

LEG. FINANCE - BILLS 1977 - 1978 777

HB 658 thru CS HB 667 777



RECORDS CERTIFICATION



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James O. Smith
Signature of Camera Operator

2/14/90
Date

Introduced. 1/19/78
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 HOUSE BILL NO. 658

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to construction performed by the
7 Department of Transportation and Public Facilities."

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

9 * Section 1. AS 35.15.010 is amended by adding a new subsection to read:

10 (b) Construction performed by the department under (a) of this
11 section which has an estimated cost exceeding \$50,000 may not be ordered
12 unless the commissioner determines, in writing, that the cost to the
13 state will be less than that incurred as a result of a formally adver-
14 tised or negotiated procurement of the construction. The determination
15 of the commissioner shall be supported by findings of fact which shall
16 set out enough facts and circumstances to clearly justify the determi-
17 nation. The determinations and findings shall be maintained as a
18 permanent record of the department.

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Original sponsor: State Affairs Committee

Offered: 4/18/78
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2

CS FOR HOUSE BILL NO. 658

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to construction performed by the

7

Department of Transportation and Public Facilities."

8

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

9

* Section 1. AS 19.10.170 is amended to read:

10

Sec. 19.10.170. CONSTRUCTION BY DEPARTMENT. Except as provided in

11

AS 44.33.300, it shall be the general policy of the department to re-

12

quire the construction of all highways under bid contract. However,

13

subject to the provisions of (b) of this section, when the estimated cost

14

of a construction project is less than \$100,000 [\$20,000] or when it

15

appears to be in the best interests of the state, the department may

16

perform the work notwithstanding any other provisions of law.

17

* Sec. 2. AS 19.10.170 is amended by adding new subsections to read:

18

(b) Construction or professional services in connection with the

19

construction of highways performed by the department under (a) of this

20

section which has an estimated cost exceeding \$10,000 may not be com-

21

menced unless the commissioner determines, in writing, that the cost to

22

the state will be less than that incurred as a result of a formally

23

advertised or negotiated contract. The determination of the commissioner

24

shall be supported by findings of fact which shall set out enough facts

25

and circumstances to clearly justify the determination. The determina-

26

tions and findings shall be maintained as a permanent record of the

27

department.

28

(c) In this section, "professional services" means architectural,

29

engineering, or land surveying services.

1 * Sec. 3. AS 19.10.190 is amended to read:

2 Sec. 19.10.190. ADVERTISEMENT, BIDS, CONTRACTS, AND INFORMAL BIDS.
3 Except as provided in AS 44.33.300, when the estimated cost of any
4 construction exceeds \$100,000 [\$20,000], the department shall, except as
5 provided in sec. 170(a) of this chapter, proceed to advertise, request
6 bids, and award the contract in the manner provided in secs. 200 and 210
7 of this chapter. Whenever any proposed construction contract is for a
8 sum less than \$100,000 [\$20,000], it shall be discretionary with the
9 department whether the contract shall be advertised and awarded in
10 accordance with secs. 200 and 210 of this chapter. In all events the
11 department shall request informal bids from as many contractors as can
12 be requested conveniently.

13 * Sec. 4. AS 35.15.010 is amended by adding new subsections to read:

14 (b) Construction or professional services in connection with the
15 construction of a public work performed by the department under (a) of
16 this section which has an estimated cost exceeding \$10,000 may not be
17 commenced unless the commissioner determines, in writing, that the cost
18 to the state will be less than that incurred as a result of a formally
19 advertised or negotiated contract. The determination of the commissioner
20 shall be supported by findings of fact which shall set out enough facts
21 and circumstances to clearly justify the determination. The determina-
22 tions and findings shall be maintained as a permanent record of the
23 department.

24 (c) In this section, "professional services" means architectural,
25 engineering, or land surveying services.
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SUGGESTED AMENDMENTS TO CSHB 658 (An Act relating to construction performed by the Department of Transportation and Public Facilities).

On line 6, pg 1, add (following construction) the words "and maintenance"

On line 18, pg 1, add comma following construction and the word "maintenance,"

On line ⁷~~22~~, Pg 2, add, following "construction", the words "or maintenance"

On line 14, pg 2, add, following "construction", comma and "maintenance,"

In both AS 19 and 35 the definition of "maintenance" is clearly stated and no other amendments are needed.

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

HB 658

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB No. 658
 Title An Act Relating to Construction Performed By DOT/PF
 Requested by Legislative Finance Div. Date Feb. 15, 1978

II. FISCAL DETAIL

Agency Affected Department of Transportation and Public Facilities
 Program Category Affected Transportation
 Budget Request Unit(s) Affected Highways Design and Construction

EXPENDITURES (Thousands of Dollars)

| | FY 77 | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | | | 0 | | | |

FUNDING (Thousands of Dollars)

| | | | | | | |
|-----------------|--|--|---|--|--|--|
| GENERAL FUND | | | 0 | | | |
| FEDERAL FUNDS | | | 0 | | | |
| OTHER (Specify) | | | | | | |
| | | | | | | |

POSITIONS

| | | | | | | |
|-----------|--|--|---|--|--|--|
| FULL TIME | | | 0 | | | |
| PART TIME | | | 0 | | | |
| TEMPORARY | | | 0 | | | |

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

No fiscal impact anticipated.

IV. DATE _____ PREPARED BY *J.P. [Signature]*
 AGENCY DOT/PF
 PHONE 364-2121

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) _____ State Affairs Committee

5/9/78

original bill
returned to Chief
Clerk's office
at their request.

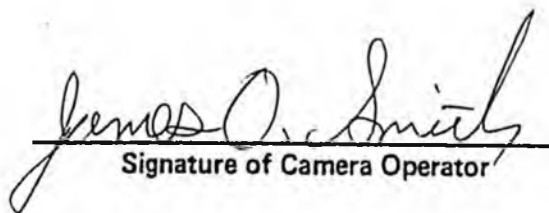
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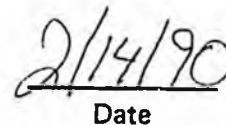


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Signature of Camera Operator


Date

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. HB 660
 Title Cost of Living Allowance Under the TRS
 Requested by _____ Date _____

II. FISCAL DETAIL
 Agency Affected Administration - Division of Retirement and Benefits
 Program Category Affected Retirement and Benefits (TRS)
 Budget Request Unit(s) Affected Teachers' Retirement System

EXPENDITURES (Thousands of Dollars)

| | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 | FY 83 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | 21.4 | 23.5 | 25.9 | 28.5 | 31.4 |
| 100 BENEFITS | | 4.9 | 5.4 | 6.0 | 6.6 | 7.3 |
| TOTAL | -0- | 26.3 | 28.9 | 31.9 | 35.1 | 38.7 |

FUNDING (Thousands of Dollars)

| | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 | FY 83 |
|-----------------|-------|-------|-------|-------|-------|-------|
| GENERAL FUND | | 26.3 | 28.9 | 31.9 | 35.1 | 38.7 |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify) | | | | | | |

POSITIONS NONE

| | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 | FY 83 |
|-----------|-------|-------|-------|-------|-------|-------|
| FULL TIME | | | | | | |
| PART TIME | | | | | | |
| TEMPORARY | | | | | | |

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

1. Estimate FY 79 Covered TRS payroll to be \$214,000,000.
2. Estimate future covered payrolls will increase at 10% annually.
3. Increase in combined TRS State Match and employer contribution rate would be .02%.

IV. DATE 2/06/78 PREPARED BY Paul B. Arnoldt
 AGENCY Division of Retirement and Benefits
 PHONE 465-4460 *OK.*
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) Rules Committee
 Office of the Governor (Keith Specking)
 33-001 (Rev. 12/77)

ATTACHMENT

Bill/Resolution No. HB 660ASSUMPTIONS:

| | | |
|--|---|---------------|
| 1. Estimated FY79 Payroll (Total System) | = | \$214,000,000 |
| 2. State Contribution Rate to Fund Bill | = | .01 % |
| 3. State TRS Matching Rate to Fund Bill | = | .01 % |
| 4. School District Rate to Fund Bill | = | .01 % |

COST ANALYSIS:

| <u>Employer</u> | <u>Payroll</u> | | <u>Rate</u> | <u>Cost</u> | <u>Appropriation</u> |
|------------------------------|-----------------------|---|-------------|-----------------|----------------------|
| 1. Department of Education | \$ 5,800,000 | X | .01 % | \$ 530 | To Their Budget |
| 2. University of Alaska | \$ 43,500,000 | X | .01 % | \$ 4,350 | To Their Budget |
| | | | | <u>\$ 4,930</u> | |
| 3. State TRS Matching | \$214,000,000 | X | .01 % | \$21,400 | To TRS Match |
| 4. State TRS Regular Budget: | | | | | |
| Personal Services | | | | \$ -0- | To Personal Services |
| Travel | | | | \$ -0- | To Travel |
| Contractual | | | | \$ -0- | To Contractual |
| Equipment | | | | <u>\$ -0-</u> | To Equipment |
| | | | | | |
| | COST TO STATE IN FY79 | | | <u>\$26,330</u> | |
| 5. All School Districts | \$164,700,000 | X | .01 % | <u>\$16,470</u> | |
| | TOTAL COST IN FY79 | | | <u>\$42,800</u> | |

REMARKS:

January 31, 1978

Le Finance

Legislative Board of Retirement Benefits analysis and recommendations
on:

House Bill No. 660

This bill is being reviewed to determine fiscal impact. No detailed analysis is possible at this time. Therefore, the board reserves judgment until more information is available.

SUMMARY OF HOUSE BILL NO. 660

Retirement system affected: ^{TRS} PERS

^{TRS}
Increases from 60 to 90 days the period during which a person receiving benefits under PERS may be absent from Alaska before losing his 10 percent cost-of-living allowance.

Permits a person receiving benefits to retain his cost-of-living allowance even though he is outside of Alaska if his absence from the state is attributable to orders from a licensed physician and does not exceed six months.

Applies to people retired before the Act's effective date as well as to future retirees.

Takes effect July 1, 1978

Introduced: 1/19/78
Referred: Health, Education &
Social Services and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE LEGISLATIVE
COUNCIL (for the Interim
Committee on Retirement)

1 IN THE HOUSE

2 HOUSE BILL NO. 660

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the cost of living allowance pro-
7 vided under the teachers' retirement system; and pro-
8 viding for an effective date."

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

10 * Section 1. AS 14.25.142(b) and (c) are amended to read:

11 (b) A person receiving a cost of living allowance under this sec-
12 tion shall notify the administrator when he expects to be absent from
13 the state for a continuous period that exceeds 90 [60] days. After that
14 notification, the person is no longer entitled to receive the monthly
15 cost of living allowance, except that a person may be absent from the
16 state for not more than six months without loss of the cost of living
17 allowance if the absence is the result of illness and required by order
18 of a licensed physician. Upon his return to the state, and upon notifi-
19 cation to the administrator, the person is again entitled to receive the
20 monthly cost of living allowance, commencing with the first monthly
21 benefit payment made after notification of the person's return.

22 (c) For purposes of this section, "residing in the state" means
23 domiciled and physically present in the State of Alaska. Being absent
24 from the state for a continuous period of 90 [60] days or less or six
25 months or less when ordered by a physician does not change a person's
26 status as "residing in the state".

27 * Sec. 2. Persons retired before July 1, 1978 are entitled to receive the
28 increase in benefits enacted in sec. 1 of this Act.

29 * Sec. 3. This Act takes effect July 1, 1978.

#

February 24, 1978

Legislative Board of Retirement Benefits analysis and recommendations
on:

House Bill No. 660

The board endorses the attached fiscal note as its fiscal analysis
of HB 660. The fiscal impact is minimal.

A majority of the board recommends that HB 660 do pass; two members
were absent.

SUMMARY OF HOUSE BILL NO. 660

Retirement system affected: TRS

Increases from 60 to 90 days the period during which a person receiving benefits under TRS may be absent from Alaska before losing his 10 percent cost-of-living allowance.

Permits a person receiving benefits to retain his cost-of-living allowance even though he is outside of Alaska if his absence from the state is attributable to orders from a licensed physician and does not exceed six months.

Applies to people retired before the Act's effective date as well as to future retirees.

Takes effect July 1, 1978

Introduced: 1/19/78
Referred: Health, Education &
Social Services and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE LEGISLATIVE
COUNCIL (for the Interim
Committee on Retirement)

1 IN THE HOUSE

2 HOUSE BILL NO. 660

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

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8 viding for an effective date."

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15 cost of living allowance, except that a person may be absent from the
16 state for not more than six months without loss of the cost of living
17 allowance if the absence is the result of illness and required by order
18 of a licensed physician. Upon his return to the state, and upon notifi-
19 cation to the administrator, the person is again entitled to receive the
20 monthly cost of living allowance, commencing with the first monthly
21 benefit payment made after notification of the person's return.

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23 domiciled and physically present in the State of Alaska. Being absent
24 from the state for a continuous period of 90 [60] days or less or six
25 months or less when ordered by a physician does not change a person's
26 status as "residing in the state".

27 * Sec. 2. Persons retired before July 1, 1978 are entitled to receive the
28 increase in benefits enacted in sec. 1 of this Act.

29 * Sec. 3. This Act takes effect July 1, 1978.

#

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 660
Title Cost of Living Allowance Under the TRS
Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement and Benefits
Program Category Affected Retirement and Benefits (TRS)
Budget Request Unit(s) Affected Teachers' Retirement System

EXPENDITURES (Thousands of Dollars)

| | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 | FY 83 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | 21.4 | 23.5 | 25.9 | 28.5 | 31.4 |
| 100 BENEFITS | | 4.9 | 5.4 | 6.0 | 6.6 | 7.3 |
| TOTAL | -0- | 26.3 | 28.9 | 31.9 | 35.1 | 38.7 |

FUNDING (Thousands of Dollars)

| | | | | | | |
|-----------------|--|------|------|------|------|------|
| GENERAL FUND | | 26.3 | 28.9 | 31.9 | 35.1 | 38.7 |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify) | | | | | | |

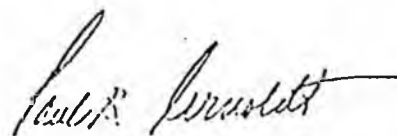
POSITIONS

NONE

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL TIME | | | | | | |
| PART TIME | | | | | | |
| TEMPORARY | | | | | | |

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

1. Estimate FY 79 Covered TRS payroll to be \$214,000,000.
2. Estimate future covered payrolls will increase at 10% annually.
3. Increase in combined TRS State Match and employer contribution rate would be .02%.



IV. DATE 2/06/78 PREPARED BY Paul B. Arnoldt
AGENCY Division of Retirement and Benefits
PHONE 465-6460
Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (if not Legislator Named) Rules Committee

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. HB 660
 Title Cost of Living Allowance Under the TRS
 Requested by _____ Date _____

II. FISCAL DETAIL
 Agency Affected Administration - Division of Retirement and Benefits
 Program Category Affected Retirement and Benefits (TRS)
 Budget Request Unit(s) Affected Teachers' Retirement System

EXPENDITURES (Thousands of Dollars)

| | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 | FY 83 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | 21.4 | 23.5 | 25.9 | 28.5 | 31.4 |
| 100 BENEFITS | | 4.9 | 5.4 | 6.0 | 6.6 | 7.3 |
| TOTAL | -0- | 26.3 | 28.9 | 31.9 | 35.1 | 38.7 |

FUNDING (Thousands of Dollars)

| | | | | | | |
|-----------------|--|------|------|------|------|------|
| GENERAL FUND | | 26.3 | 28.9 | 31.9 | 35.1 | 38.7 |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify) | | | | | | |
| | | | | | | |

POSITIONS

NONE

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL TIME | | | | | | |
| PART TIME | | | | | | |
| TEMPORARY | | | | | | |

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

1. Estimate FY 79 Covered TRS payroll to be \$214,000,000.
2. Estimate future covered payrolls will increase at 10% annually.
3. Increase in combined TRS State Match and employer contribution rate would be .02%.



IV. DATE 2/06/78 PREPARED BY Paul B. Arnoldt
 AGENCY Division of Retirement and Benefits
 PHONE 465-4460 OK.

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) Rules Committee
 Office of the Governor (Keith Specking)

ATTACHMENT

Bill/Resolution No. HB 660ASSUMPTIONS:

| | | |
|--|---|---------------|
| 1. Estimated FY79 Payroll (Total System) | = | \$214,000,000 |
| 2. State Contribution Rate to Fund Bill | = | .01 % |
| 3. State TRS Matching Rate to Fund Bill | = | .01 % |
| 4. School District Rate to Fund Bill | = | .01 % |

COST ANALYSIS:

| <u>Employer</u> | <u>Payroll</u> | | <u>Rate</u> | <u>Cost</u> | <u>Appropriation</u> |
|------------------------------|----------------|---|-------------|-----------------|----------------------|
| 1. Department of Education | \$ 5,800,000 | X | .01 % | \$ 530 | To Their Budget |
| 2. University of Alaska | \$ 43,500,000 | X | .01 % | \$ 4,350 | To Their Budget |
| | | | | <u>\$ 4,930</u> | |
| 3. State TRS Matching | \$214,000,000 | X | .01 % | \$21,400 | To TRS Match |
| 4. State TRS Regular Budget: | | | | | |
| Personal Services | | | | \$ -0- | To Personal Services |
| Travel | | | | \$ -0- | To Travel |
| Contractual | | | | \$ -0- | To Contractual |
| Equipment | | | | <u>\$ -0-</u> | To Equipment |
| | | | | | |
| | | | | <u>\$26,330</u> | |
| | | | | | |
| 5. All School Districts | \$164,700,000 | X | .01 % | <u>\$16,470</u> | |
| | | | | | |
| | | | | <u>\$42,800</u> | |

REMARKS:

COMMITTEE REPORT

HOUSE

2/14/78

FURTHER: _____

Date: _____

Mr. Speaker:

The Committee on FINANCE has had HB 660
"An Act relating to the cost of living allowance provided under the
teachers' retirement system; effective date."

under consideration and (a majority of the committee) (the committee
reports it back as follows)

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 _____ new title same title

AND attaches a Letter of Intent New Fiscal Note

reports it back without recommendation

and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

COMMITTEE REPORT

HOUSE

1/19/78

FURTHER: FINANCE

Date: _____

Mr. Speaker:

The Committee on HESS has had HB 660
"An Act relating to the cost of living allowance provided under the teachers' retirement system; eff. date."

under consideration and (a majority of the committee) (~~the committee~~ reports it back as follows)

() 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 _____ () new title () same title

() AND attaches a Letter of Intent () New Fiscal Note

() reports it back without recommendation

() and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

Bob Bennett Do Pass
Sam Coit Do Pass
P. D. Lee Do Pass
Charles Han Do Pass
Mike Beiser do pass

OTHER RECOMMENDATIONS:

(2) W. Charters Do Not Pass
(3) W. C. Lee Do not pass unless amended.

Charles Han
Chairman

Introduced: 1/19/78
Referred: Health, Education &
Social Services and Finance

4628
walker

BY THE RULES COMMITTEE BY
REQUEST OF THE LEGISLATIVE
COUNCIL (for the Interim
Committee on Retirement)

1 IN THE HOUSE

2 HOUSE BILL NO. 660

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the cost of living allowance pro-
7 vided under the teachers' retirement system; and pro-
8 viding for an effective date."

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

10 * Section 1. AS 14.25.142(b) and (c) are amended to read:

11 (b) A person receiving a cost of living allowance under this sec-
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13 the state for a continuous period that exceeds 90 [60] days. After that
14 notification, the person is no longer entitled to receive the monthly
15 cost of living allowance, except that a person may be absent from the
16 state for not more than six months without loss of the cost of living
17 allowance if the absence is the result of illness and required by order
18 of a licensed physician. Upon his return to the state, and upon notifi-
19 cation to the administrator, the person is again entitled to receive the
20 monthly cost of living allowance, commencing with the first monthly
21 benefit payment made after notification of the person's return.

22 (c) For purposes of this section, "residing in the state" means
23 domiciled and physically present in the State of Alaska. Being absent
24 from the state for a continuous period of 90 [60] days or less or six
25 months or less when ordered by a physician does not change a person's
26 status as "residing in the state".

27 * Sec. 2. Persons retired before July 1, 1978 are entitled to receive the
28 increase in benefits enacted in sec. 1 of this Act.

29 * Sec. 3. This Act takes effect July 1, 1978.

#

ALASKA STATE LEGISLATURE

TENTH Legislature SECOND Session

HOUSE BILL NO. 600

By THE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE COUNCIL (for the Interim Committee on Retirement)

"An Act relating to the cost of living allowance provided under the teachers' retirement system; and providing for an effective date."

COLA under teachers' retirement

Introduced in the House 1-19-, 1978.

HISTORY IN THE HOUSE

| | | | | | | | | | | | | | |
|-----------------|--|-----------------|----------------|------|----------------|------|------|--------|--------|---------|---------|---------|---------|
| 1978 | Read first time and referred to Committee on | | | | | | | | | | | | |
| Jan. 19 | HESS and Finance | | | | | | | | | | | | |
| | Reported back with recommendation that | | | | | | | | | | | | |
| | Read second time and | | | | | | | | | | | | |
| | Read third time and | | | | | | | | | | | | |
| | <table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table> | PASS | Effective Date | Yeas | Yeas | Nays | Nays | Absent | Absent | Excused | Excused | | |
| PASS | Effective Date | | | | | | | | | | | | |
| Yeas | Yeas | | | | | | | | | | | | |
| Nays | Nays | | | | | | | | | | | | |
| Absent | Absent | | | | | | | | | | | | |
| Excused | Excused | | | | | | | | | | | | |
| | <table border="0"> <tr> <td colspan="2">Reconsideration</td> </tr> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table> | Reconsideration | | PASS | Effective Date | Yeas | Yeas | Nays | Nays | Absent | Absent | Excused | Excused |
| Reconsideration | | | | | | | | | | | | | |
| PASS | Effective Date | | | | | | | | | | | | |
| Yeas | Yeas | | | | | | | | | | | | |
| Nays | Nays | | | | | | | | | | | | |
| Absent | Absent | | | | | | | | | | | | |
| Excused | Excused | | | | | | | | | | | | |
| | Reported correctly engrossed | | | | | | | | | | | | |
| | Signed by Speaker | | | | | | | | | | | | |
| | Sent to Senate | | | | | | | | | | | | |
| | CHIEF CLERK OF THE HOUSE | | | | | | | | | | | | |

HISTORY IN THE SENATE

| | | | | | | | | | | | | | |
|-----------------|--|-----------------|----------------|------|----------------|------|------|--------|--------|---------|---------|---------|---------|
| 19 | Read first time and referred to Committee on | | | | | | | | | | | | |
| | Reported back with recommendation that | | | | | | | | | | | | |
| | Read second time and | | | | | | | | | | | | |
| | Read third time and | | | | | | | | | | | | |
| | <table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table> | PASS | Effective Date | Yeas | Yeas | Nays | Nays | Absent | Absent | Excused | Excused | | |
| PASS | Effective Date | | | | | | | | | | | | |
| Yeas | Yeas | | | | | | | | | | | | |
| Nays | Nays | | | | | | | | | | | | |
| Absent | Absent | | | | | | | | | | | | |
| Excused | Excused | | | | | | | | | | | | |
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| Reconsideration | | | | | | | | | | | | | |
| PASS | Effective Date | | | | | | | | | | | | |
| Yeas | Yeas | | | | | | | | | | | | |
| Nays | Nays | | | | | | | | | | | | |
| Absent | Absent | | | | | | | | | | | | |
| Excused | Excused | | | | | | | | | | | | |
| | Reported correctly engrossed | | | | | | | | | | | | |
| | Signed by President | | | | | | | | | | | | |
| | Returned to House | | | | | | | | | | | | |
| | SECRETARY OF THE SENATE | | | | | | | | | | | | |

HISTORY IN THE HOUSE

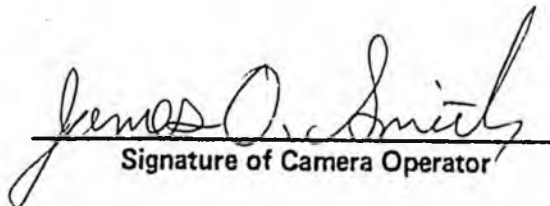
| | |
|----|--|
| 19 | Received from Senate |
| | Concurred in Senate amendment thus adopting: |
| | Failed to concur in Senate amendment; asked Sen. to recede |
| | Senate receded from amendment |
| | Senate failed to recede from amendment |
| | FCC appointed by House |
| | FCC appointed by Senate |
| | FCC adopted |
| | To enrolling |
| | Reported correctly enrolled |
| | Sent to Governor |
| | by Governor |
| | Filed with Lt. Governor |
| | Chapter No. |

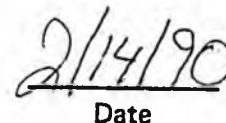


RECORDS CERTIFICATION



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Signature of Camera Operator


Date

COMMITTEE REPORT
HOUSE

1/19/78

FURTHER: _____
1-23

Date: 1-18

Mr. Speaker:

The Committee on FINANCE has had HB 662
"An Act relating to an income tax refund for the 1977 tax year and making miscellaneous amendments to the income tax statutes; eff. date."

under consideration and (a majority of the committee) (the committee reports it back as follows)

- 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 _____ new title same title
- AND attaches a Letter of Intent New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Freeman
Rhodes
Hanson
John McKinley
Bickel
...
...

John Rhodes
 Chairman

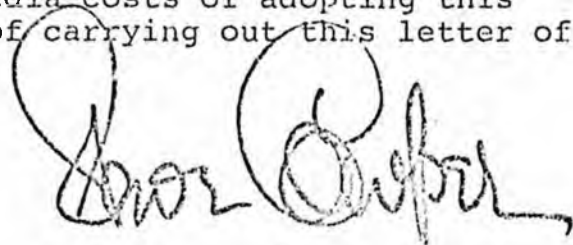
HOUSE JOURNAL

HOUSE FINANCE COMMITTEE

LETTER OF INTENT
Accompanying HOUSE BILL NO. 662

The Department of Revenue shall take reasonable steps to inform Alaskan taxpayers of the change in the law as evidenced by this bill, including written notice to businesses and professions which customarily assist in the preparation of tax returns. It is the intent of the Legislature that as few citizens as possible be required to pay the amounts which will later be refunded.

The accompanying fiscal notes cover the added administrative and advertising media costs of adopting this change in the tax code and of carrying out this letter of intent.

A handwritten signature in dark ink, appearing to read "Steve Cowper", written over a horizontal line.

Steve Cowper, Chairman
House Finance Committee

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill #662
 Title An Act relating to an income tax refund for the 1977 tax year and making
~~Requests by~~ misc. amendments to the income tax statute Date 1/26/78
 Requested by: House Finance Committee

II. FISCAL DETAIL

Agency Affected Revenue
 Program Category Affected Fiscal Services
 Budget Request Unit(s) Affected Audit Division

EXPENDITURES (Thousands of Dollars)

| | FY 78 | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 |
|--------------------------|-------------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | 32.4 | | | | | |
| 200 TRAVEL | 3.0 | | | | | |
| 300 CONTRACTUAL | 6.0 | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | 41.4 | | | | | |

FUNDING (Thousands of Dollars)

| | | | | | | |
|-----------------|------|--|--|--|--|--|
| GENERAL FUND | 41.4 | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify) | | | | | | |
| | | | | | | |

POSITIONS

| | | | | | | |
|-----------|---|--|--|--|--|--|
| FULL TIME | | | | | | |
| PART TIME | | | | | | |
| TEMPORARY | 6 | | | | | |

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

Five temporary positions are requested to provide additional taxpayer assistance at our offices in Anchorage, Fairbanks, Seattle, and Juneau for four months. One temporary position is requested for the Error Correction Unit in Juneau to handle the increased errors which will occur as taxpayers attempt to take the Standard Deduction.

The travel monies are requested so that we can provide additional taxpayer assistance in cities where we do not have an office.

The contractual monies are requested to cover the additional long distance expense and postage to notify all practitioners of the proper method to adjust a return to take the Standard Deduction.

IV. DATE 1/26/78

PREPARED BY *Henry Clark*
 AGENCY AUDIT DIVISION
 PHONE 465-7320

Original: Legislative Finance
 cc: Budget and Management
Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

REQUEST

Bill/Resolution No. House Bill No. 662
 Title An act relating to an income tax refund for the 1977 tax year and making miscellaneous amendments to the income tax statutes.
 Requested by House Finance Committee Date _____

II. FISCAL DETAIL

Agency Affected Revenue
 Program Category Affected General Government
 Budget Request Unit(s) Affected Administrative Services

EXPENDITURES (Thousands of Dollars)

| | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 | FY 83 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | 37.6 | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | 4.5 | | | | | |
| 400 COMMODITIES | .2 | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | 42.3 | | | | | |

FUNDING (Thousands of Dollars)

| | | | | | | |
|-----------------|------|--|--|--|--|--|
| GENERAL FUND | 42.3 | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify) | | | | | | |

POSITIONS

| | | | | | | |
|-----------|------|-----|--|--|--|--|
| FULL TIME | | | | | | |
| PART TIME | | | | | | |
| TEMPORARY | 6/26 | run | | | | |


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

Personal Services

3 Scan Temporary Positions plus benefits and 2 Tax Examiner Positions plus benefits to review returns, to identify standard deduction status and to handle the additional workload as multiple handling of documents will be required. 1 month of System Analyst time is required for revising the computer programs to process the change.

Contractual

Media coverage instructing the taxpayers how to file returns to include the provision authorized by the legislation. Some public service is anticipated. Additional exposure will be purchased on radio, T.V. and in newspapers.

IV. DATE January 26, 1978 PREPARED BY  Phillip A. Wall
 AGENCY Revenue
 PHONE 465-2313
 Original: Legislative Finance
 cc: Budget and Management
Prime Sponsor (First Legislator Named)

Introduced: 1/19/78
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 662

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to an income tax refund for the 1977
7 tax year and making miscellaneous amendments to the
8 income tax statutes; and providing for an effective
9 date."

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

11 * Section 1. AS 43.20.031(a) is amended by adding a new paragraph to
12 read:

13 (4) each taxpayer shall be allowed a minimum deduction
14 equivalent in amount to the "zero bracket amount" defined in sec.
15 63(d) of the Internal Revenue Code.

16 * Sec. 2. AS 43.20.035(a) is amended to read:

17 (a) The taxable income of nonresidents or part-year residents of
18 this state is taxable income as determined under sec. 31 of this
19 chapter when attributable to sources in the state as provided in sec.
20 40 of this chapter with the following modifications [ADJUSTMENTS]:

21 (1) a nonresident or part-year resident who has no excess
22 Alaska itemized deductions as defined in (4) of this subsection is
23 allowed the minimum deduction provided by sec. 31(a)(4) of this chapter
24 in the proportion provided in (b) of this section [CLAIMS THE STANDARD
25 DEDUCTION AS DEFINED IN INTERNAL REVENUE CODE SEC. 141 IS ALLOWED THE
26 DEDUCTION IN THE PROPORTION PROVIDED IN (b) OF THIS SECTION];

27 (2) a nonresident or part-year resident is allowed a deduc-
28 tion equal to the personal exemption deduction as defined in sec. 151
29 of the Internal Revenue Code in the proportion provided in (b) of this

1 section [ENTITLED TO CLAIM THE PERSONAL EXEMPTIONS AS DEFINED IN SEC.
2 151 OF THE INTERNAL REVENUE CODE IN THE PROPORTION PROVIDED IN (b) OF
3 THIS SECTION];

4 (3) a nonresident or part-year resident who has excess
5 Alaska itemized deductions is allowed his entire Alaska itemized
6 deductions [ITEMIZES DEDUCTIONS IS ALLOWED A DEDUCTION FOR THOSE ITEMS
7 DEDUCTIBLE UNDER THE INTERNAL REVENUE CODE WHICH ARISE FROM SOURCES IN
8 THE STATE];

9 (4) "Alaska itemized deductions" as used in this section
10 are those itemized deductions allowed under the Internal Revenue Code
11 which arise from sources in the state except those items described in
12 sec. 31(c) of this chapter; "excess Alaska itemized deductions" means
13 the excess (if any) of:

14 (A) Alaska itemized deductions, over

15 (B) the minimum deduction as defined in sec. 31(a)(4)

16 of this chapter.

17 * Sec. 3. (a) Instead of allowing the taxpayer to claim the minimum
18 deduction allowed under AS 43.20.031(a)(4) for 1977, the Department of
19 Revenue shall refund the overpayment of taxes paid by individual taxpayers
20 under AS 43.20 for the 1977 tax year as a result of the 1977 amendments to
21 sec. 63 of the 1954 Internal Revenue Code, 26 U.S.C. sec. 63, made by sec.
22 102(a) of P. L. 95-30 which repealed the standard deduction and replaced it
23 with the minimum deduction at the federal level. The refund shall be
24 determined without regard to provisions under AS 43.20 for income averaging,
25 alternative tax on capital gains, maximum tax on earned income, minimum tax
26 on tax preferences, or allowable credits claimed on the original return.
27 The amount of the refund shall be calculated by subtracting the tax as
28 computed under the appropriate tax rates, as provided under (1), (2), or
29 (3) of this subsection, on the Alaska taxable income (allowing a deduction

1 in the amount of the appropriate "zero bracket amount" as defined under
2 sec. 63 of the Internal Revenue Code) from the amount of tax which would
3 have been imposed under AS 43.20 on taxable income if the amendments con-
4 tained in this Act were not in effect for the 1977 tax year. In calculating
5 the amount of the refund, the following tax rates shall be used:

6 (1) refunds for single taxpayers and married taxpayers fil-
7 ing separate returns not qualifying for rates in AS 43.20.011(b) or (c)
8 shall be calculated as if the taxpayer used the rate in AS 43.20.011(a) on
9 his original filing;

10 (2) refunds for married taxpayers, filing joint returns,
11 and certain widows and widowers who qualify under the provisions of AS
12 43.20.011(b) shall be calculated as if the taxpayer used the rates in that
13 subsection on his original filing;

14 (3) refunds for unmarried (or legally separated) taxpayers
15 who qualify as heads of household under the provisions of AS 43.20.011(c)
16 shall be calculated as if the taxpayer used the rates in that subsection on
17 his original return.

18 (b) Notwithstanding (a) of this section, in the case of non-
19 resident or part-year individuals who do not have excess itemized deduc-
20 tions the amount of the refund shall be based upon the appropriate "zero
21 bracket amount" as defined under sec. 63 of the Internal Revenue Code
22 prorated as provided by AS 43.20.035(b).

23 (c) This refund applies to every individual taxpayer filing a
24 return under AS 43.20 for a tax year beginning in the calendar year of
25 1977. In no case may the refund exceed the tax based on AS 43.20.011 less
26 credits allowable under AS 43.20 as finally determined by the department.

27 (d) If the amount of the refund is redetermined by action of the
28 taxpayer or the department, any deficiency shall be assessed and collected
29 in the same manner as the original tax.

1 (e) Interest shall be allowed and paid on any refund made under
2 this section as provided for in AS 43.05.280.

3 * Sec. 4. The refund provided for in sec. 3 of this Act is the sole
4 means of using the minimum deduction established in AS 43.20.031(a)(4)
5 (under secs. 1 and 2 of this Act) for income tax returns covering tax years
6 beginning on or after January 1, 1977 but before January 1, 1978.

7 * Sec. 5. Sections 1 and 2 of this Act are retroactive to January 1,
8 1977.

9 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
10 10.070(c).

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143662

January 19, 1978

The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18 of the Alaska Constitution and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill to rectify a situation that has caused an unintentional increase in the individual income tax for Alaskan individual income taxpayers. The 1977 Tax Reduction and Simplification Act, Public Law 95-30, among other things, restructured the standard deduction and itemized deductions available to taxpayers. The Act eliminated the standard deduction and reduced itemized deductions by a similar amount (\$3,200 for a married couple). The federal tax rates were then adjusted to compensate for the loss of the deduction. The net effect, for federal tax purposes, was that there was no increase in taxes.

However, for Alaska purposes, the situation was different. Alaska income taxes are tied to the federal code to some extent. Alaska uses federal taxable income as a tax base. Therefore, the elimination of the standard deduction and the reduction of itemized deductions were automatically adopted by Alaska. However, since Alaska tax rates are set by statute and do not change automatically with federal changes, the compensating tax rate reduction did not take place. The effect, for Alaska purposes, was to increase Alaska taxable income for residents between \$1,600 and \$3,200.

The bill addresses the problem in two ways. First, in order to provide relief for the 1977 tax year, the bill amends the law retroactively to January 1, 1977, and

requires the Department of Revenue to refund automatically the excess tax. This will avoid the necessity of taxpayers having to file a claim for refund. Secondly, for the tax years 1978 and thereafter, a "minimum deduction" is being added to the Alaska statute that compensates for the loss in the standard deduction which occurred with the restructuring of the federal statute.

Sincerely,

S/JSJH

Jay S. Hammond
Governor

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HOUSE BILL NO. 662
 Title Amendments to Income Tax - Standard Deduction Elimination
 Requested by Governor's Office Date 12/8/77

II. FISCAL DETAIL

Agency Affected Revenue and Administration
 Program Category Affected Fiscal Services
 Budget Request Unit(s) Affected Audit Division, Administrative Services Division,
 Division of Finance, Dep't. of Administration

EXPENDITURES (Thousands of Dollars)

| | FY 77 | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | 26.9 | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | 22.8 | | | | |
| 400 COMMODITIES | | 6.5 | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | -0- | 56.2 | -0- | -0- | -0- | -0- |

FUNDING (Thousands of Dollars)

| | FY 77 | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 |
|-----------------|-------|-------|-------|-------|-------|-------|
| GENERAL FUND | -0- | 56.2 | -0- | -0- | -0- | -0- |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify) | | | | | | |

POSITIONS

| | FY 77 | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 |
|-----------|-------|-------|-------|-------|-------|-------|
| FULL TIME | | | | | | |
| PART TIME | | | | | | |
| TEMPORARY | -0- | 5 | -0- | -0- | -0- | -0- |

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

The elimination of the standard deduction by Congress will cause a major impact in return processing and taxpayer assistance programs in the Department of Revenue. The additional positions are needed to handle the impact:

- 2 ea. - Tax Scanners for 5 mo. ea. - For additional data capture.
- 1 ea. - Tax Examiner for 5 mo. - To handle additional computational errors on returns.
- 1 ea. - Tax Examiner for 5 mo. - To handle large increase in taxpayer assistance in Anchorage.
- 1 ea. - Systems Analyst I for 1 mo. - To design and program the rebate program.

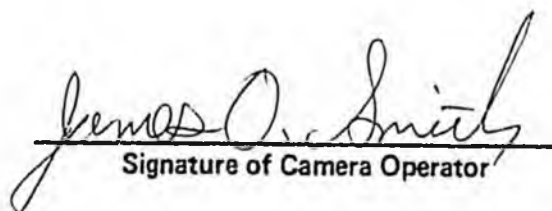
IV. DATE December 9, 1977 PREPARED BY *Ray Perkins*
 AGENCY Audit Division
 Original: Legislative Finance PHONE 465-2320
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

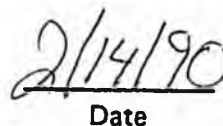


RECORDS CERTIFICATION



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.


Signature of Camera Operator


Date

STATE OF ALASKA THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 1, 1978

SUBJECT: Errors in Sales Tax Tables Contained in 1977 Alaska Income Tax Book

TO: The Honorable John Sackett ✓

The Honorable Steve Cowper

FROM: Gregg K. Erickson
Director of Research

In the course of the work we have been doing on revenue sharing formulas, we have noticed several omissions and apparent errors in the attached sales tax table from the state's personal income tax instruction booklet. A comparison of the data published by the state assessor in *Alaska Taxable 1977* with the attached tax table reveals the following discrepancies:

Cities or Areas With Sales Taxes Not Listed in the Tax Booklet

| <u>Community</u> | <u>Sales Tax</u> |
|---|------------------|
| Brevig Mission | 3% |
| Bristol Bay Borough | 3% |
| Wainwright | 3% |
| Kenai Peninsula Borough (residents living outside of Seldovia, Homer, Kenai, Seward, Soldotna and Kachemak) | 2% |
| Mountain Village | 2% |
| Napakiak | 2% |
| Nightmute | 2% |
| North Star Borough (residents living outside of Fairbanks or North Pole) | 2% |
| Toksook Bay | 2% |
| Tununak | 2% |
| Ketchikan Gateway Borough (residents living outside of Ketchikan and Saxman) | 1.5% |
| Haines Borough (residents living outside of the city of Haines) | 1% |
| City and Borough of Juneau (residents living outside of the Juneau and Douglas service areas) | 1% |

Hon. John Sackett
Hon. Steve Cowper

-2-

February 1, 1978

Communities Incorrectly Listed

| <u>Community</u> | <u>Table Shows As</u> | <u>Should Be</u> |
|------------------|-----------------------|------------------|
| North Pole | 2% | 5% |
| Nulato | 2% | 0% |
| Saxman | 2% | 1.5% |
| Kachemak | 3% | 2% |
| Seldovia | 3% | 4% |
| Soldotna | 3% | 5% |
| Valdez | 4% | 0% |
| Port Lions | 5% | 0% |

We believe that these discrepancies will result in overpayment of taxes by most persons in these communities who itemize deductions, although in some communities (for example Valdez) the result will be an underpayment.

GKE:jm
Attachment

cc: Sterling Gallagher

Introduced: 1/19/78
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 662

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to an income tax refund for the 1977
7 tax year and making miscellaneous amendments to the
8 income tax statutes; and providing for an effective
9 date."

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

11 * Section 1. AS 43.20.031(a) is amended by adding a new paragraph to
12 read:

13 (4) each taxpayer shall be allowed a minimum deduction
14 equivalent in amount to the "zero bracket amount" defined in sec.
15 63(d) of the Internal Revenue Code.

16 * Sec. 2. AS 43.20.035(a) is amended to read:

17 (a) The taxable income of nonresidents or part-year residents of
18 this state is taxable income as determined under sec. 31 of this
19 chapter when attributable to sources in the state as provided in sec.
20 40 of this chapter with the following modifications [ADJUSTMENTS]:

21 (1) a nonresident or part-year resident who has no excess
22 Alaska itemized deductions as defined in (4) of this subsection is
23 allowed the minimum deduction provided by sec. 31(a)(4) of this chapter
24 in the proportion provided in (b) of this section [CLAIMS THE STANDARD
25 DEDUCTION AS DEFINED IN INTERNAL REVENUE CODE SEC. 141 IS ALLOWED THE
26 DEDUCTION IN THE PROPORTION PROVIDED IN (b) OF THIS SECTION];

27 (2) a nonresident or part-year resident is allowed a deduc-
28 tion equal to the personal exemption deduction as defined in sec. 151
29 of the Internal Revenue Code in the proportion provided in (b) of this

1 section [ENTITLED TO CLAIM THE PERSONAL EXEMPTIONS AS DEFINED IN SEC.
2 151 OF THE INTERNAL REVENUE CODE IN THE PROPORTION PROVIDED IN (b) OF
3 THIS SECTION];

4 (3) a nonresident or part-year resident who has excess
5 Alaska itemized deductions is allowed his entire Alaska itemized
6 deductions [ITEMIZES DEDUCTIONS IS ALLOWED A DEDUCTION FOR THOSE ITEMS
7 DEDUCTIBLE UNDER THE INTERNAL REVENUE CODE WHICH ARISE FROM SOURCES IN
8 THE STATE];

9 (4) "Alaska itemized deductions" as used in this section
10 are those itemized deductions allowed under the Internal Revenue Code
11 which arise from sources in the state except those items described in
12 sec. 31(c) of this chapter; "excess Alaska itemized deductions" means
13 the excess (if any) of:

14 (A) Alaska itemized deductions, over

15 (B) the minimum deduction as defined in sec. 31(a)(4)

16 of this chapter.

17 * Sec. 3. (a) Instead of allowing the taxpayer to claim the minimum
18 deduction allowed under AS 43.20.031(a)(4) for 1977, the Department of
19 Revenue shall refund the overpayment of taxes paid by individual taxpayers
20 under AS 43.20 for the 1977 tax year as a result of the 1977 amendments to
21 sec. 63 of the 1954 Internal Revenue Code, 26 U.S.C. sec. 63, made by sec.
22 102(a) of P. L. 95-30 which repealed the standard deduction and replaced it
23 with the minimum deduction at the federal level. The refund shall be
24 determined without regard to provisions under AS 43.20 for income averaging,
25 alternative tax on capital gains, maximum tax on earned income, minimum tax
26 on tax preferences, or allowable credits claimed on the original return.
27 The amount of the refund shall be calculated by subtracting the tax as
28 computed under the appropriate tax rates, as provided under (1), (2), or
29 (3) of this subsection, on the Alaska taxable income (allowing a deduction

1 in the amount of the appropriate "zero bracket amount" as defined under
2 sec. 63 of the Internal Revenue Code) from the amount of tax which would
3 have been imposed under AS 43.20 on taxable income if the amendments con-
4 tained in this Act were not in effect for the 1977 tax year. In calculating
5 the amount of the refund, the following tax rates shall be used:

6 (1) refunds for single taxpayers and married taxpayers fil-
7 ing separate returns not qualifying for rates in AS 43.20.011(b) or (c)
8 shall be calculated as if the taxpayer used the rate in AS 43.20.011(a) on
9 his original filing;

10 (2) refunds for married taxpayers, filing joint returns,
11 and certain widows and widowers who qualify under the provisions of AS
12 43.20.011(b) shall be calculated as if the taxpayer used the rates in that
13 subsection on his original filing;

14 (3) refunds for unmarried (or legally separated) taxpayers
15 who qualify as heads of household under the provisions of AS 43.20.011(c)
16 shall be calculated as if the taxpayer used the rates in that subsection on
17 his original return.

18 (b) Notwithstanding (a) of this section, in the case of non-
19 resident or part-year individuals who do not have excess itemized deduc-
20 tions the amount of the refund shall be based upon the appropriate "zero
21 bracket amount" as defined under sec. 63 of the Internal Revenue Code
22 prorated as provided by AS 43.20.035(b).

23 (c) This refund applies to every individual taxpayer filing a
24 return under AS 43.20 for a tax year beginning in the calendar year of
25 1977. In no case may the refund exceed the tax based on AS 43.20.011 less
26 credits allowable under AS 43.20 as finally determined by the department.

27 (d) If the amount of the refund is redetermined by action of the
28 taxpayer or the department, any deficiency shall be assessed and collected
29 in the same manner as the original tax.

1 (e) Interest shall be allowed and paid on any refund made under
2 this section as provided for in AS 43.05.280.

3 * Sec. 4. The refund provided for in sec. 3 of this Act is the sole
4 means of using the minimum deduction established in AS 43.20.031(a)(4)
5 (under secs. 1 and 2 of this Act) for income tax returns covering tax years
6 beginning on or after January 1, 1977 but before January 1, 1978.

7 * Sec. 5. Sections 1 and 2 of this Act are retroactive to January 1,
8 1977.

9 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
10 10.070(c).

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FRANK SEXSMITH BAXTER

Certified Public Accountant

(907) 789-2191

Suite 102, Carmag Building
9099 Glacier Highway

February 1, 1978

P.O. Box 2767
Juneau, Alaska 99803

Honorable John C. Sackett
Chairman
Senate Finance Committee
Alaska State Senate
Juneau, Alaska 99811

Dear Senator Sackett:

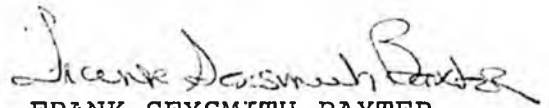
Subject: SB 427 regarding Alaska Income Tax

When I asked to be notified of the time regarding the Senate Finance Committee hearing on the subject bill, I was told it was third on the agenda, Thursday, February 2, but a specific time could not be set. Please accept this as my testimony.

In House Finance Committee hearings, I held the opinion that the suggested procedure to be used by the Department of Revenue, that is, refunding from a return automatically, created undue hardship on Alaskan taxpayers. In many cases, the taxpayer would have to actually pay prior to being included in the system. Some can ill afford to do so.

The use of the enclosed form, or one similar, would allow taxpayers to file correctly--the first time. I hope this suggested procedure will be utilized by the Department, rather than their original proposal.

Sincerely,


FRANK SEXSMITH BAXTER
Certified Public Accountant

Enclosure

FSB/h

In view of the recently passed legislation, please include this form with your 1977 Alaska income tax return.

| | | |
|-------------------------------|-----|-------|
| Taxable Income (Line 14) | 14 | _____ |
| If you checked Form 1040, | | |
| Box 2 or 5, enter \$3,200; | | |
| Box 1 or 4, enter \$2,200; | | |
| Box 3, enter \$1,600. | 14a | _____ |
| Revised Alaska Taxable Income | 14b | _____ |
| (Subtract 14a from 14.) | | |

NOW, go to tax tables to figure your tax and continue to use your original forms.



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 O. Smith
Signature of Camera Operator

2/14/90
Date

COMMITTEE REPORT

HOUSE

2/15/78

FURTHER: _____

Date: 2/15/78

Mr. Speaker:

The Committee on FINANCE has had HB 665

"An Act relating to the Alaska Marine Transportation Advisory Board."

under consideration and (a majority of the committee) (the committee reports it back as follows)

() recommends it do pass () recommends it do not pass

() recommends it do pass with attached amendment(s)

(X) recommends it be replaced with CS for HE 665

and _____ () new title () same title

() AND attaches a Letter of Intent () New Fiscal Note

() reports it back without recommendation

() and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

F. J. ...

...

...

...

...

...

Chairman

Introduced: 1/19/78
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY THE SPECIAL COMMITTEE FOR
MARINE TRANSPORTATION OVERSIGHT

2 HOUSE BILL NO. 665

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Marine Transportation
7 Advisory Board."

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

9 * Section 1. AS 19 is amended by adding a new chapter to read:

10 CHAPTER 75. ALASKA MARINE TRANSPORTATION ADVISORY BOARD.

11 Sec. 19.75.010. DECLARATION OF POLICY. The state ferry system,
12 operated by the division of marine transportation in the Department of
13 Transportation and Public Facilities, its management, officers, crews,
14 vessels, terminals, routes and other facilities and services, is a
15 moving highway commonly known as the Alaska Marine Highway. It is a
16 substitute for a network of roads and highways along and through the
17 maritime areas of the state where geography makes the construction and
18 maintenance of a traditional highway system economically unfeasible,
19 environmentally unsound, and impractical from an engineering standpoint.
20 It is the purpose of this chapter to provide users of the state ferry
21 system and the taxpayers of the state with a ferry service operated and
22 managed as a public service for their benefit under a fair and reason-
23 able tariff schedule, and to ensure that marine transportation services
24 will be rendered equitably, economically and efficiently to all users.
25 It is also the purpose of this chapter to make certain that the state
26 ferry system is properly developed and operated, in coordination with
27 other transportation modes and services, to assure the traveling public
28 complete and dependable marine transportation services, and that the
29 state ferry system is operated in the public interest.

1 Sec. 19.75.020. ALASKA MARINE TRANSPORTATION ADVISORY BOARD.

2 There is created within the Department of Transportation and Public
3 Facilities the Alaska Marine Transportation Advisory Board.

4 Sec. 19.75.030. MEMBERSHIP AND VACANCIES. The board consists of
5 five members appointed by the governor. At least three members must be
6 from communities in the state served by the marine highway system. The
7 appointment of each member is subject to confirmation by a majority of
8 the legislature. Members serve at the pleasure of the governor for
9 five-year terms. They must be residents of the state and qualified
10 voters at the time of their appointment and shall comply with the re-
11 quirements of AS 39.50 (conflict of interest). The members first
12 appointed shall have terms of one, two, three, four, and five years
13 respectively. Each member shall hold office for the term of his appoint-
14 ment and until his successor has been appointed and qualified. A
15 member is qualified for reappointment. A vacancy in a membership
16 occurring other than by expiration of term shall be filled in the same
17 manner as the original appointment but only for the unexpired term.
18 Each member, before entering upon his duties, shall take and subscribe
19 to an oath to perform the duties of his office faithfully, impartially
20 and justly to the best of his ability. A record of the oath shall be
21 filed with the Office of the Governor.

22 Sec. 19.75.040. COMPENSATION. The members of the board serve
23 without compensation, but are entitled to travel and per diem expenses
24 as provided in AS 39.20.180.

25 Sec. 19.75.050. OFFICERS, MEETINGS, RULES, AND QUORUM. (a) The
26 members shall elect one of their number as chairman.

27 (b) The board shall prescribe its own rules of procedure. It
28 shall meet at a time and place determined by the chairman, and at other
29 times and places as the chairman, or a majority of the board members,

1 considers necessary. The board shall hold meetings to provide an oppor-
2 tunity for the public to comment on ^{the operation of the system} any proposed tariff increases or ^{including}
3 scheduling changes.

4 (c) The powers of the board are vested in the members, and three
5 members of the board constitute a quorum. Action may be taken and
6 motions and resolutions adopted by the board at any meeting by the
7 affirmative vote of at least three members. A vacancy in the membership
8 of the board does not impair the right of a quorum to exercise all the
9 powers and perform all the duties of the authority.

10 Sec. 19.75.060. DUTIES. The board shall advise the governor and
11 the legislature and make recommendations regarding the operation, in-
12 cluding schedules and tariffs, management, and planning and construction
13 of facilities, of the marine highway system. Before March 1 of each
14 year, the board shall submit to the governor and the legislature a
15 comprehensive report describing the operations, recommendations made,
16 and expenditures for the preceding year.

17 * Sec. 2. AS 39.50.200(9) is amended by adding a new subparagraph to
18 read:

19 (NN) Alaska Marine Transportation Advisory Board.

20 * Sec. 3. AS 44.66.010(a) is amended by adding a new paragraph to read:

21 (6) Alaska Marine Transportation Advisory Board --

22 June 30, 1982.
23
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29

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. HB 665
 Title Alaska Marine Transportation Advisory Board
 Requested by House Finance Committee Date 2/17/78

II. FISCAL DETAIL
 Agency Affected Dept. of Transportation & Public Facilities
 Program Category Affected Transportation
 Budget Request Unit(s) Affected New BRU

EXPENDITURES (Thousands of Dollars)

| | FY 77 | FY 78 | FY 79 | FY 80 * | FY 81 * | FY 82 |
|--------------------------|-------|-------|-------|---------|---------|-------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | 15.0 | 15.0 | 15.0 | |
| 300 CONTRACTUAL | | | 35.0 | 35.0 | 35.0 | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | | | 50.0 | 50.0 | 50.0 | |

FUNDING (Thousands of Dollars)

| | | | | | | |
|-----------------|--|--|------|--|--|--|
| GENERAL FUND | | | 50.0 | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify) | | | | | | |
| | | | | | | |

POSITIONS

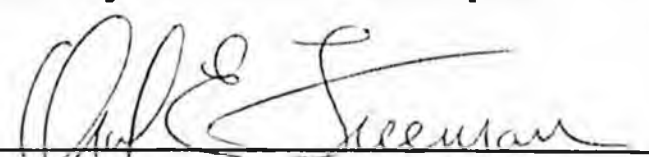
| | | | | | | |
|-----------|--|--|---|--|--|--|
| FULL TIME | | | 0 | | | |
| PART TIME | | | 0 | | | |
| TEMPORARY | | | 0 | | | |

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

TRAVEL: 15.0 would fund one meeting a month for the fiscal year, assuming \$250 per meeting travel and per diem expenses for each of the five board members.

CONTRACTUAL: 35.0 would fund small research and analysis contracts on specific marine transportation problems as determined necessary by the Board.

*NOTE: The budget has been projected without increase. Presumably the Board would establish a normal meeting schedule which would be accurately reflected in the travel budget; and after the first year's experience, the Board would have a better idea regarding its annual anticipated contractual requirements.

IV. DATE 2/17/78 PREPARED BY 
 AGENCY Chairman, Special Committee for Marine Transportation Oversight.
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

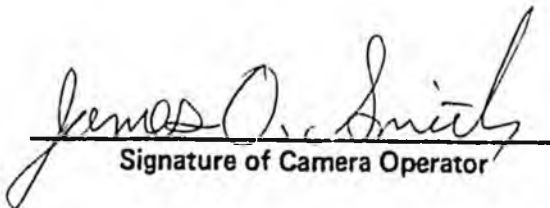
HB 665



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.


Signature of Camera Operator


Date

COMMITTEE REPORT
SENATE

FURTHER: _____

5/10/78

Date: June 7, 1978

Mr. President:

The Committee on FINANCE has had CSHB 667
insurance premium financing

under consideration and (a majority of the committee) (the committee reports it back as follows)

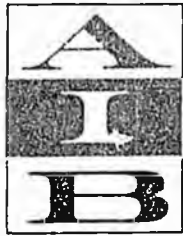
- recommends it do pass recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for APB 667
and CS APB 667 as amended new title same title
- AND attaches a Letter of Intent New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Chairman

HB 667



Alyeska Insurance Brokers

May 15, 1978

301 WEST 64th AVE., SUITE 106
ANCHORAGE, ALASKA 99502
TELEPHONE: (907) 279-6589

Mr. Steve Cowper
Pouch V
Juneau, Alaska
99811

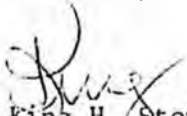
Dear Steve

It is my understanding that the Director of Insurance is sponsoring or asking for legislation that possibly would set the rate for premium financing of insurance contracts in the State of Alaska. One of our sources of premium finance brought this to my attention.

I am attaching a copy of a letter addressed to Julius J. Brecht, on this very subject which I think clarifys it better that I could. Premium finance is a major factor in all insurance agencies in arranging for payments of premiums to insurance companies. The agents themselves are not able to pay as they collect as was somewhat the custom years ago. Therefore, they have to collect the monies which are substantial in many cases, when the policies are set up. Finance companies have been a major factor in allowing the agent and the insured to make prompt proper payment to the insurance companies as required.

I hope that you will evaluate this item when any such vote is made.

Sincerely


King H. Stoutenburg

KHS/jsa

John F. I. Ke HB 667.





RECEIVED MAY 11 1978

P.O. Box 726

EUGENE, OREGON 97401

TELEPHONE (503) 688-1322

April 25, 1978

Julius J. Brecht, Director
Division of Banking, Securities, Small Loans and Corporations
Department of Commerce & Economic Development
Pouch "D"
Juneau, Alaska 99811

Dear Mr. Brecht:

Thank you for our copy of House Bill CS 667 offered on April 14th regarding Premium financing:

Two provisions; limiting the APR to 12% (Section 06.40.120 C), and the prohibition of collecting deficiency balances on certain personal dwelling, auto and boat policies (Section 06.40.110 C) would in our judgment discourage most premium finance operations in Alaska.

The present cost of money when added to the administrative and proposed licensing costs will not entice prudent lenders into premium financing in Alaska at the 12% APR limit. Alaska banks may be interested at this rate. It has been my experience as a past President and current Board Chairman of a bank in Oregon that because of the average size of these loans, in BERJAC about \$1,000, and bank management's lack of experience and understanding of insurance procedures, they are uncomfortable making such loans when they must use the unearned policy premiums as collateral for the loan.

Preventing collection of deficiency balances may not create as much of a problem for any lender as it might for the insurance agency. Most lenders will not accept a contract for the financing of an insurance premium without having the agent guarantee repayment in full regardless of reason. Most agents would not wish to make this kind of guarantee without having recourse to the insured.

Many insureds are unable to obtain loans for their policies without finding a lender that will accept the unused return premiums as collateral for the loan. When they are unable to find a lender they are often forced to seek others at rates that are legal up to an APR of 36%.

Our company is fortunate as we have sufficient volume outside Alaska to maintain a profitable operation. The present limits as set forth in this proposal would discourage us, and I suspect many others, from continuing to seek and provide premium financing in Alaska.

Sincerely yours,

FRED W. HOLCOMB, Partner

BERJAC

FWH/lk

(S) FINANCE

COMMITTEE REPORT

SENATE

FURTHER:

Finance (added 4/24/78)
None

Date:

May 9, 1978

4/20/78

Mr. President:

The Committee on COMMERCE has had CSHB 667
insurance premium financing

under consideration and (a majority of the committee) (the committee reports it back as follows)

- () 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 _____ () new title () same title

- () AND attaches a Letter of Intent () New Fiscal Note
- () reports it back without ^{individual} recommendations *as amended*
- () and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

7 Steve Heckman, No Rec
R. Polans - No Rec

May 9, 1978

 Chairman
Mr. Polans

A M E N D M E N T

OFFERED IN THE SENATE:

By: SENATE COMMERCE

To: AMEND SENATE BILL No. _____

CS HOUSE BILL No. 667

PAGE: 7

LINE: 20

DELETE THE NUMBER "12"

INSERT THE NUMBER "15"

HB 667

Bill for Insurance Premium Finance

1-30-78

FISCAL DATA

Agency Affected: Commerce & Economic Development

Program Category Affected: Public Protection

Budget Report Unit(s) Affected: Banking & Securities

EXPENDITURES (Thousands of Dollars)

| | FY 77 | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 |
|--------------------------|------------|------------|-------------|-------------|-------------|-------------|
| 100 PERSONAL SERVICES | -0- | -0- | 30.6 | 32.4 | 34.3 | 36.4 |
| 200 TRAVEL | -0- | -0- | 4.0 | 4.2 | 4.5 | 4.8 |
| 300 CONTRACTUAL | -0- | -0- | .8 | .8 | .9 | .9 |
| 400 COMMODITIES | -0- | -0- | .2 | .2 | .3 | .3 |
| 500 EQUIPMENT | -0- | -0- | 1.5 | -0- | -0- | -0- |
| 600 LAND & STRUCTURES | -0- | -0- | -0- | -0- | -0- | -0- |
| 700 GRANTS, CLAIMS, ETC. | -0- | -0- | -0- | -0- | -0- | -0- |
| TOTAL | -0- | -0- | 37.1 | 37.6 | 40.0 | 42.4 |

FUNDING (Thousands of Dollars)

| | | | | | | |
|------------------|-----|-----|------|------|------|------|
| GENERAL FUND | -0- | -0- | 21.9 | 21.6 | 22.9 | 24.3 |
| FEDERAL FUNDS | -0- | -0- | -0- | -0- | -0- | -0- |
| OTHER (Specify) | -0- | -0- | -0- | -0- | -0- | -0- |
| PROGRAM RECEIPTS | | | 16.2 | 17.2 | 18.2 | 19.3 |

POSITIONS

| | | | | | | |
|-----------|-----|-----|-----|-----|-----|-----|
| FULL TIME | -0- | -0- | 1 | 1 | 1 | 1 |
| PART TIME | -0- | -0- | -0- | -0- | -0- | -0- |
| TEMPORARY | -0- | -0- | -0- | -0- | -0- | -0- |

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

The bill provides for the licensing of premium finance companies and that they will pay the cost of examination in accordance with Sec. 06.01.010 (set out in another bill). So assuming at least one examination per licensee per year considerable revenue would be generated. For example, assuming there are approximately 10 PFC's doing business in the state, and 4 man-days per licensee examination at an average cost of \$235 per day per examiner (salary, benefits, pro-rata travel and per diem) would amount to about \$9,400. In addition to this estimated time, a member of the division banking staff would have to spend time responding to inquiries from the public concerning PFC's and take care of other administrative matters relating to PFC regulation. I estimate at least one-third of an examiner would be necessary to take care of the full administration of the PFC Act. At present the bank examiner staff could easily use an additional two-thirds of an examiner to take care of statistical matters relating to new bank and branch bank applications, reports, etc.

1/26/78

IV. DATE

PREPARED BY Julius J. Brecht, Director

AGENCY Banking, Securities, Small Loans & Corporations

PHONE 465-2521

Office: Legislative Finance

Budget and Management

Print Sponsor (First Legislator Named)

The personal services estimate is based on a range 17 plus benefits. The equipment figure includes a desk, chair, dictation equipment, miscellaneous office equipment and a calculator.

In addition, there is provision for an annual license fee of \$200 per licensee.

Introduced: 1/20/78
Referred: Commerce

1 IN THE HOUSE

BY THE COMMERCE COMMITTEE
BY REQUEST

2 HOUSE BILL NO. 667

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to insurance premium financing."

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

8 * Section 1. AS 06 is amended by adding a new chapter to read:

9 CHAPTER 35. PREMIUM FINANCING ACT.

10 Sec. 06.35.010. LICENSE REQUIRED. Except as provided in sec. 20
11 of this chapter, no person may engage in the business of financing
12 premiums on insurance sold in this state or risks located in this state,
13 either directly or indirectly, or otherwise act as a premium finance
14 company in this state without being licensed by the department.

15 Sec. 06.35.020. APPLICABILITY. This chapter does not apply to

16 (1) any insurer authorized to transact business in this state
17 with respect to premiums on policies which the insurer issues;

18 (2) any bank, trust company, savings association, or other
19 financial institution subject to the other chapters of this title and
20 authorized to transact business in this state that does not possess or
21 acquire any right, title or interest with respect to the insurance
22 policy for which the premiums are financed other than in the proceeds of
23 it in the event of loss;

24 (3) the inclusion of a charge for insurance in connection
25 with an installment sale in accordance with AS 45.10; and

26 (4) persons licensed under AS 21.27 financing only their own
27 accounts if they are in compliance with AS 21.36.122.

28 Sec. 06.35.030. BOND. (a) The applicant shall file with the
29 application a bond to be approved by the department in which the

1 applicant shall be the obligor, in the sum of \$5,000 with one or more
2 sureties. The bond shall be for the use of the state and any person who
3 may have a cause of action against the obligor under this chapter. The
4 bond shall state that the obligor will faithfully conform to and abide
5 by the provisions of this chapter and of all regulations lawfully made
6 by the department, and will pay to the state and to any person all money
7 that may become due or owing to the state or to the person from the
8 applicant under this chapter.

9 (b) If at any time the commissioner finds that the bond is un-
10 satisfactory for any reason, he may require the licensee to file, within
11 10 days after the receipt of a written demand for it, an additional bond
12 complying with the provisions of (a) of this section.

13 Sec. 06.35.040. ANNUAL LICENSE FEE. On or before December 20 of
14 each year, each licensee shall pay a fee of \$200 to the department as an
15 annual license fee for the next succeeding calendar year. At that same
16 time the licensee shall file with the department a new bond which com-
17 plies with sec. 30 of this chapter.

18 Sec. 06.35.050. APPLICATION FOR LICENSE; FEE. (a) Application
19 for a license under this chapter shall be in writing and in the form
20 prescribed by the department.

21 (b) All reasonable investigation expenses incurred by the depart-
22 ment in processing an application for approval of a proposed premium
23 finance company shall be charged to and paid by the applicant in accor-
24 dance with AS 06.01.010. At the time of submitting the application to
25 the department, the applicant shall pay to the department \$500 in par-
26 tial payment of the investigation expenses incurred by the department.
27 If the investigation expenses incurred by the department do not exceed
28 \$500, the remainder shall be promptly refunded to the applicant.

29 (c) The person to whom the license may be or is issued shall file

1 sworn answers to interrogatories required by the commissioner. The
2 commissioner shall have authority, at any time, to require the licensee
3 fully to disclose the identity of all directors, partners, officers and
4 managerial employees, and he may, in his discretion, refuse to issue or
5 continue a license in the name of any firm or corporation if he deter-
6 mines that any officer, employee, stockholder or partner of the firm or
7 corporation who may materially influence the licensee's conduct does not
8 meet the requirements of this chapter.

9 (d) All premium finance licenses shall continue in force until
10 suspended or revoked, subject to the payment by the licensee of the
11 annual license fee and to the licensee being in compliance with other
12 provisions of this chapter.

13 Sec. 06.35.060. PLACE OF BUSINESS. (a) A licensee may maintain
14 only one place of business under his license. The department may issue
15 more than one license to the same licensee upon application and com-
16 pliance by the licensee with the provisions of this chapter governing
17 the original issuance of a license.

18 (b) Whenever a licensee changes his place of business to another
19 location, he shall give written notice to the department. The depart-
20 ment shall attach the written notice of the change to the license to-
21 gether with the date. Thereafter, the licensee may operate the business
22 under the license at the new location.

23 Sec. 06.35.070. INVESTIGATION: QUALIFICATIONS FOR LICENSE. (a)
24 Upon the filing of an application and payment of the investigation fee
25 specified in sec. 50(b) of this chapter, the commissioner shall conduct
26 an investigation of an applicant and shall issue a premium finance com-
27 pany license if the applicant meets the requirements of this chapter.
28 If the commissioner does not so find, he shall, within 30 days after he
29 has received the application, at the request of the applicant, give the

1 applicant a full hearing.

2 (b) The commissioner shall issue a license to an applicant when he
3 is satisfied that the applicant

4 (1) is competent and trustworthy and intends to act in good
5 faith in the capacity involved by the license applied for;

6 (2) has a good business reputation and has had experience,
7 training, or education so as to be qualified in the business for which
8 the license is applied; and

9 (3) if a corporation, is a corporation incorporated under the
10 laws of this state or a foreign corporation authorized to transact
11 business in this state.

12 Sec. 06.35.080. REVOCATION AND SUSPENSION OF LICENSE. The commis-
13 sioner may revoke or suspend the license of any licensee when, upon
14 completion of an investigation, the commissioner determines that

15 (1) the license issued to the company was obtained by fraud;

16 (2) there was misrepresentation in the application for the
17 license;

18 (3) the holder of the license has otherwise shown himself
19 untrustworthy or incompetent to act as a premium finance company; or

20 (4) the licensee has violated any of the provisions of this
21 chapter.

22 Sec. 06.35.090. ADVERTISING OF MISLEADING STATEMENTS PROHIBITED;
23 DISCLOSURE OF INTEREST. (a) No person may advertise, print, display,
24 publish, distribute, or broadcast or cause or permit to be advertised,
25 printed, displayed, published, distributed, or broadcast, in any manner,
26 any statement or representation with regard to the rates, terms, or con-
27 ditions for the lending of money, credit, goods, or things in action
28 which is false, misleading, or deceptive.

29 (b) The licensee or lender shall state the interest rate charged

1 in a premium finance agreement fully and clearly as an annual percentage
2 rate.

3 Sec. 06.35.100. RECORD KEEPING; EXAMINATION OF RECORDS. (a)

4 Every licensee shall maintain records of its premium finance trans-
5 actions, and the records shall be open to examination and investigation
6 by the commissioner at the office of the licensee. All records per-
7 taining to insurance contracts financed by Alaska residents shall be
8 maintained or readily available in the licensee's office. The commis-
9 sioner may, at any reasonable time, require the licensee to bring
10 records pertaining to premium finance agreements to his office for
11 examination. The expenses incurred by the department in conducting an
12 examination shall be charged to and paid by the licensee in accordance
13 with AS 06.01.010.

14 (b) Every licensee shall preserve its records of premium finance
15 transactions, including cards used in a card system, for at least three
16 years after making the final entry relating to any premium finance
17 agreement. The preservation of records in photographic form constitutes
18 compliance with this requirement.

19 (c) Each licensee shall, on or before March 15 of each year, file
20 a report with the department containing information as the department
21 may reasonably require concerning the business and operations during the
22 preceding calendar year of each licensed place of business conducted by
23 the licensee. The report shall be made under oath, shall be in the form
24 prescribed by the department, and shall be kept available as a public
25 record.

26 Sec. 06.35.110. CONTENTS OF PREMIUM FINANCE AGREEMENT. (a) A
27 premium finance agreement shall

28 (1) be dated, signed by the borrower, and the printed portion
29 of it shall be in at least eight-point type;

1 (2) contain the name and place of business of the insurance
2 agent negotiating the related insurance policy, the name and residence
3 or the place of business of the borrower as specified by him, the name
4 and place of business of the licensee to which payments are to be made,
5 an identification of the insurance policy involved and the amount of the
6 premium charged for it; and

7 (3) set out the following items where applicable:

8 (A) the total amount of the premiums;

9 (B) the amount of the down payment;

10 (C) the principal balance (the difference between items
11 (A) and (B));

12 (D) the annual percentage rate of interest; and

13 (E) the number of payments required, the amount of each
14 payment expressed in dollars, and the due date or period of it.

15 (b) The items set out in (a)(3) of this section need not be stated
16 in the sequence or order in which they appear in (a) of this section,
17 and additional items may be included to explain the computations made in
18 determining the amount to be paid by the insured.

19 (c) The repayment schedule relating to dwelling fire, homeowner,
20 private passenger automobile, mobile home insurance policies, and fire
21 insurance policies covering owner-occupied multiple unit dwellings for
22 four families or less shall be such that the total amount due the licen-
23 see at any time does not exceed the unearned premium on the policy being
24 financed at that time. No deficiency balance may be established or
25 collected from the borrower.

26 (d) The licensee or the insurance agent shall deliver to the
27 borrower, or mail to him at his address shown in the agreement, a com-
28 plete copy of the agreement.

29 Sec. 06.35.120. MAXIMUM INTEREST PERMITTED: PREPAYMENT, REFUND.

1 (a) A premium finance company may not charge, contract for, receive, or
2 collect a service charge other than as permitted by this chapter.

3 (b) The service charge is to be computed on the balance of the
4 premiums due, after subtracting the down payment made by the borrower in
5 accordance with the premium finance agreement, from the effective date
6 of the insurance coverage, for which the premiums are being advanced, to
7 and including the date when the final payment of the premium finance
8 agreement is payable.

9 (c) The service charge may not exceed interest at the nominal
10 annual rate of 18 per cent plus an additional charge of \$10 per premium
11 finance agreement which need not be refunded upon cancellation or pre-
12 payment. However, any borrower may prepay his premium finance agreement
13 in full at any time before the due date of the final payment and in that
14 event the unearned service charge shall be refunded. The amount of any
15 refund shall be calculated in accordance with the rule commonly known as
16 the "Rule of 78" or regulations adopted by the commissioner.

17 Sec. 06.35.130. DELINQUENCY CHARGE. (a) A premium finance agree-
18 ment may provide for the payment by the borrower of a delinquency charge
19 for any payment that is in default for a period of 10 days or more. The
20 charge may be made for each month or fraction of a month that the pay-
21 ment is in default. The amount of the charge may be a minimum of \$1 and
22 as a maximum shall be subject to the following limits:

23 (1) for delinquent payments of less than \$250, five per cent
24 of the payment or \$5, whichever is less; or

25 (2) for delinquent payments of \$250 or more, two per cent of
26 the payment.

27 (b) A borrower may at his option separate the financing of the
28 premiums for one insurance policy from a premium finance agreement by
29 requesting in writing that the premium finance company provide that

1 service and by paying a \$10 separate charge.

2 Sec. 06.35.140. CANCELLATION OF POLICY; REQUIREMENTS. (a) When a
3 premium finance agreement contains a power of attorney enabling the
4 licensee to cancel the insurance policy listed in the agreement, the
5 insurance policy may not be cancelled by the licensee unless the can-
6 cellation is effectuated in accordance with this section.

7 (b) The licensee shall give not less than 10 days written notice
8 to the borrower, by mailing by certified mail or documented by an affi-
9 davit of mailing, of the licensee's intent to cancel the insurance
10 policy unless the default is cured within that 10-day period. A copy of
11 the notice shall also be mailed by certified mail or documented by an
12 affidavit of mailing to the insurance agent indicated on the premium
13 finance agreement.

14 (c) After expiration of the 10-day period specified in (b) of this
15 section, the licensee may, in the name of the borrower, cancel the in-
16 surance policy by mailing by certified mail or documented by an affi-
17 davit of mailing to the insurer a notice of cancellation. The insurance
18 policy shall be cancelled as if the notice of cancellation had been
19 submitted by the borrower himself, but without requiring the return of
20 the insurance policy. The licensee shall also mail by certified mail or
21 documented by an affidavit of mailing a notice of cancellation to the
22 borrower at his last-known address and to the insurance agent indicated
23 on the premium finance agreement.

24 (d) All statutory, regulatory and contractual restrictions pro-
25 viding that the insurance policy may not be cancelled unless notice is
26 given to a governmental agency, mortgagee, or other third party shall
27 apply where cancellation is effected under the provisions of this
28 section. The insurer shall give the prescribed notice on behalf of
29 itself or the borrower to any governmental agency, mortgagee, or other

1 third party on or before the second business day after the day it re-
2 ceives the notice of cancellation from the licensee and shall determine
3 the effective date of cancellation taking into consideration the number
4 of days' notice required to complete the cancellation.

5 Sec. 06.35.150. RETURN OF UNEARNED PREMIUMS. (a) Whenever a
6 financed insurance policy is cancelled, the insurer within 60 days of
7 the effective date of cancellation shall return any gross unearned pre-
8 miums that are due under the insurance policy to the licensee for the
9 account of the borrower if the licensee has complied with the notice
10 provisions of sec. 40(b) of this chapter.

11 (b) If the crediting of return premiums to the account of the
12 borrower results in a surplus over the amount due from the borrower, the
13 licensee shall refund the excess to the borrower; however, no refund is
14 required if it amounts to less than \$1.

15 Sec. 06.35.160. CIVIL AND CRIMINAL PENALTIES. (a) A lender who,
16 in the making of any contract, loan or premium finance agreement or the
17 collection of interest or charges, does any act which violates secs. 10,
18 90, or 110 - 130 of this chapter shall at the option of the commissioner
19 reimburse that portion of the interest and charges in excess of that
20 provided in those sections, or, in the case of repeated violations of
21 those sections by the lender, the lender shall adjust the contract,
22 loan, or premium finance agreement interest and other charges down to
23 the contract interest limitation specified in AS 45.45.010(a).

24 (b) Any person, copartnership, association, or corporation, and
25 its members, officers, directors, agents, and employees, who violates or
26 participates in a violation of the provisions of sec. 10 of this chap-
27 ter, is guilty of a misdemeanor and upon conviction is punishable by a
28 fine of not more than \$5,000, or by imprisonment for not more than one
29 year, or by both. In case of conviction of a corporation for violation

1 of this chapter, the corporation is punishable by a fine of not more
2 than \$20,000.

3 Sec. 06.35.170. FILING NOT REQUIRED TO PERFECT VALIDITY OF AGREE-
4 MENT. No filing under AS 45.05 of the premium finance agreement is
5 necessary to perfect the validity of the agreement as a secured trans-
6 action against creditors, subsequent purchasers, pledgees, encum-
7 brancers, successors or assigns.

8 Sec. 06.35.180. REGULATIONS, ORDERS. The commissioner shall adopt
9 regulations necessary to carry out this chapter, and the commissioner
10 may order any person to cease violation of this chapter or a regulation
11 adopted under it.

12 Sec. 06.35.190. DEFINITIONS. As used in this chapter, unless the
13 context otherwise requires,

14 (1) "commissioner" means the commissioner of commerce and
15 economic development or his designee;

16 (2) "department" means the Department of Commerce and
17 Economic Development;

18 (3) "premium finance agreement" means an agreement by which a
19 borrower or prospective borrower promises to pay to a licensee or to its
20 assignee the amount advanced or to be advanced under the agreement to an
21 insurer or to an insurance agent or broker in payment of premiums on an
22 insurance policy sold in this state or covering risks located in this
23 state together with a service charge, and as a security for it the
24 premium finance company receives an assignment of the unearned premium;
25 however, no mortgage, conditional sale contract, or other security
26 agreement covering property which authorizes the lien holder to pay or
27 advance premiums for insurance under the mortgage, contract, or other
28 security agreement is considered to be a premium finance agreement;

29 (4) "premium finance company" means a person engaged in the

1 business of entering into premium finance agreements with borrowers or
2 of acquiring premium finance agreements from insurance agents, brokers
3 or other premium finance companies.

4 * Sec. 2. AS 21.36 is amended by adding a new section to read:

5 Sec. 21.36.122. PREMIUM FINANCING. No person licensed under ch.
6 27 of this title may

7 (1) enter into any insurance transaction in which the premium
8 is financed by other than the licensee unless the person providing the
9 financing is licensed under and in compliance with AS 06.35 or is
10 exempted from licensure under AS 06.35.020; or

11 (2) finance premiums or extend credit to persons purchasing
12 insurance except as provided in regulations adopted by the director; the
13 director shall adopt regulations establishing the conditions under which
14 licensees may extend credit or finance premiums except that in no event
15 may the regulations permit a rate of interest on amounts lent or credit
16 extended greater than that provided in AS 06.35.120.

17 * Sec. 3. The provisions of this Act do not void a lawful contract
18 entered into before the effective date of this Act.

Original sponsor: Commerce Committee
By Request

Offered: 4/14/78
Referred: Rules

1 IN THE HOUSE

BY THE COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 667

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to insurance premium financing."

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

8 * Section 1. AS 06 is amended by adding a new chapter to read:

9 CHAPTER 40. PREMIUM FINANCING ACT.

10 Sec. 06.40.010. LICENSE REQUIRED. Except as provided in sec. 20
11 of this chapter, no person may engage in the business of entering into
12 premium finance agreements on insurance sold in this state or risks
13 located in this state, either directly or indirectly, or otherwise act
14 as a premium finance company in this state without being licensed by the
15 department.

16 Sec. 06.40.020. APPLICABILITY. This chapter does not apply to

17 (1) any insurer authorized to transact business in this state
18 with respect to premiums on policies which the insurer issues;

19 (2) any bank, trust company, savings association, or other
20 financial institution subject to the other chapters of this title and
21 authorized to transact business in this state that does not possess or
22 acquire any right, title or interest with respect to the insurance
23 policy for which the premiums are financed other than in the proceeds of
24 it in the event of loss;

25 (3) the inclusion of a charge for insurance in connection
26 with an installment sale in accordance with AS 45.10; and

27 (4) persons licensed under AS 21.27 financing only their own
28 accounts if they are in compliance with AS 21.36.122.

29 Sec. 06.40.030. BOND. (a) The applicant shall file with the

1 application a bond to be approved by the department in which the appli-
2 cant shall be the obligor, in the sum of \$5,000 with one or more sure-
3 ties. The bond shall be for the use of the state and any person who may
4 have a cause of action against the obligor under this chapter. The bond
5 shall state that the obligor will faithfully conform to and abide by the
6 provisions of this chapter and of all regulations lawfully made by the
7 department, and will pay to the state and to any person all money that
8 may become due or owing to the state or to the person from the applicant
9 under this chapter. The aggregate liability of the surety for all
10 breaches of the bond condition may not exceed the penal sum of the bond,
11 and the bond may be cancelled by the surety on 30 days notice to the
12 commissioner.

13 (b) If at any time the commissioner finds that the bond is un-
14 satisfactory for any reason, he may require the licensee to file, within
15 10 days after the receipt of a written demand for it, an additional bond
16 complying with the provisions of (a) of this section.

17 Sec. 06.40.040. ANNUAL LICENSE FEE. On or before December 20 of
18 each year, each licensee shall pay a fee of \$200 to the department as an
19 annual license fee for the next succeeding calendar year. At that same
20 time the licensee shall file with the department a new bond which com-
21 plies with sec. 30 of this chapter.

22 Sec. 06.40.050. APPLICATION FOR LICENSE; FEE. (a) Application
23 for a license under this chapter shall be in writing and in the form
24 prescribed by the department.

25 (b) All reasonable investigation expenses incurred by the depart-
26 ment in processing an application for approval of a proposed premium
27 finance company shall be charged to and paid by the applicant in accor-
28 dance with this title. At the time of submitting the application to the
29 department, the applicant shall pay to the department \$500 in partial

1 payment of the investigation expenses incurred by the department. If
2 the investigation expenses incurred by the department do not exceed
3 \$500, the remainder shall be promptly refunded to the applicant.

4 (c) The person to whom the license may be or is issued shall file
5 sworn answers to interrogatories required by the commissioner. The
6 commissioner shall have authority, at any time, to require the licensee
7 fully to disclose the identity of all directors, partners, officers and
8 managerial employees, and he may, in his discretion, refuse to issue or
9 continue a license in the name of any firm or corporation if he deter-
10 mines that any officer, employee, stockholder or partner of the firm or
11 corporation who may materially influence the licensee's conduct does not
12 meet the requirements of this chapter.

13 (d) All premium finance licenses shall continue in force until
14 suspended or revoked, subject to the payment by the licensee of the
15 annual license fee and to the licensee being in compliance with other
16 provisions of this chapter.

17 Sec. 06.40.060. PLACE OF BUSINESS. (a) A licensee may maintain
18 only one place of business under his license. The department may issue
19 more than one license to the same licensee upon application and com-
20 pliance by the licensee with the provisions of this chapter governing
21 the original issuance of a license.

22 (b) Whenever a licensee changes his place of business to another
23 location, he shall give written notice to the department. The depart-
24 ment shall attach the written notice of the change to the license to-
25 gether with the date. Thereafter, the licensee may operate the business
26 under the license at the new location.

27 Sec. 06.40.070. INVESTIGATION: QUALIFICATIONS FOR LICENSE. (a)
28 Upon the filing of an application and payment of the investigation fee
29 specified in sec. 50(b) of this chapter, the commissioner shall conduct

1 an investigation of an applicant and shall issue a premium finance com-
2 pany license if the applicant meets the requirements of this chapter.
3 If the commissioner does not so find, he shall, within 30 days after he
4 has received the application, at the request of the applicant, give the
5 applicant a full hearing.

6 (b) The commissioner shall issue a license to an applicant when he
7 is satisfied that the applicant

8 (1) is competent and trustworthy and intends to act in good
9 faith in the capacity involved by the license applied for;

10 (2) has a good business reputation and has had experience,
11 training, or education so as to be qualified in the business for which
12 the license is applied; and

13 (3) if a corporation, is a corporation incorporated under the
14 laws of this state or a foreign corporation authorized to transact
15 business in this state.

16 Sec. 06.40.080. REVOCATION AND SUSPENSION OF LICENSE. The
17 commissioner may revoke or suspend the license of any licensee when,
18 upon completion of an investigation, the commissioner determines that

19 (1) the license issued to the company was obtained by fraud;

20 (2) there was misrepresentation in the application for the
21 license;

22 (3) the holder of the license has otherwise shown himself
23 untrustworthy or incompetent to act as a premium finance company; or

24 (4) the licensee has violated any of the provisions of this
25 chapter.

26 Sec. 06.40.090. ADVERTISING OF MISLEADING STATEMENTS PROHIBITED;
27 DISCLOSURE OF INTEREST. (a) No person may advertise, print, display,
28 publish, distribute, or broadcast or cause or permit to be advertised,
29 printed, displayed, published, distributed, or broadcast, in any manner,

1 any statement or representation with regard to the rates, terms, or con-
2 ditions for the lending of money, credit, goods, or things in action
3 which is false, misleading, or deceptive.

4 (b) The licensee or lender shall state the interest rate charged
5 in a premium finance agreement fully and clearly as an annual percentage
6 rate.

7 Sec. 06.40.100. RECORD KEEPING; EXAMINATION OF RECORDS. (a)
8 Every licensee shall maintain records of its premium finance trans-
9 actions, including the insurance agents through which the licensee pro-
10 vides loans to residents of this state and the records shall be open to
11 examination and investigation by the commissioner at the office of the
12 licensee. All records pertaining to insurance contracts financed by
13 Alaska residents shall be maintained or readily available in the licen-
14 see's office. The commissioner may, at any reasonable time, require the
15 licensee to bring records pertaining to premium finance agreements to
16 his office for examination. The expenses incurred by the department in
17 conducting an examination shall be charged to and paid by the licensee
18 in accordance with this title.

19 (b) Every licensee shall preserve its records of premium finance
20 transactions, including cards used in a card system, for at least three
21 years after making the final entry relating to any premium finance
22 agreement. The preservation of records in photographic form constitutes
23 compliance with this requirement.

24 (c) Each licensee shall, on or before March 15 of each year, file
25 a report with the department containing information as the department
26 may reasonably require concerning the business and operations during the
27 preceding calendar year of each licensed place of business conducted by
28 the licensee. The report shall be made under oath, shall be in the form
29 prescribed by the department, and shall be kept available as a public

1 record.

2 Sec. 06.40.110. CONTENTS OF PREMIUM FINANCE AGREEMENT. (a) A
3 premium finance agreement shall

4 (1) be dated, signed by the borrower, and the printed portion
5 of it shall be in at least eight-point type;

6 (2) contain the name and place of business of the insurance
7 agent negotiating the related insurance policy, the name and residence
8 or the place of business of the borrower as specified by him, the name
9 and place of business of the licensee to which payments are to be made,
10 an identification of the insurance policy involved and the amount of the
11 premium charged for it; and

12 (3) set out the following items where applicable:

13 (A) the total amount of the premiums;

14 (B) the amount of the down payment;

15 (C) the principal balance (the difference between items
16 (A) and (B));

17 (D) the annual percentage rate of interest; and

18 (E) the number of payments required, the amount of each
19 payment expressed in dollars, and the due date or period of it.

20 (b) The items set out in (a)(3) of this section need not be stated
21 in the sequence or order in which they appear in (a) of this section,
22 and additional items may be included to explain the computations made in
23 determining the amount to be paid by the insured.

24 (c) The repayment schedule relating to dwelling fire, homeowner,
25 private passenger automobile, boats not used for commercial purposes,
26 owner-occupied mobile homes, and fire insurance policies covering owner-
27 occupied multiple unit dwellings for four families or less shall be such
28 that the total amount due the licensee at any time does not exceed the
29 unearned premium on the policy being financed at that time. No defi-

1 ciency balance may be established or collected from the borrower. This
2 section does not preclude the licensee from establishing or collecting a
3 deficiency balance to the extent the insurer offsets unearned premiums
4 on the policy financed by premiums earned by reason of endorsements to
5 that same policy not paid for by the insured or financed by the licen-
6 see.

7 (d) The licensee or the insurance agent shall deliver to the
8 borrower, or mail to him at his address shown in the agreement, a com-
9 plete copy of the agreement.

10 Sec. 06.40.120. MAXIMUM INTEREST PERMITTED: PREPAYMENT, REFUND.

11 (a) A premium finance company may not charge, contract for, receive, or
12 collect a service charge other than as permitted by this chapter.

13 (b) The service charge is to be computed on the balance of the
14 premiums due, after subtracting the down payment made by the borrower in
15 accordance with the premium finance agreement, from the effective date
16 of the insurance coverage, for which the premiums are being advanced, to
17 and including the date when the final payment of the premium finance
18 agreement is payable.

19 (c) The service charge may not exceed interest at the nominal
20 annual rate of 12 per cent plus an additional charge of \$10 per premium
21 finance agreement which need not be refunded upon cancellation or pre-
22 payment. However, any borrower may prepay his premium finance agreement
23 in full at any time before the due date of the final payment and in that
24 event the unearned service charge shall be refunded. The amount of any
25 refund shall be calculated in accordance with regulations adopted by the
26 commissioner.

27 Sec. 06.40.130. DELINQUENCY CHARGE. (a) A premium finance agree-
28 ment may provide for the payment by the borrower of a delinquency charge
29 for any payment that is in default for a period of 10 days or more. The

1 charge may be made for each month or fraction of a month that the pay-
2 ment is in default. The amount of the charge may be a minimum of \$1 and
3 as a maximum shall be subject to the following limits:

4 (1) for delinquent payments of less than \$250, five per cent
5 of the payment or \$5, whichever is less; or

6 (2) for delinquent payments of \$250 or more, two per cent of
7 the payment.

8 (b) A borrower may at his option separate the financing of the
9 premiums for one insurance policy from a premium finance agreement by
10 requesting in writing that the premium finance company provide that
11 service and by paying a \$10 separate charge.

12 Sec. 06.40.140. CANCELLATION OF POLICY; REQUIREMENTS. (a) When a
13 premium finance agreement contains a power of attorney enabling the
14 licensee to cancel the insurance policy listed in the agreement, the
15 insurance policy may not be cancelled by the licensee unless the can-
16 cellation is effectuated in accordance with this section.

17 (b) The licensee shall give not less than 10 days written notice
18 to the borrower, by mailing by certified mail or documented by an affi-
19 davit of mailing, of the licensee's intent to cancel the insurance
20 policy unless the default is cured within that 10-day period. A copy of
21 the notice shall also be mailed by certified mail or documented by an
22 affidavit of mailing to the insurance agent indicated on the premium
23 finance agreement.

24 (c) After expiration of the 10-day period specified in (b) of this
25 section, the licensee may, in the name of the borrower, cancel the in-
26 surance policy by mailing by certified mail or documented by an affi-
27 davit of mailing to the insurer a notice of cancellation. The insurance
28 policy shall be cancelled as if the notice of cancellation had been
29 submitted by the borrower himself, but without requiring the return of

1 the insurance policy. The licensee shall also mail by certified mail or
2 documented by an affidavit of mailing a notice of cancellation to the
3 borrower at his last-known address and to the insurance agent indicated
4 on the premium finance agreement.

5 (d) All statutory, regulatory and contractual restrictions pro-
6 viding that the insurance policy may not be cancelled unless notice is
7 given to a governmental agency, mortgagee, or other third party shall
8 apply where cancellation is effected under the provisions of this sec-
9 tion. The insurer shall give the prescribed notice on behalf of itself
10 or the borrower to any governmental agency, mortgagee, or other third
11 party on or before the fifth business day after the day it receives the
12 notice of cancellation from the licensee and shall determine the effec-
13 tive date of cancellation taking into consideration the number of days'
14 notice required to complete the cancellation.

15 Sec. 06.40.150. RETURN OF UNEARNED PREMIUMS. (a) Whenever a
16 financed insurance policy is cancelled and provided the insurer has been
17 notified of the assignment of interest of the insured to the licensee,
18 the insurer within 60 days of the effective date of cancellation shall
19 take such steps as are necessary to have any gross unearned premiums
20 that are due under the insurance policy returned to the licensee for the
21 account of the borrower if the licensee has complied with the notice
22 provisions of sec. 140(b) of this chapter.

23 (b) If the crediting of return premiums to the account of the
24 borrower results in a surplus over the amount due from the borrower, the
25 licensee shall refund the excess to the borrower; however, no refund is
26 required if it amounts to less than \$1.

27 Sec. 06.40.160. CIVIL AND CRIMINAL PENALTIES. (a) A lender who,
28 in the making of any contract, loan or premium finance agreement or the
29 collection of interest or charges, does any act which violates secs.

1 10 - 20, 90, or 110 - 130 of this chapter shall at the option of the
2 commissioner reimburse that portion of the interest and charges in
3 excess of that provided in those sections, or, in the case of repeated
4 violations of those sections by the lender, the lender shall adjust the
5 contract, loan, or premium finance agreement interest and other charges
6 down to the contract interest limitation specified in AS 45.45.010(a).

7 (b) Any person, copartnership, association, or corporation, and
8 its members, officers, directors, agents, and employees, who violates or
9 participates in a violation of the provisions of sec. 10 of this chap-
10 ter, is guilty of a misdemeanor and upon conviction is punishable by a
11 fine of not more than \$5,000, or by imprisonment for not more than one
12 year, or by both. In case of conviction of a corporation for violation
13 of this chapter, the corporation is punishable by a fine of not more
14 than \$20,000.

15 Sec. 06.40.170. FILING NOT REQUIRED TO PERFECT VALIDITY OF AGREE-
16 MENT. No filing under AS 45.05 of the premium finance agreement is
17 necessary to perfect the validity of the agreement as a secured trans-
18 action against creditors, subsequent purchasers, pledgees, encum-
19 brancers, successors or assigns.

20 Sec. 06.40.180. REGULATIONS, ORDERS. The commissioner shall adopt
21 regulations necessary to carry out this chapter, and the commissioner
22 may order any person to cease violation of this chapter or a regulation
23 adopted under it.

24 Sec. 06.40.190. DEFINITIONS. As used in this chapter, unless the
25 context otherwise requires,

26 (1) "commissioner" means the commissioner of commerce and
27 economic development or his designee;

28 (2) "department" means the Department of Commerce and Eco-
29 nomic Development;

1 (3) "premium finance agreement" means an agreement by which a
2 borrower or prospective borrower promises to pay to a licensee or to its
3 assignee the amount advanced or to be advanced under the agreement to an
4 insurer or to an insurance agent or broker in payment of premiums on an
5 insurance policy sold in this state or covering risks located in this
6 state together with a service charge, and as a security for it the
7 premium finance company receives an assignment of the unearned premium;
8 however, no mortgage, conditional sale contract, or other security
9 agreement covering property which authorizes the lien holder to pay or
10 advance premiums for insurance under the mortgage, contract, or other
11 security agreement is considered to be a premium finance agreement;

12 (4) "premium finance company" means a person engaged in the
13 business of entering into premium finance agreements with borrowers or
14 of acquiring premium finance agreements from insurance agents, brokers
15 or other premium finance companies.

16 * Sec. 2. AS 21.36 is amended by adding a new section to read:

17 Sec. 21.36.122. PREMIUM FINANCING. No person licensed under ch.
18 27 of this title may

19 (1) enter into any insurance transaction in which the premium
20 is financed by other than the licensee unless the person providing the
21 financing is licensed under and in compliance with AS 06.40 or is ex-
22 empted from licensure under AS 06.40.020; or

23 (2) finance premiums or extend credit to persons purchasing
24 insurance except as provided in regulations adopted by the director; the
25 director shall adopt regulations establishing the conditions under which
26 licensees may extend credit or finance premiums except that in no event
27 may the regulations permit a rate of interest on amounts lent or credit
28 extended greater than that provided in AS 06.40.120.

29 * Sec. 3. The provisions of this Act do not void a lawful contract

1 entered into before the effective date of this Act.

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