \$70 made in the taxpayer's rental deductions for the taxable year 1962), it is necessary to recompute the annual allowance for depreciation. Thus, depreciation for the taxable year 1964 and for each of the 7 succeeding years is \$837.50 (adjusted basis of \$8,100 minus salvage value of \$1,000 and divided by estimated remaining useful life of 8 years).

Example (2) (a) The facts are the same as in example (1) of paragraph (a) (2) of § 1.43-4 except that X Corporation purchased the property on January 3, 1955, for \$20,000.

(b) For the taxable year 1961 Y Corporation increases its deductions otherwise allowable under section 162 by \$12.

(c) As of January 3, 1965, Y Corporation increases the basis of the property (\$20,000) by \$254 (\$823 decrease in rental deductions made in 1962 and 1963 minus \$12 increased rental deductions taken into account in 1964).

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§ 5077. COMM. REG. 15. TERMINATION OF CREDIT.

(a) General Rule.—For purposes of this subpart, the term "section 38 property" does not include property—

- (1) the physical construction, reconstruction, or erection of which is begun after April 18, 1969, or
- (2) which is acquired by the taxpayer after April 18, 1969, other than pre-termination property.

(b) Pre-Termination Property.—For purposes of this section—

(1) Binding contract.—Any property shall be treated as pre-termination property to the extent that such property is constructed, reconstructed, erected, or acquired pursuant to a contract which was, on April 18, 1969, and at all times thereafter, binding on the taxpayer.

(2) Equipped building rule.—If—

(A) pursuant to a plan of the taxpayer in existence on April 18, 1969 (which plan was not substantially modified at any time after such date and before the taxpayer placed the equipped building in service), the taxpayer has constructed, reconstructed, erected, or acquired a building and the machinery and equipment necessary to the planned use of the building by the taxpayer, and

(B) more than 50 percent of the aggregate adjusted basis of all the property of a character subject to the allowance for depreciation making up such building as so equipped is attributable to either property the construction, reconstruction, or erection of which was begun by the taxpayer before April 18, 1969, or property the acquisition of which by the taxpayer occurred before such date

then all property comprising such building as so equipped (and any incidental property adjacent to such building which is necessary to the planned use of the building) shall be pre-termination property. For purposes of subparagraph (B) of the preceding sentence, the rules of paragraphs (1) and (2) shall be applied. For purposes of this paragraph, a special purpose structure shall be treated as a building.

(3) Plant facility rule.—

(A) General rule.—If—

(i) pursuant to a plan of the taxpayer in existence on April 18, 1969 (which plan was not substantially modified at any time after such date and before the taxpayer placed the plant facility in service), the taxpayer has constructed, reconstructed, or erected a plant facility, and either

(ii) the construction, reconstruction, or erection of such plant facility was commenced by the taxpayer before April 19, 1969, or

(iii) more than 50 percent of the aggregate adjusted basis of all the property of a character subject to the allowance for depreciation making up such plant facility is attributable to either property the construction, reconstruction, or erection of which was begun by the taxpayer before April 19, 1969, or property the acquisition of which by the taxpayer occurred before such date,

then all property comprising such plant facility shall be pre-termination property. For purposes of clause (iii) of the preceding sentence, the rules of paragraphs (1) and (4) shall be applied.

(B) **Plant facility defined.**—For purposes of this paragraph, the term "plant facility" means a facility which does not include any building (or of which buildings constitute an insignificant portion) and which is—

(i) a self-contained, single operating unit or processing operation,

(ii) located on a single site, and

(iii) identified, on April 18, 1933, in the purchasing and internal financial plans of the taxpayer as a single unitary project.

(C) **Special rule.**—For purposes of this subsection, if—

(i) a certificate of convenience and necessity has been issued before April 19, 1969, by a Federal regulatory agency with respect to two or more plant facilities which are included under a single plan of the taxpayer to construct, reconstruct, or erect such plant facilities, and

(ii) more than 50 percent of the aggregate adjusted basis of all the property of a character subject to the allowance for depreciation making up such plant facilities is attributable to either property the construction, reconstruction, or erection of which was begun by the taxpayer before April 19, 1969, or property the acquisition of which by the taxpayer occurred before such date,

such plant facilities shall be treated as a single plant facility.

(D) **Commencement of construction.**—For purposes of subparagraph (A)(ii), the construction, reconstruction, or erection of a plant facility shall not be considered to have commenced until construction, reconstruction, or erection has commenced at the site of such plant facility. The preceding sentence shall not apply if the site of such plant facility is not located on land.

(E) **Machinery or equipment rule.**—Any piece of machinery or equipment—

(1) more than 50 percent of the parts and components of which (determined on the basis of cost) were held by the taxpayer on April 18, 1933, or are acquired by the taxpayer pursuant to a binding contract which was in effect on such date, for inclusion or use in such piece of machinery or equipment, and

(2) the cost of the parts and components of which is not an insignificant portion of the total cost,

shall be treated as property which is pre-termination property.

(6) **Certain lease-back transactions, etc.**—

(A) Where a person who is a party to a binding contract described in paragraph (1) transfers right, in such contract (or in the property to which such contract relates) to another person but a party to such contract retains a right to use the property under a lease with such other person, then to the extent of the transferred rights such other person shall, for purposes of

[Footnote 75977] Sec. 49 added by section 402(a), Tax Reform Act of 1969.

Effective date (Code Sec. 49).—**General rule.**—The investment credit is not available as to property, the physical construction, reconstruction or erection of which is begun after April 18, 1969, or which is acquired by the taxpayer after that date, as provided in Code Sec. 49(c)(1) and (2).

Exceptions: The credit is available as to property covered by the general rule to extent it is "pre-termination property" covered by Code Sec. 49(b), as provided in Sec. 49(c). Excluded from the above exception is property placed in service after 1970 (as provided in Sec. 49(c)). The credit is also not available as to certain leased property as provided in Sec. 49(c).

Relevant deferring dates are provided in Code provisions involved.

paragraph (1), succeed to the position of the transferor with respect to such binding contract and such property. In any case in which the lessor does not make an election under section 49(d)---

(i) the preceding sentence shall apply only if a party to the contract retains the right to use the property under a lease for a term of at least 1 year; and

(ii) if such use is retained (other than under a long-term lease), the lessor shall be deemed for the purposes of section 47 as having made a disposition of the property at such time as the lessee loses the right to use the property.

For purposes of clause (ii), if the lessee transfers the lease in a transfer described in paragraph (7), the lessee shall be considered as having the right to use of the property so long as the transferee has such use.

(B) For purposes of subparagraph (A)---

(i) a person who holds property (or rights in property) which is pre-termination property by reason of the application of paragraph (1) shall, with respect to such property, be treated as a party to a binding contract described in paragraph (1), and

(ii) a corporation which is a member of the same affiliated group (as defined in paragraph (8)) as the transferor described in subparagraph (A) and which simultaneously with the transfer of property to another person acquires a right to use such property under a lease with such other person shall be treated as the transferor and as a party to the contract.

(6) Certain lease and contract obligations.--

(A) Where, pursuant to a binding lease or contract to lease in effect on April 18, 1969, a lessor or lessee is obligated to construct, reconstruct, erect, or acquire property specified in such lease or contract or in a related document filed before April 19, 1969, with a Federal regulatory agency, or property the specifications of which are readily ascertainable from the terms of such lease or contract or from such related document, any property so constructed, reconstructed, erected, or acquired by the lessor or lessee shall be pre-termination property. In the case of any project which includes property other than the property to be leased to such lessee, the preceding sentence shall be applied, in the case of the lessor, to such other property only if the binding leases and contracts with all lessees in effect on April 18, 1969, cover real property constituting 25 percent or more of the project (determined on the basis of rental value). For purposes of the preceding sentences of this paragraph, in the case of any project where one or more vendor-vendee relationships exist, such vendors and vandeos shall be treated as lessors and lessees.

(B) Where, in order to perform a binding contract or contracts in effect on April 18, 1969, (i) the taxpayer is required to construct, reconstruct, erect, or acquire property specified in any order of a Federal regulatory agency for which application was filed before April 19, 1969, (ii) the property is to be used to transport one or more products under such contract or contracts, and (iii) one or more parties to the contract or contracts are required to take or to provide more than 50 percent of the products to be transported over a substantial portion of the expected useful life of the property, then such property shall be pre-termination property.

(C) Where, in order to perform a binding contract in effect on April 18, 1969, the taxpayer is required to construct, reconstruct, erect, or acquire property specified in the contract to be used to produce one or more products and (unless the other party to the contract is a State or a political subdivision of a State which is required by the contract to make substantial expenditures which benefit the taxpayer) the other party to the contract is required to take substantially all of the products to be produced over a substantial portion of the expected useful life of the property, then such property shall be pre-termination property. For purposes of applying the preceding sentence in the case of a contract for the extraction of minerals, property shall be treated as specified in the contract if (i) the specifications

for such property are readily ascertainable from the location and characteristics of the mineral properties specified in such contract from which the minerals are to be extracted; (ii) such property is necessary for and is to be used solely in the extraction of minerals under such contract; (iii) the physical construction, reconstruction, or erection of such property is begun by the taxpayer before April 19, 1970, such property is acquired by the taxpayer before April 19, 1970, or such property is constructed, reconstructed, erected, or acquired pursuant to a contract which was, on April 18, 1970, and at all times thereafter, binding on the taxpayer; (iv) such property is placed in service on or before December 31, 1972; (v) such contract is a fixed price contract (except for provisions for price changes under which the loss of the credit allowed by section 33 would not result in a price change); and (vi) such property is not placed in service to replace other property used in extracting minerals under such contract.

(7) Certain transfers to be disregarded.—

(A) If property or rights under a contract are transferred in—

(i) a transfer by reason of death,

(ii) a transaction as a result of which the basis of the property in the hands of the transferee is determined by reference to its basis in the hands of the transferor by reason of the application of section 332, 251, 331, 371(a), 372(a), 721, or 781, or

(iii) a sale of substantially all of the assets of the transferor pursuant to the terms of a contract, which was on April 18, 1969, and at all times thereafter, binding on the transferee,

and such property (or the property acquired under such contract) would be treated as pre-termination property in the hands of the decedent or the transferor, such property shall be treated as pre-termination property in the hands of the transferee.

(B) If—

(i) property or rights under a contract are acquired in a transaction to which section 331(b)(2) applies,

(ii) the stock of the distributing corporation was acquired before April 19, 1969, or pursuant to a binding contract in effect April 18, 1969, and

(iii) such property (or the property acquired under such contract) would be treated as pre-termination property in the hands of the distributing corporation,

such property shall be treated as pre-termination property in the hands of the distributee.

(8) Property acquired from affiliated corporation.—In the case of property acquired by a corporation which is a member of an affiliated group from another member of the same group—

(A) such corporation shall be treated as having acquired such property on the date on which it was acquired by such other member,

(B) such corporation shall be treated as having entered into a binding contract for the construction, reconstruction, erection, or acquisition of such property on the date on which such other member entered into a contract for the construction, reconstruction, erection, or acquisition of such property, and

(C) such corporation shall be treated as having commenced the construction, reconstruction, or erection of such property on the date on which such other member commenced such construction, reconstruction, or erection.

For purposes of this subsection and subsection (e), a contract between two corporations which are members of the same affiliated group shall not be treated as a binding contract as between such corporations, unless, at all times after June 30, 1969, and prior to the completion of performance of such contract, such corporations are not members of the same affiliated group. For purposes of the preceding sentences, the term "affiliated group" has the meaning assigned to it by section 1501(a), except that all corporations shall be treated as includible corporations (without any exclusion under section 1501-2).

MEMORANDUM

TO: R. D. Stevenson
Deputy Commissioner
Through: T. L. File, Chief
Income Tax Section
T. L. File
FROM: A. L. Bue, Supervisor
Corporate Income Tax Unit

DATE: January 26, 1972
FILE NO:
SUBJECT: Fiscal Note Request--
HB 512

Following are revised Corporate Income Tax Unit revenue projections (which take into consideration HB 512) compared with current projections:

(Thousands of dollars)

	<u>FY 73</u>	<u>FY 74</u>	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>
HB 512 projection	\$7,072.6	\$8,454.0	\$8,893.3	\$8,930.7	\$8,776.3
Current projection	<u>6,906.9</u>	<u>8,288.3</u>	<u>8,726.6</u>	<u>8,708.7</u>	<u>8,563.1</u>
Net gain in revenues	<u>\$ 165.7</u>	<u>\$ 165.7</u>	<u>\$ 166.7</u>	<u>\$ 222.0</u>	<u>\$ 213.2</u>

BASIS FOR PROJECTIONS: (Percentages)

	<u>FY 73</u>	<u>FY 74</u>	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>
HB 512 growth rate	8.4	22.4	23.2	16.2	7.2
Projected growth rate	<u>6.0</u>	<u>20.0</u>	<u>20.0</u>	<u>13.0</u>	<u>4.0</u>
Growth rate increase	<u>2.4</u>	<u>2.4</u>	<u>3.2</u>	<u>3.2</u>	<u>3.2</u>

These growth rates take into consideration the new accelerated depreciation of the North Slope Pipeline, the advent of increased activity centered around oil feeder and gathering system construction in 1977, and the provisions of HB 512 which does not allow the taxpayer to apply as a credit against his tax liability the job development investment credit allowed as to Federal taxes under Internal Revenue Code Sec. 50.

ALB:mbc

1968



RECORDS



CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James D. Smith
Signature of Camera Operator

4/4/89
Date

Committee Report

Ref: 6/16/72

SENATE

June 17, 1972
Date

Mr. President:

The Committee on Finance has had HB 513 am
(U of A bonds \$20,000,000)
under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that
CS for _____ do pass
- (and) recommends it be referred to the _____
committee
- reports it back without recommendation
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

Clifford J. Park _____

Bill Kay do pass _____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

W. T. ... recommends: No Rec

Ch. Lewis recommends: reduce to \$100,000,000

Jim Bultrick recommends: ✓ ✓ ✓

_____ recommends: _____

_____ recommends: _____

Jim Bultrick
CHAIRMAN

A M E N D M E N T

Offered in the SENATE

By Senate Finance Committee

To: _____ SENATE BILL NO. _____

_____ HOUSE BILL NO. 513

AMENDMENT: Page 1 Line 7

Delete "\$20,000,000" and insert "\$22,000,000"

Page 1 Line 14

Delete "\$20,000,000" and insert "\$22,000,000"

Page 1 Line 25

Delete "\$20,000,000" and insert "\$22,000,000"

Page 1 Line 26

Delete "governor" and insert "board of regents"

Page 1 Line 28

Delete "\$70,000" and insert "\$77,000"

Page 2 Line 10

Delete "\$20,000,000" and insert "\$22,000,000"

Page 2 Line 12

Delete "\$20,000,000" and insert "\$22,000,000"

Introduced: 1/14/72
Referred: Health, Welfare &
Education and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 513

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the issuance of general obliga-
7 tion bonds in the amount of \$ 20,000,000 for the
8 purpose of paying the cost of capital improvements for
9 the University of Alaska; and providing for an
10 effective date."

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

12 * Section 1. For the purpose of paying the cost of capital improvements
13 for the University of Alaska, general obligation bonds of the state in the
14 principal amount of not more than \$20,000,000 shall be issued and sold. The
15 full faith, credit and resources of the state are pledged to the payment of
16 the principal of and interest and redemption premium, if any, on these bonds.
17 These bonds shall be issued under the provisions of AS 37.15 as those
18 provisions read at the time of issuance.

19 * Sec. 2. If the issuance of these bonds is authorized by the qualified
20 voters of the state, a special fund of the state to be known as the "1972
21 University of Alaska Construction Fund" shall be established, to which shall
22 be credited the proceeds of the sale of the bonds described in sec. 1 of
23 this Act except for the accrued interest and premiums. There is
24 appropriated from the "1972 University of Alaska Construction Fund" to the
25 University of Alaska the sum of \$20,000,000. The specific uses of the
26 proceeds of these bonds shall be determined by the governor.

27 * Sec. 3. If the issuance of these bonds is authorized by the qualified
28 voters of the state, the amount of \$70,000 or as much of that amount as is
29 found necessary is appropriated from the general fund of the state to the

1 state bond committee to carry out the provisions of this Act and to pay
2 expenses incident to the sale and issuance of the bonds authorized in this
3 Act. The amounts expended from the appropriation authorized by this section
4 shall be reimbursed to the general fund from the proceeds of the sale of
5 the bonds authorized by this Act.

6 * Sec. 4. The question whether the bonds authorized in this Act are to
7 be issued shall be submitted to the qualified voters of the state at the
8 next state general election and shall read substantially as follows:

9 Proposition

10 University of Alaska Construction Bonds \$20,000,000

11 Shall the State of Alaska issue its general obligation bonds
12 in the principal amount of not more than \$20,000,000 for the
13 purpose of paying the cost of capital improvements for the
14 University of Alaska?

15 Bonds Yes []

16 Bonds No []

17 * Sec. 5. This Act takes effect on the day after its passage and
18 approval or on the day it becomes law without approval.



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James D. Smith
Signature of Camera Operator

4/4/89
Date

Committee Report

Ref: 6/8/72

SENATE

June 10, 1972

Date

Mr. President:

The Committee on Finance has had CSHB 514 am
(airport bonds \$94 million)
under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for Senate ^{Senate} CS HB 514 and that Senate CS for CS HB 514 am do pass
- (and) recommends it be referred to the _____ committee
- reports it back without recommendation
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

James K. Koolsky _____

Bill Key _____

K. Polard _____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

Bill Key recommends: no

Bill Key recommends: no

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

Bill Key
CHAIRMAN

STATE OF ALASKA

WILLIAM A. EGAN, GOVERNOR

DEPARTMENT OF PUBLIC WORKS

OFFICE OF THE COMMISSIONER

POUCH 2 — JUNEAU 99801

June 15, 1972

Mr. Rich Guthrie
Fiscal Analyst
Budget and Audit Committee
Pouch WF
Juneau, Alaska

Dear Mr. Guthrie:

This is in response to your request of June 15, 1972 for clarification of technical terms used in the definition of airports. For some years there has been considerable confusion over definitions used to classify airports. Chapter 222, SLA 1970 provides three categories of airports. In addition, several municipally owned airports have adopted the title of "International" which further confuses the matter.

The following is an abbreviated definition for classes of airports used by the Department of Public Works:

1. International - This category only includes two airports, Anchorage and Fairbanks. This classification is established by Statute as a part of an International Revenue Fund.
2. Trunk Airports include all airfields with runways in excess of 2,500 feet.
3. Secondary Airports are those which are 2,500 feet in length or less.
4. The term "Bush" airports is slang and can refer to either a trunk or secondary airport.
5. Municipal Airport is a term used to define an airport that is owned and operated by a political subdivision of the State. These airports can either be trunk or secondary.

It is my interpretation that the SCS CSHB 514 am would provide for funding for all State owned trunk and secondary airports and

Mr. Rich Guthrie
Budget and Audit Committee

June 15, 1972

- 2 -

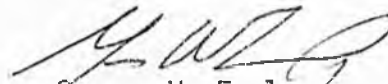
would provide for State aid to municipally owned and/or operated airports. This would include all publicly owned "bush" airports. It would not include the International airports at Anchorage and Fairbanks.

Minor transfer of funds between projects due to overruns and underruns can be anticipated. Additional projects may be added, but no projects will be deleted unless there is a pressing requirement that this occur. It is our intention to construct every airport listed in the departmental five-year plan shown in FY 1973 and FY 1974.

With the exception of the five municipal airports in the State all other airports are state owned. Many are maintained and operated by contractual agreements with municipalities.

If you have any further questions, please contact me.

Sincerely,



George W. Easley
Commissioner

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE JUNEAU 99801

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF — STATE CAPITOL

June 15, 1972

George Easley, Commissioner
Department of Public Works
Pouch Z
Juneau, Alaska 99801

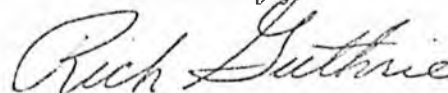
Dear Commissioner Easley:

Please provide the following information:

1. Compare the "purpose" language of the attached bills or laws (SCS CSHB 514; CSHB 514 am; Ch 222, SLA 1970; Ch 167, SLA 1968) and their effect upon proposed construction.
2. Furnish definitions of trunk, secondary, bush, municipal and international airports. How would each be effected by SCS CSHB 514 or CSHB 514 am in regards to
 - a. Proposed and allowable construction projects?
 - b. Transfer of construction funds between proposed or all types of currently authorized projects? For example, could bond funds authorized by either version of this bill be used in all five types of airports? If not, why?
3. Upon completion of the department's proposed projects for FY 73 and FY 74 with these funds, who would own and operate the airports? Would any of the municipalities become eligible for state aid to local governments under AS 43.18.010 (a)(6) as a result of this construction?

Return of this information by Friday morning, June 16, 1972 is requested in order that the Free Conference Committee may conclude its deliberations.

Sincerely,



Rich Guthrie
Fiscal Analyst

RG/dks

Attachments

cc: John Havelock,
Attorney General
Dept. of Law



LAWS OF ALASKA

1970

Source

Chapter No.

ASB SB 401

222

AN ACT

relating to a debt of the state; providing for the issuance of general obligation bonds in the amount of \$10,000,000, for the purpose of paying the cost of acquiring, constructing and equipping and making other capital improvements to certain airports in the state; providing for the submission to a vote of the qualified voters of the state of the proposition of whether or not such bonds may be issued for such purposes; and providing for an effective date.

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

Section 1. For the purpose of paying part or all of the cost of acquiring, constructing and equipping and making other capital improvements to certain airports in the state, general obligation bonds of the state in the principal sum of not to exceed \$10,000,000 shall be issued and sold. The full faith, credit, and resources of the state shall be and are hereby pledged to the payment of the principal of and interest on such bonds, which shall be issued under the provisions of AS 37.15 as amended at the time of issuance. The legislature may provide additional sources of money for the payment of such principal and interest, and this Act shall not be deemed to provide an exclusive method of payment.

Sec. 2. The amounts of such bonds to be issued from time to time and the time or times of their issuance shall be fixed by the State Bond Committee (created by AS 37.15.110), and the specific uses of the proceeds of such bonds shall be determined by the governor in accordance with the following general terms and conditions:

- (1) \$4,928,000 - trunk and secondary airports;
- (2) \$5,072,000 - bush airports.

Sec. 3. In the event the issuance of such bonds is authorized by the qualified voters of the state, the sum of \$35,000 or so much thereof as shall be found necessary is appropriated from the general fund of the state to carry out the provisions of this Act and to pay expenses incident to the sale and issuance of the bonds authorized herein. The amounts expended from the appropriation authorized by this section shall be reimbursed to the general fund from the proceeds of the sale of the bonds.



LAWS OF ALASKA

1968

Source

CSHB 644

Chapter No.

167

AN ACT

Relating to a debt of the state; providing for the issuance of general obligation bonds in the amount of \$8,000,000 for the purpose of paying the cost of acquiring, constructing, equipping, and making other capital improvements to certain airports in the state; providing for the submission to a vote of the qualified voters of the state of the proposition of whether or not such bonds may be issued for such purposes; and providing for an effective date.

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

* Section 1. For the purpose of providing funds in addition to federal funds available for payment of the cost of acquiring, constructing, equipping, and making other capital improvements to trunk, secondary and bush airports to be owned or operated, or both, by the state or its political subdivision at various locations throughout the state and for acquiring, constructing, equipping, and making other capital improvements to existing trunk, secondary and bush airports owned or operated, or both, by the state or its political subdivisions, general obligation bonds of the state in the principal sum of not to exceed \$8,000,000 shall be issued and sold. The full faith, credit, and resources of the state shall be and are hereby pledged to the payment of the principal of and interest on such bonds, which bonds shall be issued under the provisions of AS 37.15. The legislature may provide additional sources of money for the payment of such principal and interest, and this Act shall not be deemed to provide an exclusive method of payment. Such bonds shall bear interest at a rate of not to exceed six per cent per annum and shall mature in not to exceed 30 years from date of issue.

* Sec. 2. The amounts of such bonds to be issued from time to time and the time or times of their issuance shall be fixed by the State Bond Committee (created by AS 37.15.110), and the specific uses of the proceeds of such bonds shall be determined by the governor. The proceeds shall be used as follows: An amount not to exceed \$7,690,000 shall be used in addition to federal funds for trunk and secondary airports and an amount not to exceed \$1,110,000 shall be used for bush airports.

* Sec. 3. In the event the issuance of such bonds is

authorized by the qualified voters of the state, the sum of \$16,000 or so much thereof as shall be found necessary is appropriated from the general fund of the state to carry out the provisions of this Act and to pay expenses incident to the sale and issuance of the bonds authorized herein. In the event the issuance of such bonds is authorized by the qualified voters of the state, any sum appropriated from the general fund for the design of airports to be paid for from the proceeds of the bonds authorized by this Act shall be reimbursed from the proceeds of the sale of the bonds. The amounts expended from the appropriation authorized by this section shall be reimbursed to the general fund from the proceeds of the sale of the bonds authorized by this Act.

* Sec. 4. In the event the issuance of such bonds is authorized by the qualified voters of the state, a special fund of the state to be known as the "1968 Airport Construction Fund" shall be created, into which shall be paid the proceeds of the sale of the bonds described in sec. 1 of this Act except for accrued interest and premiums. There is hereby appropriated from the "1968 Airport Construction Fund" to the Department of Public Works the sum of \$120,000 for bush airports.

* Sec. 5. In the event the issuance of such bonds is authorized by the qualified voters of the state, a special fund of the state to be known as the "1968 Airport General Obligation Bond Redemption Fund" shall be created, to the credit of which there shall be set aside such amounts of money as may be necessary to pay the principal of and interest on the outstanding bonds of the issue described in sec. 1 of this Act, and which fund shall be used for the sole purpose of paying and securing the payment of such principal and interest as the same shall become due.

* Sec. 6. The question of whether or not the bonds authorized herein shall be issued for the purpose herein provided shall be submitted to the qualified voters of the state at the next state general election to be held on November 5, 1968, in accordance with the provisions of the constitution and laws of the state. The secretary of state shall fix the ballot title to be submitted to the qualified voters for their ratification of the state debt authorized by this Act, and shall do everything else necessary to place such proposition before said qualified voters at said next state general election.

* Sec. 7. The proposition to be submitted to the qualified voters at said election shall read substantially as follows:

Proposition

State General Obligation Airport
Construction Bonds \$8,800,000

Shall the State of Alaska issue its general obligation bonds in the principal sum of not to exceed \$8,800,000 bearing interest not to exceed six per cent per annum and maturing in not to exceed 30 years from date of issue for the purpose of providing funds in addition to federal funds available to pay the cost of acquiring, constructing, equipping, and making other necessary capital improvements to certain trunk, secondary and bush

airports which are presently or will be owned or operated,
or both, by the state or its political subdivisions?

Bonds	Yes	[]
Bonds	No	[]

* Sec. 8. This Act takes effect on the day after its
passage and approval or on the day it becomes law without
approval.

BILL HISTORY IN THE HOUSE

CSHB 514 am

<u>DATE</u>	<u>ACTION</u>
1/14/72	Read first time and referred to Committee on State Affairs and Finance.
2/25/72	Reported back with recommendation that State Affairs do pass with amendment. To Finance.
5/17/72	Finance replace with CSHB do pass. To Rules.
6/7/72	Read second time and CSHB 514 adopted and advanced Read third time and Passed: Yeas, 32; Nays, 5; Excused, 3. Effective date Passed: Yeas, 32; Nays, 5; Excused, 3. Reported correctly engrossed Signed by Speaker
6/8/72	Sent To Senate.

BILL HISTORY IN THE SENATE

CSHB 514 am

<u>DATE</u>	<u>ACTION</u>
6/8/72	Read first time and referred to Committee on Finance.

Original sponsor: Rules Committee by
request of the Governor

Offered: 6/11/72
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 514

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the issuance of general obliga-
7 tion bonds in the amount of \$24,000,000 for the
8 purpose of paying the cost of capital improvements for
9 airports; and providing for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. For the purpose of paying the cost of capital improvements
12 for trunk and secondary airports owned or operated by the state or its
13 political subdivisions, general obligation bonds of the state in the princi-
14 pal amount of not more than \$24,000,000 shall be issued and sold. The full
15 faith, credit and resources of the state are pledged to the payment of the
16 principal of and interest and redemption premium, if any, on these bonds.
17 These bonds shall be issued under the provisions of AS 37.15 as those provi-
18 sions read at the time of issuance.

19 * Sec. 2. If the issuance of these bonds is authorized by the qualified
20 voters of the state, a special fund of the state to be known as the "1972
21 Airport Construction Fund" shall be established, to which shall be credited
22 the proceeds of the sale of the bonds described in sec. 1 of this Act except
23 for the accrued interest and premiums. There is appropriated from the "1972
24 Airport Construction Fund" to the Department of Public Works the sum of
25 \$24,000,000. The specific uses of the proceeds of these bonds shall be
26 determined by the governor.

27 * Sec. 3. If the issuance of these bonds is authorized by the qualified
28 voters of the state, the amount of \$84,000 or as much of that amount as is
29 found necessary is appropriated from the general fund of the state to the

1 state bond committee to carry out the provisions of this Act and to pay
2 expenses incident to the sale and issuance of the bonds authorized in this
3 Act. The amounts expended from the appropriation authorized by this section
4 shall be reimbursed to the general fund from the proceeds of the sale of
5 the bonds authorized by this Act.

6 * Sec. 4. The question whether the bonds authorized in this Act are to
7 be issued shall be submitted to the qualified voters of the state at the
8 next state general election and shall read substantially as follows:

9 Proposition

10 State Airport Construction Bonds \$24,000,000

11 Shall the State of Alaska issue its general obligation bonds
12 in the principal amount of not more than \$24,000,000 for the
13 purpose of paying the cost of capital improvements for air-
14 ports?

15 Bonds Yes []

16 Bonds No []

17 * Sec. 5. This Act takes effect on the day after its passage and approval
18 or on the day it becomes law without approval.
19
20
21
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29

Original sponsor: Rules Committee by
request of the Governor

Offered: 5/17/72
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 514

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the issuance of general obliga-
7 tion bonds in the amount of \$24,000,000 for the
8 purpose of paying the cost of capital improvements for
9 airports; and providing for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. For the purpose of paying the cost of capital
12 improvements for airports, general obligation bonds of the state
13 in the principal amount of not more than \$24,000,000 shall be issued and
14 sold. The full faith, credit and resources of the state are pledged to the
15 payment of the principal of and interest and redemption premium, if any, on
16 these bonds. These bonds shall be issued under the provisions of AS 37.15
17 as those provisions read at the time of issuance.

18 * Sec. 2. If the issuance of these bonds is authorized by the qualified
19 voters of the state, a special fund of the state to be known as the "1972
20 Airport Construction Fund" shall be established, to which shall be credited
21 the proceeds of the sale of the bonds described in sec. 1 of this Act except
22 for the accrued interest and premiums. There is appropriated from the "1972
23 Airport Construction Fund" to the Department of Public Works the sum of
24 \$24,000,000. The specific uses of the proceeds of these bonds shall be
25 determined by the governor.

26 * Sec. 3. If the issuance of these bonds is authorized by the qualified
27 voters of the state, the amount of \$84,000 or as much of that amount as is
28 found necessary is appropriated from the general fund of the state to the
29 state bond committee to carry out the provisions of this Act and to pay

1 expenses incident to the sale and issuance of the bonds authorized in this
2 Act. The amounts expended from the appropriation authorized by this section
3 shall be reimbursed to the general fund from the proceeds of the sale of
4 the bonds authorized by this Act.

5 * Sec. 4. The question whether the bonds authorized in this Act are to
6 be issued shall be submitted to the qualified voters of the state at the
7 next state general election and shall read substantially as follows:

8 Proposition

9 State Airport Construction Bonds \$24,000,000

10 Shall the State of Alaska issue its general obligation bonds
11 in the principal amount of not more than \$24,000,000 for the
12 purpose of paying the cost of capital improvements for
13 airports?

14 Bonds Yes []

15 Bonds No []

16 * Sec. 5. This Act takes effect on the day after its passage and approv-
17 al or on the day it becomes law without approval.

Original sponsor: Rules Committee by
request of the Governor

Offered: 6/11/72
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 514

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the issuance of general obliga-
7 tion bonds in the amount of \$24,000,000 for the
8 purpose of paying the cost of capital improvements for
9 airports; and providing for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. For the purpose of paying the cost of capital improvements
12 for trunk and secondary airports owned or operated by the state or its
13 political subdivisions, general obligation bonds of the state in the princi-
14 pal amount of not more than \$24,000,000 shall be issued and sold. The full
15 faith, credit and resources of the state are pledged to the payment of the
16 principal of and interest and redemption premium, if any, on these bonds.
17 These bonds shall be issued under the provisions of AS 37.15 as those provi-
18 sions read at the time of issuance.

19 * Sec. 2. If the issuance of these bonds is authorized by the qualified
20 voters of the state, a special fund of the state to be known as the "1972
21 Airport Construction Fund" shall be established, to which shall be credited
22 the proceeds of the sale of the bonds described in sec. 1 of this Act except
23 for the accrued interest and premiums. There is appropriated from the "1972
24 Airport Construction Fund" to the Department of Public Works the sum of
25 \$24,000,000. The specific uses of the proceeds of these bonds shall be
26 determined by the governor.

27 * Sec. 3. If the issuance of these bonds is authorized by the qualified
28 voters of the state, the amount of \$84,000 or as much of that amount as is
29 found necessary is appropriated from the general fund of the state to the

1 state bond committee to carry out the provisions of this Ac. and to pay
2 expenses incident to the sale and issuance of the bonds authorized in this
3 Act. The amounts expended from the appropriation authorized by this section
4 shall be reimbursed to the general fund from the proceeds of the sale of
5 the bonds authorized by this Act.

6 * Sec. 4. The question whether the bonds authorized in this Act are to
7 be issued shall be submitted to the qualified voters of the state at the
8 next state general election and shall read substantially as follows:

9 Proposition

10 State Airport Construction Bonds \$24,000,000

11 Shall the State of Alaska issue its general obligation bonds
12 in the principal amount of not more than \$24,000,000 for the
13 purpose of paying the cost of capital improvements for air-
14 ports?

15 Bonds Yes []

16 Bonds No []

17 * Sec. 5. This Act takes effect on the day after its passage and approval
18 or on the day it becomes law without approval.

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Original sponsor: Rules Committee by
request of the Governor

Offered: 5/17/72
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 514

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the issuance of general obliga-
7 tion bonds in the amount of \$24,000,000 for the
8 purpose of paying the cost of capital improvements for
9 airports; and providing for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. For the purpose of paying the cost of capital improvements
12 for trunk and secondary airports, general obligation bonds of the state
13 in the principal amount of not more than \$24,000,000 shall be issued and
14 sold. The full faith, credit and resources of the state are pledged to the
15 payment of the principal of and interest and redemption premium, if any, on
16 these bonds. These bonds shall be issued under the provisions of AS 37.15
17 as those provisions read at the time of issuance.

18 * Sec. 2. If the issuance of these bonds is authorized by the qualified
19 voters of the state, a special fund of the state to be known as the "1972
20 Airport Construction Fund" shall be established, to which shall be credited
21 the proceeds of the sale of the bonds described in sec. 1 of this Act except
22 for the accrued interest and premiums. There is appropriated from the "1972
23 Airport Construction Fund" to the Department of Public Works the sum of
24 \$24,000,000. The specific uses of the proceeds of these bonds shall be
25 determined by the governor.

26 * Sec. 3. If the issuance of these bonds is authorized by the qualified
27 voters of the state, the amount of \$84,000 or as much of that amount as is
28 found necessary is appropriated from the general fund of the state to the
29 state bond committee to carry out the provisions of this Act and to pay

1 expenses incident to the sale and issuance of the bonds authorized in this
2 Act. The amounts expended from the appropriation authorized by this section
3 shall be reimbursed to the general fund from the proceeds of the sale of
4 the bonds authorized by this Act.

5 * Sec. 4. The question whether the bonds authorized in this Act are to
6 be issued shall be submitted to the qualified voters of the state at the
7 next state general election and shall read substantially as follows:

8 Proposition

9 State Airport Construction Bonds \$24,000,000

10 Shall the State of Alaska issue its general obligation bonds
11 in the principal amount of not more than \$24,000,000 for the
12 purpose of paying the cost of capital improvements for trunk
13 and secondary airports?

14 Bonds Yes []

15 Bonds No []

16 * Sec. 5. This Act takes effect on the day after its passage and approv-
17 al or on the day it becomes law without approval.

Introduced: 1/14/72
Referred: State Affairs
and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 514

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the issuance of general obliga-
7 tion bonds in the amount of \$12,000,000 for the
8 purpose of paying the cost of capital improvements for
9 airports; and providing for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. For the purpose of paying the cost of capital improvements
12 for trunk and secondary airports, general obligation bonds of the state
13 in the principal amount of not more than \$12,000,000 shall be issued and
14 sold. The full faith, credit and resources of the state are pledged to the
15 payment of the principal of and interest and redemption premium, if any, on
16 these bonds. These bonds shall be issued under the provisions of AS 37.15
17 as those provisions read at the time of issuance.

18 * Sec. 2. If the issuance of these bonds is authorized by the qualified
19 voters of the state, a special fund of the state to be known as the "1972
20 Airport Construction Fund" shall be established, to which shall be credited
21 the proceeds of the sale of the bonds described in sec. 1 of this Act except
22 for the accrued interest and premiums. There is appropriated from the "1972
23 Airport Construction Fund" to the Department of Public Works the sum of
24 \$12,000,000. The specific uses of the proceeds of these bonds shall be
25 determined by the governor.

26 * Sec. 3. If the issuance of these bonds is authorized by the qualified
27 voters of the state, the amount of \$42,000 or as much of that amount as is
28 found necessary is appropriated from the general fund of the state to the
29 state bond committee to carry out the provisions of this Act and to pay

1 expenses incident to the sale and issuance of the bonds authorized in this
2 Act. The amounts expended from the appropriation authorized by this section
3 shall be reimbursed to the general fund from the proceeds of the sale of
4 the bonds authorized by this act.

5 * Sec. 4. The question whether the bonds authorized in this Act are to
6 be issued shall be submitted to the qualified voters of the state at the
7 next state general election and shall read substantially as follows:

8 Proposition

9 State Airport Construction Bonds \$12,000,000

10 Shall the State of Alaska issue its general obligation bonds
11 in the principal amount of not more than \$12,000,000 for the
12 purpose of paying the cost of capital improvements for
13 airports?

14 Bonds Yes []

15 Bonds No []

16 * Sec. 5. This Act takes effect on the day after its passage and
17 approval or on the day it becomes law without approval.
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WILLIAM A. EGAN
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

May 2, 1972

The Honorable George Hohman, Jr.
Chairman, Finance Committee
Alaska State House of Representatives
Juneau, Alaska 99801

Dear Mr. Chairman:

I have been reviewing the 1972 bond program with my staff for the past few weeks. One of the major problems facing us is the need for substantial expansion of trunk and secondary airports in rural areas of Alaska. An equally difficult problem is the limit of bonded indebtedness which the state can afford and still retain our current bond rating.

All factors considered, I have determined that it is in the best interests of the State of Alaska to increase the proposed funding of House Bill 514 to \$24 million in lieu of the \$12 million originally proposed. This additional funding will provide state funds to match federal aid to airports funds for trunk airports in 1974, and will provide fire fighting equipment at the twelve locations recommended in the Subcommittee Report on Airport Fire Fighting Equipment Requirements by the House of Representatives, State Affairs Committee."

Your cooperation in this matter will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script that reads "William A. Egan".

William A. Egan
Governor

FIVE YEAR FUNDING SUMMARY

(Revised MARCH 23, 1972)

FY	Airports	Gen. Fund	Int'l Arpt. Rev. Fund	Int'l Arpt. Rev. Bond	G.O. Bond	ADAP	Total
1973	Int'l	-	80.0	11,300.0	-	9,451.0	20,831.0
	Trunk	83.0	-	-	9,675.0	9,917.0	19,675.0
	Secondary	-	-	-	2,325.0	2,247.0	4,572.0
	Total:	83.0	80.0	11,300.0	12,000.0	21,615.0	45,078.0
1974	Int'l	-	-	6,832.0	-	906.0	7,738.0
	Trunk	-	-	-	11,569.0	7,806.0	19,375.0
	Secondary	2,162.0	-	-	-	2,271.0	4,433.0
	Total:	2,162.0	-0-	6,832.0	11,569.0	10,983.0	31,546.0
1975	Int'l	-	-	4,431.0	-	2,807.0	7,238.0
	Trunk	-	-	-	12,262.0	10,968.0	23,230.0
	Secondary	1,812.0	-	-	-	2,253.0	4,065.0
	Total:	1,812.0	-0-	4,431.0	12,262.0	16,028.0	34,533.0
1976	Int'l	-	-	5,872.0	-	2,254.0	8,126.0
	Trunk	-	-	-	12,961.0	12,152.0	25,113.0
	Secondary	2,190.0	-	-	-	2,135.0	4,325.0
	Total:	2,190.0	-0-	5,872.0	12,961.0	16,541.0	37,564.0
1977	Int'l	-	-	8,010.0	-	1,440.0	9,450.0
	Trunk	-	-	-	15,437.0	12,588.0	28,025.0
	Secondary	2,535.0	-	-	-	2,002.0	4,537.0
	Total:	2,535.0	-0-	8,010.0	15,437.0	16,030.0	42,012.0
Grand Total:		8,782.0	80.0	36,445.0	64,229.0	81,197.0	190,733.0

12

FY 73

CAPITAL BUDGET
PROPOSED PROJECT

3/23/72

AGENCY	CATEGORY	VIII	Transportation
	PROGRAM	C	Air Transportation
DIVISION	SUB-PROGRAM		
	ELEMENT		
	SUB-ELEMENT		

TITLE	Trunk Maintenance Equipment		BUDGET COMPONENT	2.b.i. and 3.b.i. thru iii		COST	\$83.0	PRIORITY	T 73-8
LOCATION	Kodiak		AREA SERVED	Kodiak		ELECTION DISTRICT	J-13	STARTING DATE	May 1972
								COMPLETION DATE	June 1973
CONSTRUCTION	EQUIPMENT	X	DESCRIPTION: The acquisition of equipment needed for airport maintenance and certification.						
IMPROVEMENT	LAND								

EXPLANATION: This item provides equipment which is new to the program. The equipment is for general airport maintenance and snow removal. The units are for Kodiak Airport which was recently acquired. It has insufficient equipment to maintain this important Search and Rescue Airport on an around-the-clock basis.

If equipment is not obtained, the airport can be maintained only at marginally safe levels. The gap between the optimum and the attainable levels of maintenance will become progressively more pronounced as the air carriers continue their upgrading of equipment with increased jet service.

	TOTAL	FY 73	FY 74	FY 75	FY 76 AND BEYOND
TOTAL ANNUAL EXPENDITURE	83.0	83.0			
PLANNING AND ENGINEERING					
LAND					
CONSTRUCTION					
EQUIPMENT	83.0	83.0			
ADMINISTRATION AND OTHER					

APPROPRIATION REQUEST	AMOUNT
Federal Receipts	
Required General Fund Matching	
Other General Fund	83.0
Inter-Agency Receipts	
Other	
Int'l. Arpt. Revenue Fund	
Bonds	
TOTAL	83.0

INCREASE (DECREASE) IN OPERATING EXPENDITURES					
Funding Source	OTHER SOURCES	Effects on operating expenditures will be negligible -- more, but newer equipment will require less effort and parts per unit to maintain.			
	GENERAL FUND				

CAPITAL BUDGET
PROPOSED FIVE-YEAR
CAPITAL PROGRAM
FY 73-77

AGENCY	CATEGORY	code
DIVISION	PROGRAM	
	SUB-PROGRAM	
	ELEMENT	
	SUB-ELEMENT	

PRIORITY	TITLE AND LOCATION		YEAR IN WHICH FUNDING IS REQUESTED				
			FY 73	FY 74	FY 75	FY 76	FY 77
		TOTAL COST	140.0				
73-1	Barrow II, Contract Finalization	STATE FUNDS	140.0	G.O.			
		OTHER SOURCES	- 0 -				
		TOTAL COST	160.0				
73-2	Bethel V, Contract Finalization	STATE FUNDS	160.0	G.O.			
		OTHER SOURCES	- 0 -				
		TOTAL COST	85.0				
73-3	Homer VI, Contract Finalization	STATE FUNDS	85.0	G.O.			
		OTHER SOURCES	- 0 -				
		TOTAL COST	70.0				
73-4	Ketchikan I, Contract Finalization	STATE FUNDS	70.0	G.O.			
		OTHER SOURCES	- 0 -				
		TOTAL COST	164.0				
73-5	King Cove, Contract Finalization	STATE FUNDS	164.0	G.O.			
		OTHER SOURCES	- 0 -				
		TOTAL COST	25.0				
73-6	Petersburg I, Contract Finalization	STATE FUNDS	25.0	G.O.			
		OTHER SOURCES	- 0 -				
		TOTAL COST	85.0				
73-7	Sitka II, Contract Finalization	STATE FUNDS	85.0	G.O.			
		OTHER SOURCES	- 0 -				
		TOTAL COST	83.0				
73-8	Trunk Maintenance Equipment	STATE FUNDS	83.0			General Funds	
		OTHER SOURCES	- 0 -				
		TOTAL COST	1,145.0				
73-9	Cold Bay, Runway Overlay	STATE FUNDS	775.0	G.O.			
		OTHER SOURCES	1,010.0	ADAP			
		TOTAL COST	500.0				
73-10	Barrow, Apron Construction	STATE FUNDS	200.0	G.O.			
		OTHER SOURCES	300.0	ADAP			
		TOTAL COST	3,100.0				
73-11	Deadhorse, Apron, Taxiway, R/W Extension	STATE FUNDS	1,400.0	G.O.			
		OTHER SOURCES	2,100.0	ADAP			

LEGEND:
G.O. - General Obligation Bonds
A.D.A.P. - Federal Funds

13
FY 73

CAPITAL BUDGET
PROPOSED FIVE-YEAR
CAPITAL PROGRAM
FY 73-77

code 3/23/72

AGENCY	DPW	CATEGORY	VIII	Transportation
		PROGRAM	C	Air Transportation
DIVISION	Aviation	SUB-PROGRAM		
		ELEMENT		
		SUB-ELEMENT		

PRIORITY	TITLE AND LOCATION		YEAR IN WHICH FUNDING IS REQUESTED				
			FY 73	FY 74	FY 75	FY 76	FY 77
T73-22	NOME, Apron Construction	TOTAL COST	650.0				
		STATE FUNDS	260.0	G.O.			
		OTHER SOURCES	390.0	ADAP			
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS	Total	19,675.0			
		OTHER SOURCES	G.O.	9,675.0			
		TOTAL COST	ADAP	9,917.0			
		STATE FUNDS	Gen. Fund	83.0			
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					

Bill Identification: HB 514

Title: Airport GO Bonds

Requested by: Legislative Finance

Date: 2/26/72

Return Date Requested: 3/10/72

Agency: Public Works

Program:

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Trunk & Secondary Airports

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 72	FY 73	FY 74	FY 75	FY 76	FY 77
100 PERSONAL SERVICES		311.2	622.4	466.8	155.6	
200 TRAVEL		40.0	80.0	60.0	20.0	
300 CONTRACTUAL		349.0	698.0	523.5	174.5	
400 COMMODITIES		77.8	155.6	116.7	38.9	
500 EQUIPMENT		70.8	141.6	106.2	35.4	
600 LAND & STRUCTURES		3,628.4	7,256.8	5,442.6	1,814.2	
700 GRANTS, CLAIMS, ETC. Municipal Grant		355.6	711.2	533.4	177.8	
TOTAL		4,832.8	9,665.6	7,249.2	2,416.4	

B. FUNDING: (Thousands of dollars)

GENERAL FUND	FY 72	FY 73	FY 74	FY 75	FY 76	FY 77
FEDERAL FUNDS		2,432.8	4,865.6	3,649.2	1,216.4	
OTHER Gen. Obligation Bond		2,400.0	4,800.0	3,600.0	1,200.0	

C. POSITIONS:

PERMANENT/TEMPORARY	FY 72	FY 73	FY 74	FY 75	FY 76	FY 77
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

- 1) Annual maintenance costs for above projects- \$131.5/annum.
- 2) Debt service on \$12.0 million of G.O. Bonds- \$984.2/annum (6 1/2% - 25 years)

IV. ATTACHMENTS

V. DATE: 3/9/72

PREPARED BY: Clayton C. Huron

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FY 73

CAPITAL BUDGET
PROPOSED FIVE-YEAR
CAPITAL PROGRAM
FY 73-77

AGENCY	CATEGORY	code
	PROGRAM	
DIVISION	SUB-PROGRAM	
	ELEMENT	
	SUB-ELEMENT	

PRIORITY	TITLE AND LOCATION		YEAR IN WHICH FUNDING IS REQUESTED				
			FY 73	FY 74	FY 75	FY 76	FY 77
T73-1	Barrow II, Contract Finalization	TOTAL COST	140.0				
		STATE FUNDS	140.0	G.O.			
		OTHER SOURCES	- 0 -				
T73-2	Bethel V, Contract Finalization	TOTAL COST	160.0				
		STATE FUNDS	160.0	G.O.			
		OTHER SOURCES	- 0 -				
T73-3	Homer VI, Contract Finalization	TOTAL COST	85.0				
		STATE FUNDS	85.0	G.O.			
		OTHER SOURCES	- 0 -				
T73-4	Ketchikan I, Contract Finalization	TOTAL COST	70.0				
		STATE FUNDS	70.0	G.O.			
		OTHER SOURCES	- 0 -				
T73-5	King Cove, Contract Finalization	TOTAL COST	164.0				
		STATE FUNDS	164.0	G.O.			
		OTHER SOURCES	- 0 -				
T73-6	Petersburg I, Contract Finalization	TOTAL COST	25.0				
		STATE FUNDS	25.0	G.O.			
		OTHER SOURCES	- 0 -				
T73-7	Sitka II, Contract Finalization	TOTAL COST	85.0				
		STATE FUNDS	85.0	G.O.			
		OTHER SOURCES	- 0 -				
T73-8	Trunk Maintenance Equipment	TOTAL COST	778.0				
		STATE FUNDS	778.0		General Fund		
		OTHER SOURCES	- 0 -				
T73-9	Cold Bay, Runway Overlay	TOTAL COST	1,865.0				
		STATE FUNDS	746.0	G.O.			
		OTHER SOURCES	1,119.0	ADAP			
T73-10	Barrow, Apron Construction	TOTAL COST	500.0				
		STATE FUNDS	200.0	G.O.			
		OTHER SOURCES	300.0	ADAP			
T73-11	Deadhorse, Apron, Taxiway, R/W Extension	TOTAL COST	3,500.0				
		STATE FUNDS	1,400.0	G.O.			
		OTHER SOURCES	2,100.0	ADAP			

13

FY 73

CAPITAL BUDGET
PROPOSED FIVE-YEAR
CAPITAL PROGRAM,
FY 73-77

02/29/72 JNO

AGENCY DPW	CATEGORY	VIII	Transportation
	PROGRAM	C	Air Transportation
DIVISION Aviation	SUB-PROGRAM		
	ELEMENT		
	SUB-ELEMENT		

PRIORITY	TITLE AND LOCATION		YEAR IN WHICH FUNDING IS REQUESTED				
			FY 73	FY 74	FY 75	FY 76 *	FY 77
T73-12	Valdez, Extension and Paving	TOTAL COST	2,230.0				
		STATE FUNDS	920.0	G.O.			
		OTHER SOURCES	1,310.0	ADAP			
T73-13	Petersburg, Runway Extension & Run-up Area Paving	TOTAL COST	900.0				
		STATE FUNDS	360.0	G.O.			
		OTHER SOURCES	540.0	ADAP			
T73-14	Wrangell-Runway Extension, Run-up. Area Paving, Runway Paving and Lighting	TOTAL COST	2,700.0				
		STATE FUNDS	1,080.0	G.O.			
		OTHER SOURCES	1,620.0	ADAP			
T73-15	Kodiak, Light Aircraft Apron & Tiedown	TOTAL COST	500.0				
		STATE FUNDS	302.0	G.O.			
		OTHER SOURCES	198.0	ADAP			
T73-16	Bethel, Apron and lease lots	TOTAL COST	500.0				
		STATE FUNDS	200.0	G.O.			
		OTHER SOURCES	300.0	ADAP			
T73-17	Sitka, Extend Runway to 6400'-Stage III	TOTAL COST	3,000.0				
		STATE FUNDS	1,200.0	G.O.			
		OTHER SOURCES	1,800.0	ADAP			
T73-18	Kotzebue Obstruction Removal	TOTAL COST	400.0				
		STATE FUNDS	160.0	G.O.			
		OTHER SOURCES	240.0	ADAP			
T73-19	Municipal Airport Aid - Phase I	TOTAL COST	1,778.0				
		STATE FUNDS	1,778.0	G.O.			
		OTHER SOURCES					
T73-20	Kuskokwim, Maintenance Depot	TOTAL COST	160.0				
		STATE FUNDS	160.0	G.O.			
		OTHER SOURCES					
T73-21	Trunk Airport Advance Design & Feasibility Studies (See Form 12 for details)	TOTAL COST	180.0				
		STATE FUNDS	180.0	G.O.			
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					

13

FY 73

CAPITAL BUDGET
 PROPOSED FIVE-YEAR
 CAPITAL PROGRAM
 FY 73-77

02/29/72 JNO

AGENCY	DPW	CATEGORY	VIII	Transportation
DIVISION	Aviation	PROGRAM	C	Air Transportation
		SUBPROGRAM		
		ELEMENT		
		SUBELEMENT		

PRIORITY	TITLE AND LOCATION		YEAR IN WHICH FUNDING IS REQUESTED				
			FY 73	FY 74	FY 75	FY 76	FY 77
T73-22	Nome, Apron Construction	TOTAL COST	650.0				
		STATE FUNDS	260.0	G.O.			
		OTHER SOURCES	390.0	ADAP			
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST	Total	20,370.0			
		STATE FUNDS	G.O.	9,675.0			
		OTHER SOURCES	ADAP	9,917.0			
		TOTAL COST	Gen. Fund	778.0			
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					

13

FY 73

CAPITAL BUDGET
PROPOSED FIVE-YEAR
CAPITAL PROGRAM
FY 73-77

2/29/72

AGENCY	CATEGORY
	PROGRAM
DIVISION	SUB-PROGRAM
	ELEMENT
	SUB-ELEMENT

PRIORITY	TITLE AND LOCATION		YEAR IN WHICH FUNDING IS REQUESTED				
			FY 73	FY 74	FY 75	FY 76	FY 77
S73-1	Heonah, Contract Finalization	TOTAL COST	130.0				
		STATE FUNDS	130.0	G.O.			
		OTHER SOURCES					
S73-2	Koliganek, Contract Finalization	TOTAL COST	20.0				
		STATE FUNDS	20.0	G.O.			
		OTHER SOURCES					
S73-3	Manokotak, Contract Finalization	TOTAL COST	20.0				
		STATE FUNDS	20.0	G.O.			
		OTHER SOURCES					
S73-4	Wainwright, Contract Finalization	TOTAL COST	22.0				
		STATE FUNDS	22.0	G.O.			
		OTHER SOURCES					
S73-5	Akolmiut, Construct Airstrip (Nunavutahuk/Kasigaluk)*	TOTAL COST	475.0				
		STATE FUNDS	55.0	G.O.			
		OTHER SOURCES	420.0	ADAP			
S73-6	Kongiganak, Construct Airstrip *	TOTAL COST	250.0				
		STATE FUNDS	250.0	G.O.			
		OTHER SOURCES					
S73-7	Sheldons Point, Construct Airstrip *	TOTAL COST	230.0				
		STATE FUNDS	230.0	G.O.			
		OTHER SOURCES					
S73-8	Kwigillingok, Construct Airstrip *	TOTAL COST	435.0				
		STATE FUNDS	435.0	G.O.			
		OTHER SOURCES					
S73-9	Nightmute, Construct Airstrip *	TOTAL COST	520.0				
		STATE FUNDS	100.0	G.O.			
		OTHER SOURCES	420.0	ADAP			
S73-10	Eek, Construct Airport *	TOTAL COST	58.0				
		STATE FUNDS	58.0	G.O.			
		OTHER SOURCES					
S73-11	Tuntutuliak, Construct Airport	TOTAL COST	145.0				
		STATE FUNDS	145.0	G.O.			
		OTHER SOURCES					

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CAPITAL BUDGET
PROPOSED FIVE-YEAR
CAPITAL PROGRAM
FY 73-77

code 2/29/72

AGENCY	CATEGORY	
	PROGRAM	
DIVISION	SUB-PROGRAM	
	ELEMENT	
	SUB-ELEMENT	

PRIORITY	TITLE AND LOCATION		YEAR IN WHICH FUNDING IS REQUESTED				
			FY 73	FY 74	FY 75	FY 76	FY 77
S73-12	Girdwood, Erosion Control *	TOTAL COST	162.0				
		STATE FUNDS	42.0	G.O.			
		OTHER SOURCES	120.0	ADAP			
S73-13	Whittier, Construct Airstrip	TOTAL COST	200.0				
		STATE FUNDS	80.0	G.O.			
		OTHER SOURCES	120.0	ADAP			
S73-14	Teller, Construct Airstrip *	TOTAL COST	660.0				
		STATE FUNDS	240.0	G.O.			
		OTHER SOURCES	420.0	ADAP			
S73-15	Goodnews Bay, Construct Airstrip	TOTAL COST	160.0				
		STATE FUNDS	64.0	G.O.			
		OTHER SOURCES	96.0	ADAP			
S73-16	Newtok, Construct Airstrip*	TOTAL COST	385.0				
		STATE FUNDS	154.0	G.O.			
		OTHER SOURCES	231.0	ADAP			
S73-17	Chignik, Stabilize Surface & Construct Apron	TOTAL COST	400.0				
		STATE FUNDS	160.0	G.O.			
		OTHER SOURCES	240.0	ADAP			
S73-18	Secondary Airport Advance Surveys	TOTAL COST	300.0			G.O. =	2325.0
		STATE FUNDS	120.0	G.O.		ADAP =	2247.0
		OTHER SOURCES	180.0	ADAP		TOTAL =	4572.0
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					

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FY 73

CAPITAL BUDGET
PROPOSED FIVE-YEAR
CAPITAL PROGRAM
FY 73-77

INTERNATIONAL

AGENCY	CATEGORY
DIVISION	PROGRAM
	SUB-PROGRAM
	ELEMENT
	SUB-ELEMENT

PRIORITY	TITLE AND LOCATION		YEAR IN WHICH FUNDING IS REQUESTED				
			FY 73	FY 74	FY 75	FY 76	FY 77
I73-1	International Equipment	TOTAL COST	169.0				
		STATE FUNDS	80.0	IRF			
		OTHER SOURCES	89.0	ADAP			
I73-2	Fairbanks E. W. Taxiway Widening	TOTAL COST	389.0				
		STATE FUNDS	152.0	RB			
		OTHER SOURCES	237.0	ADAP			
I73-3	Anchorage Access Roads	TOTAL COST	170.0				IRF - International Revenue Bond
		STATE FUNDS	170.0	RB			
		OTHER SOURCES					ADAP - Federal
I73-4	Fairbanks Apron Lighting	TOTAL COST	12.0				RB - Revenue Bond
		STATE FUNDS	12.0	RB			
		OTHER SOURCES					
I73-5	Anchorage, Lake Hood Lighting	TOTAL COST	6.0				
		STATE FUNDS	6.0	RB			
		OTHER SOURCES					
I73-6	Fairbanks, Sewer & Water	TOTAL COST	1,630.0				
		STATE FUNDS	1,630.0	RB			
		OTHER SOURCES					
I73-7	Fairbanks, Fencing	TOTAL COST	500.0				
		STATE FUNDS	200.0	RB			
		OTHER SOURCES	300.0	ADAP			
I73-8	Anchorage, North South runway	TOTAL COST	9,397.0				
		STATE FUNDS	3,759.0	RB			
		OTHER SOURCES	5,638.0	ADAP			
I73-9	Fairbanks, Entrance Road	TOTAL COST	200.0				
		STATE FUNDS	200.0	RB			
		OTHER SOURCES					
I73-10	Anchorage/Lake Hood Development	TOTAL COST	1,953.0				
		STATE FUNDS	1,293.0	RB			
		OTHER SOURCES	660.0	ADAP			
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					

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CAPITAL BUDGET
PROPOSED FIVE-YEAR
CAPITAL PROGRAM
FY 73-77

		code
AGENCY	CATEGORY	
	PROGRAM	
DIVISION	SUB-PROGRAM	
	ELEMENT	
	SUB-ELEMENT	

PRIORITY	TITLE AND LOCATION		YEAR IN WHICH FUNDING IS REQUESTED				
			FY 73	FY 74	FY 75	FY 76	FY 77
173-11	Anchorage, Terminal Bldg. Renovation	TOTAL COST	775.0				
		STATE FUNDS	775.0	RB			
		OTHER SOURCES					
173-12	Fairbanks, Fire Rescue Station and Maintenance Complex Development	TOTAL COST	750.0				
		STATE FUNDS	500.0	RB			
		OTHER SOURCES	250.0	ADAP			
173-13	Anchorage, West Passenger Facility Apron Reconstruction	TOTAL COST	1,500.0				
		STATE FUNDS	600.0	RB			
		OTHER SOURCES	900.0	ADAP			
173-14	Anchorage Apron Pavement Slurry Seal	TOTAL COST	731.0				
		STATE FUNDS	731.0	RB			
		OTHER SOURCES					
173-15	Fairbanks Heavy Aircraft Parking Apron	TOTAL COST	600.0				
		STATE FUNDS	240.0	RB			
		OTHER SOURCES	360.0	ADAP			
173-16	Fairbanks Main Taxiway and Apron Modification	TOTAL COST	1,650.0				
		STATE FUNDS	660.0	RB			
		OTHER SOURCES	990.0	ADAP			
173-17	Anchorage Fencing	TOTAL COST	35.0				
		STATE FUNDS	35.0	RB			
		OTHER SOURCES					
173-18	Fairbanks General Aviation Runway & Taxiway Lighting	TOTAL COST	107.0				
		STATE FUNDS	107.0	RB			
		OTHER SOURCES					
173-19	Anchorage North Apron Expansion	TOTAL COST	575.0				
		STATE FUNDS	230.0	RB			
		OTHER SOURCES	345.0	ADAP			
		TOTAL COST				FIRST YEAR TOTALS:	
		STATE FUNDS				IRF	\$ 80.0
		OTHER SOURCES				RB	11,300.0
		TOTAL COST				ADAP	9,451.0
		STATE FUNDS					
		OTHER SOURCES				TOTAL:	\$20,831.0

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CAPITAL BUDGET
PROPOSED FIVE-YEAR
CAPITAL PROGRAM
FY 73-77

02/24/72

AGENCY	DPW	CATEGORY	VII	Transportation
		PROGRAM	C	Air Transportation
DIVISION	Aviation	SUB-PROGRAM		
		ELEMENT		
		SUP-ELEMENT		

PRIORITY	TITLE AND LOCATION		YEAR IN WHICH FUNDING IS REQUESTED				
			FY 73	FY 74	FY 75	FY 76	FY 77
174-1	Anchorage Auto Parking & Service Roads	TOTAL COST		903.0			
		STATE FUNDS		903.0	RB		
		OTHER SOURCES					
174-2	Anchorage Access Road to Tank Farm and G. A. Lease Lots	TOTAL COST		60.0			
		STATE FUNDS		60.0	RB		
		OTHER SOURCES					
174-3	Fairbanks, Lease Lot Appraisal Program	TOTAL COST		105.0			
		STATE FUNDS		105.0	RB		
		OTHER SOURCES					
174-4	Anchorage Utilities (M.P. 21 & 23)	TOTAL COST		560.0			
		STATE FUNDS		560.0	RB		
		OTHER SOURCES					
174-5	Fairbanks, Terminal Expansion	TOTAL COST		3,600.00			
		STATE FUNDS		3,600.00	RB		
		OTHER SOURCES					
174-6	Fairbanks, Terminal Apron	TOTAL COST		430.0			
		STATE FUNDS		172.0	RB		
		OTHER SOURCES		258.0	ADAP		
174-7	Anchorage, General Aviation Site Grading	TOTAL COST		1,080.0			
		STATE FUNDS		432.0	RB		
		OTHER SOURCES		648.0	ADAP		
174-8	Anchorage, Phase I International Terminal	TOTAL COST		3,000.0			
		STATE FUNDS		3,000.0	RB		
		OTHER SOURCES					
		TOTAL COST		7,735.0			
		STATE FUNDS		6,832.0	RB		
		OTHER SOURCES		906.0	ADAP		
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					

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CAPITAL BUDGET
PROPOSED FIVE-YEAR
CAPITAL PROGRAM
FY 73-77

02/28/72

AGENCY	DPW	CATEGORY	III	Transportation
		PROGRAM	c	Air Transportation
DIVISION	Aviation	SUBPROGRAM		
		ELEMENT		
		SUB-ELEMENT		

PRIORITY	TITLE AND LOCATION		YEAR IN WHICH FUNDING IS REQUESTED				
			FY 73	FY 74	FY 75	FY 76	FY 77
175-19	Anchorage, Pave General Aviation Runway (Master Plan Proj. 27)	TOTAL COST			64.0		
		STATE FUNDS			64.0	PR	
		OTHER SOURCES					
		TOTAL COST			7,235.0	TOTAL	
		STATE FUNDS			4,431.0	TR	
		OTHER SOURCES			2,807.0	ADAP	
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					

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 CAPITAL BUDGET
 PROPOSED FIVE-YEAR
 CAPITAL PROGRAM
 FY 73-77

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AGENCY	CATEGORY
	PROGRAM
DIVISION	SUB PROGRAM
	ELEMENT
	SUB-ELEMENT

PRIORITY	TITLE AND LOCATION		YEAR IN WHICH FUNDING IS REQUESTED				
			FY 73	FY 74	FY 75	FY 76	FY 77
I76-1	Fairbanks, Terminal Auto Parking (MP-18)	TOTAL COST				70.0	
		STATE FUNDS				70.0	RB
		OTHER SOURCES					
I76-2	Anchorage, North & Northeast General Aviation Access Road (MP-36)	TOTAL COST				308.0	
		STATE FUNDS				123.0	RB
		OTHER SOURCES				185.0	ADAP
I76-3	Anchorage Terminal Access Taxiway (Center) (MP-10)	TOTAL COST				272.0	
		STATE FUNDS				109.0	FB
		OTHER SOURCES				163.0	ADAP
I76-4	Anchorage Phase II International Terminal	TOTAL COST				4,300.0	
		STATE FUNDS				4,300.0	RB
		OTHER SOURCES					
I76-5	Anchorage, Runway 6L/24R Rehabilitation	TOTAL COST				3,176.0	
		STATE FUNDS				1,270.0	RB
		OTHER SOURCES				1,906.0	ADAP
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST				8,126.0	TOTAL
		STATE FUNDS				5,872.0	RB
		OTHER SOURCES				2,254.0	ADAP
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					

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 CAPITAL PROGRAM
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AGENCY	CATEGORY	
	PROGRAM	
DIVISION	SUB-PROGRAM	
	ELEMENT	
	SUB-ELEMENT	

PRIORITY	TITLE AND LOCATION		YEAR IN WHICH FUNDING IS REQUESTED				
			FY.73	FY 74	FY 75	FY 76	FY 77
I77-1	Anchorage, P.O. Purchase & Demolition	TOTAL COST					1,080.0
		STATE FUNDS				RB	1,080.0
		OTHER SOURCES					
I77-2	Fairbanks, Float Pond Construction (MP-3)	TOTAL COST					2,400.0
		STATE FUNDS				RB	960.0
		OTHER SOURCES				ADAP	1,440.0
I77-3	Fairbanks, Railroad Spur to Air Cargo Area (MP-1C)	TOTAL COST					70.0
		STATE FUNDS				RB	70.0
		OTHER SOURCES					
I77-4	Fairbanks, Passenger Terminal (MP-4)	TOTAL COST					1,600.0
		STATE FUNDS				RB	1,600.0
		OTHER SOURCES					
I77-5	Anchorage North Terminal Extension	TOTAL COST					4,300.0
		STATE FUNDS				RB	4,300.0
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST				TOTAL	9,450.0
		STATE FUNDS				RB	8,010.0
		OTHER SOURCES				ADAP	1,440.0
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					

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CAPITAL BUDGET
PROPOSED FIVE-YEAR
CAPITAL PROGRAM
FY 73-77

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AGENCY DPW	CATEGORY	WILLI	Transportation
	PROGRAM	C	Air Transportation
DIVISION Aviation	SUB PROGRAM		
	ELEMENT		
	SUB-ELEMENT		

PRIORITY	TITLE AND LOCATION		YEAR IN WHICH FUNDING IS REQUESTED				
			FY 73	FY 74	FY 75	FY 76	FY 77
175-1	Fairbanks, Parking Lot Expansion	TOTAL COST			100.0		
		STATE FUNDS			100.0	RB	
		OTHER SOURCES					
175-2	Fairbanks, Cargo Terminal	TOTAL COST			850.0		
		STATE FUNDS			850.0	RB	
		OTHER SOURCES					
175-3	Anchorage, Access Road (M.P. 38)	TOTAL COST			480.0		
		STATE FUNDS			480.0	RB	
		OTHER SOURCES					
175-4	Fairbanks, Cargo Apron	TOTAL COST			240.0		
		STATE FUNDS			96.0	RB	
		OTHER SOURCES			144.0	ADAP	
175-5	Fairbanks, General Aviation Apron Expansion	TOTAL COST			340.0		
		STATE FUNDS			136.0	RB	
		OTHER SOURCES			204.0	ADAP	
175-6	Anchorage, Employee Parking	TOTAL COST			500.0		
		STATE FUNDS			500.0	RB	
		OTHER SOURCES					
175-7	Anchorage, Air Cargo Area Paving (MP-8)	TOTAL COST			792.0		
		STATE FUNDS			317.0	RB	
		OTHER SOURCES			475.0	ADAP	
175-8	Anchorage, Terminal Access Taxiway (South) (MP-9)	TOTAL COST			328.0		
		STATE FUNDS			131.0	RB	
		OTHER SOURCES			197.0	ADAP	
175-9	Fairbanks, Cargo Terminal Vehicle Parking (MP-9)	TOTAL COST			150.0		
		STATE FUNDS			150.0	RB	
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					

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CAPITAL BUDGET
PROPOSED FIVE-YEAR
CAPITAL PROGRAM
FY 73-77

02/28/72

AGENCY	DPW	CATEGORY	VIII	Transportation
		PROGRAM	C	Air Transportation
DIVISION	Aviation	SUB-PROGRAM		
		ELEMENT		
		SUB-ELEMENT		

PRIORITY	TITLE AND LOCATION		YEAR IN WHICH FUNDING IS REQUESTED				
			FY 73	FY 74	FY 75	FY 76	FY 77
175-10	Fairbanks, General Aviation Terminal Bldg. (MP-12)	TOTAL COST			305.0		
		STATE FUNDS			305.0	RB	
		OTHER SOURCES					
175-11	Anchorage, Airfield Service Rd. (MP-15)	TOTAL COST			74.0		
		STATE FUNDS			30.0	RB	
		OTHER SOURCES			44.0	ADAP	
175-12	Fairbanks, General Aviation Auto Parking (MP-13)	TOTAL COST			110.0		
		STATE FUNDS			110.0		
		OTHER SOURCES					
175-13	Anchorage, General Aviation T/W to Lake Hood (MP-16) Unit #1	TOTAL COST			945.0		
		STATE FUNDS			378.0	RB	
		OTHER SOURCES			567.0	ADAP	
175-14	Fairbanks, Service Road System (MP-14)	TOTAL COST			800.0		
		STATE FUNDS			320.0	RB	
		OTHER SOURCES			480.0	ADAP	
175-15	Anchorage, Crash Rescue Station (MP-39)	TOTAL COST			319.0		
		STATE FUNDS			138.0	RB	
		OTHER SOURCES			181.0	ADAP	
175-16	Anchorage, Site Work Roads & Taxiway Construction and Lake Hood Unit #2	TOTAL COST			463.0		
		STATE FUNDS			185.0	RB	
		OTHER SOURCES			278.0	ADAP	
175-17	Fairbanks, Terminal Apron (MP-17)	TOTAL COST			160.0		
		STATE FUNDS			64.0	RB	
		OTHER SOURCES			96.0	ADAP	
175-18	Anchorage, Seaplane Facility, Lake Hood Expansion	TOTAL COST			218.0		
		STATE FUNDS			87.0	RB	
		OTHER SOURCES			131.0	ADAP	
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					

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CAPITAL BUDGET
PROPOSED FIVE-YEAR
CAPITAL PROGRAM
FY 73-77

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Secondary

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AGENCY	CATEGORY	
	PROGRAM	
DIVISION	SUBPROGRAM	
	ELEMENT	
	SUB-ELEMENT	

PRIORITY	TITLE AND LOCATION		YEAR IN WHICH FUNDING IS REQUESTED				
			FY 73	FY 74	FY 75	FY 76	FY 77
S73-1	Rooneh, Contract Finalization	TOTAL COST	130.0				
		STATE FUNDS	130.0	G.O.			
		OTHER SOURCES					
S73-2	Koliganek, Contract Finalization	TOTAL COST	30.0				
		STATE FUNDS	30.0	G.O.			
		OTHER SOURCES					
S73-3	Manokotak, Contract Finalization	TOTAL COST	20.0				
		STATE FUNDS	20.0	G.O.			
		OTHER SOURCES					
S73-4	Wainwright, Contract Finalization	TOTAL COST	22.0				
		STATE FUNDS	22.0	G.O.			
		OTHER SOURCES					
S73-5	Akolmiut, Construct Airstrip (Sunnitahuk/Kasigaluk) *	TOTAL COST	475.0				
		STATE FUNDS	55.0	G.O.			
		OTHER SOURCES	420.0	ADAP			
S73-6	Kongiganek, Construct Airstrip *	TOTAL COST	250.0				
		STATE FUNDS	250.0	G.O.			
		OTHER SOURCES					
S73-7	Sheldons Point, Construct Airstrip *	TOTAL COST	230.0				
		STATE FUNDS	230.0	G.O.			
		OTHER SOURCES					
S73-8	Kwigillingok, Construct Airstrip *	TOTAL COST	435.0				
		STATE FUNDS	435.0	G.O.			
		OTHER SOURCES					
S73-9	Nightmute, Construct Airstrip *	TOTAL COST	520.0				
		STATE FUNDS	100.0	G.O.			
		OTHER SOURCES	420.0	ADAP			
S73-10	Eek, Construct Airport *	TOTAL COST	58.0				
		STATE FUNDS	58.0	G.O.			
		OTHER SOURCES					
S73-11	Tundutuliak, Construct Airport	TOTAL COST	143.0				
		STATE FUNDS	143.0	G.O.			
		OTHER SOURCES					

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CAPITAL BUDGET
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CAPITAL PROGRAM
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AGENCY	CATEGORY	
	PROGRAM	
DIVISION	SUB PROGRAM	
	ELEMENT	
	SUB-ELEMENT	

PRIORITY	TITLE AND LOCATION		YEAR IN WHICH FUNDING IS REQUESTED				
			FY 73	FY 74	FY 75	FY 76	FY 77
		TOTAL COST	152.0				
S73-12	Girdwood, Erosion Control *	STATE FUNDS	42.0	G.O.			
		OTHER SOURCES	120.0	ADAP			
		TOTAL COST	200.0				
S73-13	Whittier, Construct Airstrip	STATE FUNDS	80.0	G.O.			
		OTHER SOURCES	120.0	ADAP			
		TOTAL COST	650.0				
S73-14	Teller, Construct Airstrip *	STATE FUNDS	240.0	G.O.			
		OTHER SOURCES	420.0	ADAP			
		TOTAL COST	160.0				
S73-15	Goodnews Bay, Construct Airstrip	STATE FUNDS	64.0	G.O.			
		OTHER SOURCES	96.0	ADAP			
		TOTAL COST	285.0				
S73-16	Newtok, Construct Airstrip*	STATE FUNDS	154.0	G.O.			
		OTHER SOURCES	231.0	ADAP			
		TOTAL COST	400.0				
S73-17	Chignik, Stabilize Surface & Construct Apron	STATE FUNDS	160.0	G.O.			
		OTHER SOURCES	240.0	ADAP			
		TOTAL COST	300.0				
S73-18	Secondary Airport Advance Surveys	STATE FUNDS	120.0	G.O.			
		OTHER SOURCES	180.0	ADAP			
		TOTAL COST			FY74	G.O. =	2525.0
						ADAP =	2277.0
						TOTAL =	4572.0
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					
		TOTAL COST					
		STATE FUNDS					
		OTHER SOURCES					

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CAPITAL BUDGET
PROPOSED FIVE-YEAR
CAPITAL PROGRAM
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AGENCY	CATEGORY
	PROGRAM
DIVISION	SUB-PROGRAM
	ELEMENT
	SUPPLEMENT

PRIORITY	TITLE AND LOCATION		YEAR IN WHICH FUNDING IS REQUESTED				
			FY 73	FY 74	FY 75	FY 76	FY 77
		TOTAL COST		650.0			
		STATE FUNDS		200.0	GF		
		OTHER SOURCES		450.0	ADAP		
S74-1	Ambler, Construct Airstrip	TOTAL COST		350.0			
		STATE FUNDS		150.0	GF		
		OTHER SOURCES		200.0	ADAP		
S74-2	Koliganek, Stabilize and Cross-strip	TOTAL COST		60.0			
		STATE FUNDS		60.0	GF		
		OTHER SOURCES					
S74-3	Port Lions, Reconst. N. 600' & gravel sur.	TOTAL COST		500.0			
		STATE FUNDS		200.0	GF		
		OTHER SOURCES		300.0	ADAP		
S74-4	Ouzinkie, Construct Airstrip	TOTAL COST		115.0			
		STATE FUNDS		115.0	GF		
		OTHER SOURCES					
S74-5	Naknek, Construct Apron & Reconst. Airst	TOTAL COST		30.0			
		STATE FUNDS		30.0	GF		
		OTHER SOURCES					
S74-6	Anvik, Reconstruct Landing Strip	TOTAL COST		490.0			
		STATE FUNDS		195.0	GF		
		OTHER SOURCES		295.0	ADAP		
S74-7	Regrade existing strip and Noorvik, Construct Cross-strip	TOTAL COST		75.0			
		STATE FUNDS		75.0	GF		
		OTHER SOURCES					
S74-8	Quinhagak, Construct Apron, Regrad Airstr.	TOTAL COST		500.0			
		STATE FUNDS		200.0	GF		
		OTHER SOURCES		300.0	ADAP		
S74-9	Construct Seaplane Base, Petersburg, Ramp and Turnaround	TOTAL COST		282.0			
		STATE FUNDS		282.0	GF		
		OTHER SOURCES					
S74-10	Emmonak, Reconstruct Runway	TOTAL COST		150.0			
		STATE FUNDS		60.0	GF		
		OTHER SOURCES		90.0	ADAP		
S74-11	Koyukuk, Reconstruct & Extend Airstrip	TOTAL COST		60.0			
		STATE FUNDS		60.0	GF		
		OTHER SOURCES					