

SCOMM

102:8

**Alaska State House of Representatives
House District 39**

Session

Alaska State Capital
Juneau, Alaska 99801-1182
Phone: (907) 465-4942



Interim

P.O. Box 137
Akiak, Alaska 99552
Phone: (907) 765-7526

Representative Ivan M. Ivan

SPONSOR STATEMENT - HOUSE BILL 123

This bill repeals the termination date of the federal tax obligation loan program that is under the Commercial Fishing Loan Act. This program is due to sunset on May 26, 1997. Thus far, 207 loans have been made to fishermen who, otherwise, would have lost or possibly could have lost their limited entry permits through actions taken by the Internal Revenue Service to seize permits for payment for delinquent taxes.

Akiachak • Akiak • Aleknagik • Atmautluak • Bethel • Cheformak • Clark's Point • Dillingham • Eek • Ekuk • Ekwok • Goodnews Bay •
Kasigluk • Kipnuk • Koliganek • Kongiganak • Kwethluk • Kwigillingok • Manokotak • Napakiak • Napaskiak • New Stuyahok • Nunapitchuk •
Oscarville • Platinum • Portage Creek • Quinhagak • Togiak • Tuntutuliak • Twin Hills

DIVISION OF INVESTMENTS
ALASKA DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

TAX OBLIGATION LOAN STATISTICS

January 24, 1997

Total dollar amount Tax Obligation Loans (Since Inception)	\$4.67 million
Total Tax Obligation Loans (Active Status)	207
Total Amount outstanding	\$3.78 million
Total Tax Obligation Loans Paid in Full	9
Delinquent Tax Obligation Loans with Extensions in Process*	18
Delinquent Tax Obligation Loans with Approved Workouts**	28
Delinquent Tax Obligation Loans Referred to the Collections Branch***	22
Total Delinquent Tax Obligation Loans	68
Percent of Tax Obligation Loans Delinquent	33%
Percent of Tax Obligation Loans Delinquent excluding Extensions in Process and approved Workouts	11%
Total Tax Obligation Foreclosures (since Program Inception)	0

It should be noted that delinquency rates typically elevate during the months of January and February because most loan payments are annual and are due toward the end of the calendar year. These numbers should decrease dramatically over the next few months as extension requests, workouts and various collection efforts take effect.

*These delinquent Tax Obligation borrowers have submitted loan extension requests which are being processed by the Division. Their loans will continue to show up as delinquent until a modified payment plan has been approved and the necessary documentation has been completed.

**These delinquent borrowers have approved workout agreements in place. A workout is utilized when the borrower needs some additional time to make the full payment. The agreement is approved and monitored by a Loan Officer. The loan will continue to show up as delinquent until the workout is complete and the loan is brought current.

***These delinquent loans have been referred to the Collections Branch for appropriate action. The Collections Branch will attempt to work with the delinquent borrower to arrive at an acceptable repayment plan. If arrangements for payment cannot be reached with the borrower, foreclosure proceedings will be initiated.

GRW 1/23/97

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United States Senate

COMMITTEE ON
GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

January 10, 1996

The Honorable Ivan Ivan
Alaska State Representative
Alaska State Capital
Juneau, Alaska 99801-1182

Dear Ivan:

Thank you for your letter expressing concern about the Internal Revenue Service's (IRS) December sale of a limited entry permit and requesting legislative or administrative action to address IRS permit sales.

I was also very disappointed in the IRS decision to conduct a sale of limited entry fishing permits. In March of 1996, as Chairman of the Governmental Affairs Committee I held a hearing which had addressed this specific issue as a matter of IRS tax administration oversight. Hearing witnesses included Susan Anderson of the Lower Yukon Economic Development Council and Steven Street of the Alaska Business Development Center, both of whom were effective advocates for the proper treatment of fishers in bush communities. The IRS District Director later held meetings in Anchorage on how to best address tax delinquencies among fishers. However, a number of people have expressed concern that the December sale signaled the end of the cooperative spirit that developed this year.

While the December sale is discouraging, my staff continues to work with the IRS and I will keep you informed of developments in this case. My staff is exploring ways to address the problem in the 105th Congress. Please telephone me or Chris Schabacker of my staff at (202) 224-3004 with any questions.

Thanks again for your letter.

With best wishes,

Cordially,


TED STEVENS

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Interim
P.O. Box 137
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Representative Ivan M. Ivan

December 17, 1996

The Honorable Ted Stevens
522 Hart Building
Washington, DC. 20510-0201

Dear Senator Stevens:

I wish to express my concerns in regards to the Internal Revenue Service forcing the sale of Alaska limited entry fishing permits.

As you well know, in Alaska's rural communities, limited fishing privileges are often the only means of earning cash as well as the fundamental way of life for thousands of Alaskans.

I was shocked to learn that on December 11, 1996, the IRS conducted a pre-Christmas sale of an Alaska limited entry permit held by a 54 year-old Alaska Native fisherman from a small Alaskan coastal community. Although the permit is valued at \$30,000, the IRS sold the permit for only \$5,005.

This to me is preposterous. The Alaska State Legislature enacted a special secured loan program to help such fishermen. Alaska is the only state to have made such a commitment. The IRS knows the State of Alaska is ready to help such individual fishers through our loan program. With the help of the Alaska Business Development Center and others, the state has so far aided numerous individual fishers in meeting their tax obligations and generated more than \$4 million in revenue to the IRS. The IRS also knows many of our people do not have the capacity to secure these loans and to meet their tax obligations without intervention and help by the state. Despite this knowledge, the IRS gave the state only two days' notice of its sale.

Aldachak • Aldak • Aleknagik • Atmautluak • Bethel • Cheformak • Clark's Point • Dillingham • Eek • Ekuk • Ekwok • Goodnews Bay • Kasigluk • Kipnuk • Koliganek • Kongiganak • Kwethluk • Kwigillingok • Manokotak • Napaidak • Napaskiak • New Stuyahok • Nunapitchuk • Oscarville • Platinum • Portage Creek • Quinhagak • Togiak • Tuntutuliak • Twin Hills

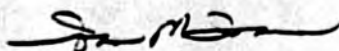
Christmas is a horrible time for the IRS to pick to destroy a fisherman. I thought all human beings generally recognized the fact that adverse actions taken at Christmas can cause tragic consequences. Additionally, the IRS' lack of advance notice destroyed any opportunity for the state to intervene and counsel the individual fisherman.

It is my understanding that Congress has directed the IRS to avoid inflicting hardship in its collection practices. Yet, this sale appears to be designed to inflict maximum hardship on a fisherman. Also, the IRS has recently announced it is targeting more fishing privileges held by rural Alaskans after the first of the year.

This is maddening, since the IRS knows Alaska is in the last months of our successful tax loan program. The state and the Alaska Business Development Center are systematically traveling throughout rural areas of the state to help secure the benefits of the program for Alaska fishermen most in need. The IRS' precipitous sale (with more to come) destroys these planned efforts and causes extreme hardship to the individual fishers. The IRS further knows it will be forcing more Alaskans onto public assistance.

I would welcome your administrative or legislative help in avoiding hardship. Any possible assistance you can provide would be deeply appreciated. If I can assist in any way, please do not hesitate to contact me.

Quyana,



Ivan M. Ivan
Representative

IMI/tw

cc: Bruce Twomley, Chairman, Commercial Fisheries Entry Commission
Tom Hawkins, Executive Director, Bristol Bay Native Corporation
Terry Hoefflerle, Executive Director, Bristol Bay Native Association

MEMORANDUM

STATE OF ALASKA COMMERCIAL FISHERIES ENTRY COMMISSION

TO: The Honorable Ivan M. Ivan

DATE: February 17, 1997

FAX NO.: 789-6170

FROM: COMMERCIAL FISHERIES
ENTRY COMMISSION

TELEPHONE NO.: 789-6160

Dale Anderson, Commissioner
Marlene Johnson, Commissioner
Bruce Twomley, Chairman
Mail Stop: 0302

SUBJECT: Information Concerning
the Need for an Extension
of the Tax Obligation
Loan Program (HB 123)

You requested information from the Commission concerning Alaskans who may be in need of an extension of the Tax Obligation Loan Program as provided for in your HB 123.

The best current information we have comes from an IRS Summons served upon the Commission in 1996. The Summons targeted Alaskans who hold entry permits and asked the Commission to report their fishery earnings for the years 1993 and 1994. The IRS identified the vast majority of individuals subject to the Summons as having failed to file returns for 1993 and 1994. Attached as Exhibit A is the number of permit holders by community we derived from the Summons. There are 684 individuals in communities throughout Alaska who are listed on the Summons. They reside all over Alaska including the urban areas. The vast majority have relatively small incomes from commercial fishing. Exhibit A. Therefore, many of their tax debts are likely manageable with some help, and many are likely well within the \$30,000 limit of the Tax Obligation Loan Program. Exhibit A.

These numbers do not show the full extent of tax compliance problems, because they are derived from only two years, 1993 and 1994. There are likely additional individuals with tax obligations arising from different years. On the other hand, the figures suggest some improvement in tax compliance. The IRS previously served the Commission with a Summons directed toward non-filing permit holders for the year 1992, and the Summons named more than 2,000 Alaskans who held entry permits. Exhibit B.

IRS recognizes the importance of the Tax Obligation Loan Program and has urged Governor Knowles to support an extension of the program. Exhibit C.

The Loan Program is part of a written agreement we have with the IRS under which IRS has promised its best efforts to ensure the benefits of the program reach those Alaskans in need. Pursuant to our agreement, we have urged the IRS to provide current data in a form that would be meaningful to the Legislature and the Governor in evaluating the Loan Program. Exhibit D.

cc: Tom Wright

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION

16:48 Sunday, February 16, 1997 1

PROJECT NUMBER : 96159
PROJECT NAME : IRS Selective Permit Information

Report #4 - Alaska Resident Permit Holders Subject To IRS Summons For 1993-94
By Alaska Census Area And City
(The Vast Majority Are Identified By The IRS As Non-Filers)

Census Area	City	# Pmt Holders
ALEUTIAN ISLANDS	KING COVE	2
	NELSON LAGOON	2
	SAND POINT	4
-----		-----
ALEUTIAN ISLANDS		8
ANCHORAGE BOROUGH	ANCHORAGE	40
BETHEL	AKIACHAK	5
	AKIAK	5
	ATMAUTLUAK	2
	BETHEL	26
	CHEFORNAK	2
	EEK	3
	GOODNEWS BAY	13
	KALSKAG	1
	KASIGLUK	2
	KIPNUK	1
	KONGIGANAK	2
	KWETHLUK	5
	KWIGILLINGOK	3
	MEKORYUK	2
	NAPAKIAK	10
	NAPASKIAK	3
	NEWTOK	1
	NIGHTMUTE	3
	NUNAPITCHUK	3
	OSCARVILLE	1
	QUINHAGAK	11
	TOKSOOK BAY	3
	TULUKSAK	9
	TUNTUTULIAK	8
	TUNUNAK	3
-----		-----
BETHEL		127
BRISTOL BAY	KING SALMON	2
	NAKNEK	12
	SOUTH NAKNEK	6
-----		-----
BRISTOL BAY		20
DILLINGHAM	ALEKNAGIK	3
	CHIGNIK	1
	CHIGNIK LAGOON	1
	CLARKS POINT	2
	DILLINGHAM	24
	EGEGIK	5
	ILIAMNA	2
	LEVELOCK	1
	MANOKOTAK	8
	NEW STUYAHOK	2
	NONDALTON	3
	PEDRO BAY	1
	PILOT POINT	2
	TOGIK	30
	TWIN HILLS	3
-----		-----
DILLINGHAM		88
FAIRBANKS NORTH STAR	FAIRBANKS	9

Exhibit A
(1 of 4)

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION

16:48 Sunday, February 16, 1997 2

PROJECT NUMBER : 96159
PROJECT NAME : IRS Selective Permit Information

Report #4 - Alaska Resident Permit Holders Subject To IRS Summons For 1993-94
By Alaska Census Area And City
(The Vast Majority Are Identified By The IRS As Non-Filers)

Census Area	City	# Pmt Holders
HAINES	HAINES	1
JUNEAU	AUKE BAY	3
	JUNEAU	14

JUNEAU		17
KENAI PENINSULA	ANCHOR POINT	2
	HOMER	8
	KASLOF	8
	KENAI	9
	NIKISHKA	2
	NIKISKI	3
	NINILCHIK	3
	PORT GRAHAM	1
	SELDOVIA	1
	SEWARD	1
	SOLDOTNA	5
	TYONEK	1

KENAI PENINSULA		44
KETCHIKAN GATEWAY	KETCHIKAN	11
KOBUK	KOTZEBUE	19
	NOATAK	2
	NOORVIK	1
	SELAWIK	2

KOBUK		24
KODIAK	KODIAK	8
	LARSEN BAY	2
	OLD HARBOR	5
	OUZINKIE	3

KODIAK		18
MATANUSKA-SUSITNA	PALMER	5
	TALKEETNA	2
	WASILLA	6

MATANUSKA-SUSITNA		13
NOME	ELIM	12
	GOLOVIN	2
	KOYUK	1
	NOME	6
	SHAKTOOLIK	3
	STEBBINS	5
	UNALAKLEET	11
	WHITE MOUNTAIN	1

NOME		41
NORTH SLOPE	POINT HOPE	1
PR OF WALES-OUTER KTKN	CRAIG	6
	HYDABURG	2
	KLAWOCK	2
	METLAKATLA	3

Exhibit A
(2 of 4)

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION

16:48 Sunday, February 16, 1997 3

PROJECT NUMBER : 96159
PROJECT NAME : IRS Selective Permit Information

Report #4 - Alaska Resident Permit Holders Subject To IRS Summons For 1993-94
By Alaska Census Area And City
(The Vast Majority Are Identified By The IRS As Non-Fileers)

Census Area	City	# Pmt Holders
PR OF WALES-OUTER KTKN	POINT BAKER	10
	PORT PROTECTION	1
-----		-----
PR OF WALES-OUTER KTKN		24
SITKA	SITKA	17
SKAGWAY-YAKUTAT-ANGOON	ANGOON	5
	ELFIN COVE	2
	GUSTAVUS	1
	HOONAH	7
	PELICAN	6
	TENAKEE	1
	YAKUTAT	16
-----		-----
SKAGWAY-YAKUTAT-ANGOON		38
SOUTHEAST FAIRBANKS	TANACROSS	1
VALDEZ-CORDOVA	CORDOVA	6
	WHITTIER	1
-----		-----
VALDEZ-CORDOVA		7
WADE HAMPTON	ALAKANUK	17
	CHEVAK	1
	EMMONAK	14
	HOOPER BAY	10
	KOTLIK	10
	MARSHALL	1
	MOUNTAIN VILLAGE	20
	PILOT STATION	2
	RUSSIAN MISSION	1
	SAINT MARYS	7
	SCAMMON BAY	11
	SHELDON POINT	11
-----		-----
WADE HAMPTON		105
WRANGELL-PETERSBURG	KAKE	3
	PETERSBURG	6
	PORT ALEXANDER	2
	WRANGELL	5
-----		-----
WRANGELL-PETERSBURG		16
YUKON-KOYUKUK	FORT YUKON	1
	GALENA	1
	GRAYLING	1
	KALTAG	3
	MANLEY HOT SPRINGS	1
	NENANA	1
	NULATO	5
	TANANA	1
-----		-----
YUKON-KOYUKUK		14
		=====
		684

Exhibit A
(3 of 4)

2/18/97

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION

PROJECT NUMBER: 96159
1993-94 IRS SELECTIVE PERMIT INFORMATION

Exhibit A
(4 of 4)

1993 COUNTS OF INCOME LEVELS FOR ALASKA RESIDENT PERMIT HOLDERS NAMED IN IRS SUMMONS

EARN	Frequency	Cumulative Frequency
> 30	82	82
00-05	181	263
05-10	108	371
10-15	53	424
15-20	29	453
20-25	13	466
25-30	13	479
UNKNOWN	164	643

1994 COUNTS OF INCOME LEVELS FOR ALASKA RESIDENT PERMIT HOLDERS NAMED IN IRS SUMMONS

EARN	Frequency	Cumulative Frequency
> 30	99	99
00-05	165	264
05-10	114	378
10-15	46	424
15-20	20	444
20-25	19	463
25-30	9	472
UNKNOWN	194	666

* Note: The number of unique permit holders represented in this report is 684.

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION

PROJECT NUMBER : 94139

PROJECT NAME : IRS Selective Permit Information : Permit holders who failed to file in 1992

Report #6 - IRS Data by Area & Community

Geographic Areas	City	# Permit Holders
ALEUTIANS EAST BOROUGH	AKUTAN	2
	ALEXANDER CREEK	1
	CHENEGA	3
	COLD BAY	1
	FALSE PASS	1
	KING COVE	9
	NELSON LAGOON	5
	OSCARVILLE	1
	SAND POINT	18
-----		41
ALEUTIANS EAST BOROUGH		
ALEUTIANS WEST CENSUS AREA	ANCHORAGE	17
	ATKA	1
	DUTCH HARBOR	16
	MOSEY BAY	1
	NINILCHIK	14
	SAINT GEORGE ISL	1
	SAINT PAUL ISLAND	1
	UNALASKA	5
-----		56
ALEUTIANS WEST CENSUS AREA		
ANCHORAGE BOROUGH	ANCHORAGE	126
	CHUGIAK	7
	EAGLE RIVER	5
	GIRDWOOD	1
	INDIAN	1
-----		140
ANCHORAGE BOROUGH		
BETHEL CENSUS AREA	AKIACHAK	5
	AKIAK	7
	ANIAK	4
	ATHAUTLUAK	4
	BETHEL	44
	CHEFORNAK	8
	CHUATHBALUK	1
	EEK	10
	GOODNEWS BAY	26
	KASIGLUK	5
	KIPNUK	15
	KONGIGAMAK	5
	KWETHLUK	14
	KWIGILLINGOK	8
	LOWER KALSKAG	2
	MEKORYUK	9
	NAPAKIAK	14
	NAPASKIAK	4
	NEWTOK	3
	NIGHTMUTE	2
	NUNAPITCHUK	3
	PLATINUM	2
	QUINAGAK	22
	STONY RIVER	1
	TOKSOOK BAY	7
	TULUKSAK	18
	TUNTUTULIAK	16
	TUNUNAK	4
-----		263
BETHEL CENSUS AREA		
BRISTOL BAY BOROUGH	NAKNEK	27
	SOUTH NAKNEK	10
-----		37
BRISTOL BAY BOROUGH		
DILLINGHAM CENSUS AREA	ALEKNAGIK	16
	CLARKS POINT	9
	DILLINGHAM	81
	KOLIGANEK	3
	MANOKCTAK	27
	NEW STUYAHOK	8
	PORTAGE CREEK	1
	TOGIAK	69
	TWIN HILLS	4
-----		218
DILLINGHAM CENSUS AREA		
FAIRBANKS NORTH STAR BOROUGH	ESTER	1
	FAIRBANKS	13

Exhibit B
(1 of 6)

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION

PROJECT NUMBER : 94139

PROJECT NAME : IRS Selective Permit Information: Permit holders who failed to file in 1992

Report #6 - IRS Data by Area & Community

Geographic Areas	City	Permit Holders
FAIRBANKS NORTH STAR BOROUGH	NORTH POLE	2
FAIRBANKS NORTH STAR BOROUGH		16
HAINES BOROUGH	HAINES	10
JUNEAU BOROUGH	AIKE BAY	3
	DOUGLAS	3
	JUNEAU	50
JUNEAU BOROUGH		56
KENAI PENINSULA BOROUGH	ANCHOR POINT	23
	CLAM GULCH	9
	FRITZ CREEK	5
	HALIBUT COVE	1
	HOMER	66
	KASILOF	19
	KENAI	27
	NIKISHKA	2
	NIKISKI	8
	NIKOLAEVSK	1
	PORT GRAHAM	1
	SELDOVIA	7
	SEWARD	19
	SOLDOTNA	31
	STERLING	3
	TYONEK	3
KENAI PENINSULA BOROUGH		225
KETCHIKAN GATEWAY BOROUGH	KETCHIKAN	63
	SAXMAN	1
	WARD COVE	5
	WHALE PASS	1
KETCHIKAN GATEWAY BOROUGH		70
KODIAK ISLAND BOROUGH	CHINIAK	1
	KODIAK	115
	LARSEN BAY	1
	OLD HARBOR	13
	OUZINKIE	9
	PORT LIONS	4
KODIAK ISLAND BOROUGH		143
LAKE AND PENINSULA BOROUGH	CHIGNIK	1
	CHIGNIK LAGOON	3
	EGETIK	18
	ILIAMNA	7
	KOKHANOK	4
	LEVELOCK	8
	NEWMALLEN	1
	NONDALTON	7
	PEDRO BAY	1
	PILOT POINT	10
	PORT HEIDEN	5
	WOODLAND HILLS	1
LAKE AND PENINSULA BOROUGH		66
MATANUSKA-SUSITNA BOROUGH	BIG LAKE	5
	CHICKALOON	1
	PALMER	14
	TALKEETNA	2
	WASILLA	20
MATANUSKA-SUSITNA BOROUGH		42
NOME CENSUS AREA	ELIM	12
	GOLovin	3
	KOYUK	1
	NOME	7
	SAINT MICHAEL	5
	SHAKTOOLIK	11
	SHISHMARF	1
	STEBBINS	10
	UNALAKLEET	36
	WHITE MOUNTAIN	2
NOME CENSUS AREA		88

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION

PROJECT NUMBER : 94139

PROJECT NAME : IRS Selective Permit Information: Permit holders who failed to file in 1992

Report #6 - IRS Data by Area & Community

Geographic Areas	City	Permit Holders
NORTHWEST ARCTIC BOROUGH	KOTZEBUE	30
	NOATAK	1
	NOORVIK	2
NORTHWEST ARCTIC BOROUGH		33
PR OF WALES-OUTER KTN CENSUS AREA	CRAIG	27
	HYDABURG	10
	KLAWOCK	5
	METLAKATLA	20
	MEYERS CHUCK	2
	POINT BAKER	9
	THORNE BAY	2
PR OF WALES-OUTER KTN CENSUS AREA		75
SITKA BOROUGH	PORT ALEXANDER	7
	SITKA	66
	TENAKEE	4
SITKA BOROUGH		77
SKAGWAY-YAKUTAT-ANGOOK CENSUS AREA	ANGOOK	9
	ELFIN COVE	9
	GUSTAVUS	4
	HOONAH	20
	PELICAN	11
	SKAGWAY	1
	YAKUTAT	42
SKAGWAY-YAKUTAT-ANGOOK CENSUS AREA		96
SOUTHEAST FAIRBANKS CENSUS AREA	HEALY	2
	TANACROSS	1
SOUTHEAST FAIRBANKS CENSUS AREA		3
VALDEZ-CORDOVA CENSUS AREA	COPPER CENTER	1
	CORDOVA	52
	GLENMALLEN	1
	TATILEK	1
	VALDEZ	9
	WHITTIER	5
VALDEZ-CORDOVA CENSUS AREA		69
WADE HAMPTON CENSUS AREA	ALAKANUK	44
	CHEVAK	7
	EMMONAK	42
	FORTUNA LEDGE	3
	HOOPER BAY	18
	KOTLIK	22
	MARSHALL	12
	MOUNTAIN VILLAGE	37
	PILOT STATION	8
	RUSSIAN MISSION	4
	SAINT MARYS	16
	SCAMMON BAY	18
	SHELDON POINT	11
WADE HAMPTON CENSUS AREA		242
WRANGELL-PETERSBURG CENSUS AREA	KAKE	8
	PETERSBURG	31
	WRANGELL	27
WRANGELL-PETERSBURG CENSUS AREA		66
YUKON-KOYUKUK CENSUS AREA	ANVIK	1
	FORT YUKON	2
	GALENA	4
	GRAYLING	1
	HOLY CROSS	2
	KALTAG	8
	NENANA	5
	NULATO	7
	RAMPART	1
	RUBY	1
	STEVENS VILLAGE	2
	TANANA	4
YUKON-KOYUKUK CENSUS AREA		38

Exhibit B
(3 of 6)

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION

PROJECT NUMBER : 94139

PROJECT NAME : IRS Selective Permit Information: Permit holders who failed to file in 1992

Report #6 - IRS Data by Area & Community

Geographic Areas	City	# Permit Holders
ALASKA	EDNA BAY	2
WASHINGTON	ABERDEEN	8
	ACHE	1
	AMANDA PARK	1
	ANACORTES	1
	ARLINGTON	2
	AUBURN	1
	BAINBRIDGE IS	1
	BATTLEGROUND	1
	BELLEVUE	1
	BELLINGHAM	19
	BLAINE	8
	BOTHELL	2
	BREMERTON	2
	BRINNON	1
	BURLINGTON	1
	CAMANO ISLAND	1
	CARNATION	1
	CATHLAMET	4
	CHEHALIS	2
	CHINOOK	1
	CLE ELUM	1
	CONWAY	1
	COPALIS BEACH	2
	COSMOPOLIS	1
	CUSTER	1
	DARRINGTON	1
	DEER PARK	1
	DUVALL	2
	EATONVILLE	1
	EDMONDS	10
	ELMA	1
	ENUMCLAW	1
	EVERETT	6
	FEDERAL WAY	2
	FERNDALE	2
	FOX ISLAND	1
	FREELAND	1
	FRIDAY HARBOR	7
	GIG HARBOR	8
	GRAHAM	1
	HADLOCK	1
	HAMILTON	1
	HOOQUIAM	2
	HOOQUIUM	1
	HUMPTULIPS	1
	ISSAQUAH	1
	KENT	3
	KINGSTON	1
	KIRKLAND	1
	LAKE STEVENS	1
	LONG BEACH	1
	LONGBRANCH	1
	LONGVIEW	1
	LYMAN	1
	LYNDEN	1
	LYNNWOOD	1
	LYNNWOOD	1
	MAPLE VALLEY	1
	MARYSVILLE	1
	MILL CREEK	1
	MOCLIPS	1
	MONTESANO	1
	MOUNT VERNON	4
	MT VERNON	2
	MUKILTEO	1
	NASELLE	1
	NEAH BAY	1
	NORTH BEND	1
	NORTH PORT	1
	OAK HARBOR	1
	OCEAN CITY	1
	OCEAN SHORES	1
	OLYMPIA	6
	OROVILLE	1
	POINT ROBERTS	1
	PORT ANGELES	4
	RAINIER	1
	SEATTLE	37
	SEDRO WOOLLEY	1

Exhibit B
(4 of 6)

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION

PROJECT NUMBER : 94139

PROJECT NAME : IRS Selective Permit Information : Permit holders who failed to file in 1992

Report #6 - IRS Data by Area & Community

Geographic Areas	City	Permit Holders
WASHINGTON	SEQUIM	1
	SHELTON	1
	SKAMOKAWA	1
	SHOMONISH	1
	SNOQUALMIE	1
	SOUTH CLE ELUM	1
	SPANAWAY	3
	STANWOOD	1
	SUMAS	1
	TACOMA	5
	TAHOLA	3
	TOKELAND	1
	TOLEDO	1
	TOPPENISH	1
	VANCOUVER	5
	VASHON	2
	VAUGHN	1
	WASHOUGAL	1
	WAUMA	1
	WESTPORT	2
	WOODINVILLE	1
	YAKIMA	2
	YELM	2
WASHINGTON		257
OREGON	ALBANY	1
	ASTORIA	8
	AURORA	1
	BEND	2
	CASCADE LOCKS	2
	CENTRAL POINT	1
	CLACKAMAS	1
	CORBETT	1
	CORVALLIS	1
	DALLAS	1
	EAGLE CREEK	1
	GERVAIS	3
	GLENEDEN BEACH	1
	HOOD RIVER	1
	MILWAUKIE	1
	NEWBERG	2
	NEWPORT	4
	NORTH POWDER	1
	OREGON CITY	1
	PORT ORFORD	3
	PORTLAND	6
	PRINEVILLE	2
	SALEM	1
	SCAPPOOSE	1
	SILETZ	1
	SPRINGFIELD	1
	WARRENTON	1
	WARRINGTON	1
	WOODBURN	1
OREGON		14
CALIFORNIA	ARCATA	1
	CONCORD	1
	EL GRANADA	1
	EUREKA	1
	FAIRFIELD	2
	FORT BRAGG	1
	GARBERVILLE	1
	LOOMIS	1
	LOS ANGELES	1
	MARTINEZ	1
	MCKINLEYVILLE	1
	MENDOCINO	1
	MIDDLETOWN	1
	MONTEREY	4
	MORRO BAY	1
	MOSS BREACH	1
	NORTHRIDGE	1
	OAKHURST	1
	PACIFIC GROVE	1
	PETALUMA	1
	PLACERVILLE	1
	RESEDA	1
	SAINT HELENA	1
CALIFORNIA		65

Exhibit B
(5 of 6)

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION

PROJECT NUMBER : 94139

PROJECT NAME : IRS Selective Permit Information : Permit holders who failed to file in 1992

Report #6 - IRS Data by Area & Community

Geographic Areas	City	Permit Holders
CALIFORNIA	SAN DIEGO	4
	SAN MATEO	1
	SANTA BARBARA	1
	SANTA ROSA	1
	SEASIDE	1
	THREE RIVERS	1
	WILMINGTON	1
	WOODLAND HILLS	1
-----		-----
CALIFORNIA		38
OTHER		19
	ANTHONY	1
	BOCA RATON	1
	BOUNTIFUL	1
	BROADUS	1
	CAMP WOOD	1
	CEDAR PARK	1
	CHATTANOOGA	1
	CHESTERTOWN	1
	COERUOALENE	1
	DAVE	1
	EAST BALDWIN	1
	ELMHURST	1
	ERIE	1
	EVANT	1
	FULTON	1
	GEDDES	1
	GLOUCESTER	1
	HONOLULU	2
	ISHINOMAKI	1
	JASPER	1
	KAPAA, KAUAI	1
	LENORE	1
	MAYPEARL	1
	MCALLEN	1
	MILAN	1
	NEOSHO	1
	OLATHE	1
	PIQUA	1
	PRESCOTT	1
	RIGGINS	1
	SAANICHTON	1
	STATELINE	1
	SUN VALLEY	2
	TELLURIDE	1
	WESTPOINT	1
-----		-----
OTHER		56

		2588

Exhibit B
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Internal Revenue Service**Department of the Treasury**District
Director

915 Second Ave., Seattle, Wash. 98174

FEB 12 1997

► Governor Tony Knowles
Office of the Governor
P.O. Box 110001
Juneau, AK 99811-001

Dear Governor Knowles:

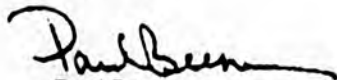
The Internal Revenue Service (IRS) is pleased with the results of the State of Alaska's administered Tax Obligation Loan Program (SB251). During the 2-year period that we have worked with the Alaska Department of Commerce and Economic Development, and Division of Investments (DOI), many Alaska fishers have successfully resolved their tax problems. To date, the IRS has received more than four million dollars. However, it is our understanding that new loan applications must be received no later than February 28, 1997, to insure that the applications are processed and the funds disbursed prior to May 26, 1997, when the Bill's sunset provision takes effect.

The termination of this program could not have come at a worse time. Many fishers are in the process of completing their 1996 tax returns. Many rural Alaskans have been unable to obtain assistance to prepare their returns and loan packages. For example, IRS employees were accompanied by an employee from DOI during the week-long visit where we talked to fishers in Dillingham, Manokotak, Togiak, and New Stuyahok. However, we were unable to serve all residents wishing to resolve their problems. We have scheduled additional trips in March and April, but do not know whether these individuals will be able to avail themselves of the State's loan program in time. Tax Obligation Loan applications were received from 15 individuals. The total loan amount requested was approximately \$397,000.

The Tax Obligation Loan Program has been a positive step in minimizing the need for the IRS to take enforcement action. Over the past several years we have been working together with the State of Alaska to avoid the necessity of seizing and selling permits. In July of 1996, we met with various State agencies, members of the fishing community, Native organizations, and the Alaska congressional staff in a symposium format to look at alternatives to seizure action and various methods to improve compliance in the fishing industry. We believe progress is being made toward assisting fishers and minimizing the need for the IRS to administratively seize and sell permits. When we meet again on February 19, 1997, one of the proposals on the table for discussion is the extension of the Tax Obligation Loan Program. We believe this is critical to meeting our mutual goals and would like your support in extending the program. At this time, we have approximately 1200 delinquent permit holders of whom 900 could possibly qualify for the loan program. An extension would greatly assist these Alaskan fishers. While most of these individuals are not in jeopardy of losing their permits because of tax delinquencies, it would be an easy resolution of their tax problems and enable them to concentrate on what they do best, which is contributing to the commercial fishing industry in Alaska.

We firmly believe that our partnership efforts with key participants in this industry will resolve the issues that have divided us in the past. We look forward to working with the individuals representing the State of Alaska at the February meeting and to your support in extending the Tax Obligation Loan Program.

Sincerely,



Paul Beene
District Director
Pacific-Northwest District

Exhibit C

STATE OF ALASKA

COMMERCIAL FISHERIES ENTRY COMMISSION

TONY KNOWLES, GOVERNOR

8800 GLACIER HWY. #109
JUNEAU, AK 99801
(907) 789-6150 Licensing Calls
(907) 789-6160 Other Business
(907) 789-6170 FAX
(907) 789-6180 BBS

February 14, 1997

Mr. Paul Beene
District Director
Internal Revenue Service
915 Second Avenue
Seattle, WA 98174

FAX: (206) 220-6045

Dear Paul:

As I stated in our February 7th phone conversation, my Co-Commissioner Marlene Johnson and I will attend the February 19th meeting in Anchorage to continue our dialogue, conditioned by the substance of this letter. There are fundamental issues we must address.

Our Existing Agreement

First, your January 14 letter acknowledges the State of Alaska has paid the IRS more than \$4.5 million in consideration under its existing agreement with the IRS. In fact, actual expenditures in human resources and dollars have been far greater. In our most recent commemoration of our agreement, the IRS committed its "best efforts" to ensure the benefits of the Tax Obligation Loan Program are available to Alaskans through meaningful intervention by the State and third parties.

We believe the two days' notice you provided the State of your pre-Christmas sale of Alaska limited fishing privileges is an actionable breach of our existing contract. With respect to contracts of which the U.S. is a party, the Federal Government has been held liable under ordinary principles of contract law. United States v. Winstar Corp., 518 U.S. ___, 116 S.Ct. 2432, 135 L.Ed.2d 964 (1996).

Our primary concern is IRS performance of its express duty to cooperate with the State in good faith under our existing agreement. This promise is virtually the only consideration given by the Federal Government in contrast to the substantial commitment of resources and money provided by the State. Now that the Federal Government has reaped the substantial rewards of the contract,

Exhibit D
(1 of 10)

including a shift of tax collection responsibilities from the Federal Government to the State, the IRS may not disregard its promises through a change of policy to obtain self relief from an agreement you may now view as improvident or to pressure the State into acting as you dictate.

Specifically, the IRS has the continuing duty to provide reasonable notice of IRS targets in order to allow for meaningful intervention and help well before an IRS seizure and attempted forced sale of a holder's interest in a permit. Under ordinary contract law, this duty precludes the IRS from taking opportunistic advantage of the State and, also, from acting in a manner which destroys or injures our right to receive the fruits of our agreement.

As your January 14 letter confirmed, the State has enjoyed notable success in assisting taxpayers to achieve IRS compliance with no loss of fishing privileges, a result which the IRS effort, alone, did not accomplish prior to our collaboration.

Your Recent Proposals

As a separate and secondary matter, your January 14 letter urges the State to respond to your recent proposals for a new, supplemental agreement.

To recount the background for your recent proposals, on May 16, 1996, during a phone conversation with former Commissioner Homan and me, you stated, in return for further commitments by the State, IRS would discuss not seizing entry permits. Subsequently, at our July 19, 1996 meeting, in the presence of more than 30 people, you offered to discuss eliminating forced sales of entry permits pursuant to an agreement under which the IRS would collect from the proceeds of fish sales instead of forcing the sale of Alaska limited fishing privileges. In consideration, I offered to discuss potential changes to state law that would support IRS' collections.

A group of participants (including at least one Representative of our Congressional Delegation) met immediately following our July meeting and

Exhibit D
(2 of 10)

confirmed receiving your offer. Shortly thereafter, I sent you a letter asking you to confirm your own statement. Instead, you responded, "I appreciate your sharing your reflections" on the meeting. Despite the fact your answer failed to confirm or qualify your statement, we gave you the benefit of the doubt and pursued discussions with you.

In November, the IRS sent the State four proposals to permanently change Alaska law to require the State of Alaska to assume various new responsibilities to achieve federal tax enforcement. Clearly, the Federal government seeks to shift the costs of meeting its statutory responsibilities to the State through those IRS proposals. For the State to elect to do so, the IRS must promise something meaningful in return. The confusing discussion that followed your proposals prompted us to seek written clarification as to what you are offering the State. After more than six months, you provided the clarification we first sought in July, and it is disturbing.

Your January 14 letter refers to your November proposals for Alaska to permanently change state law and assume responsibilities for the IRS, and you assert:

[t]hese proposals are what the IRS is offering the State.

The Federal government is not the creator of State law. Therefore, nothing is conveyed in IRS' purported offer to the State.

Additionally, in support of one IRS proposal for a change in Alaska law to require the Entry Commission to withhold all seasonal fishing permits until the IRS certifies each yearly applicant for a permit is in full compliance with his federal tax obligations, you represent that Alaska law already makes the same requirement for child support obligations. This is not true. The Alaska Legislature rejected the idea: both the Legislature and our Child Support Enforcement Division recognize that in order to collect from fishermen, fishermen need to be in the water catching fish.

Exhibit D
(3 of 10)

In any event, your January 14 clarification emphasizes no matter what the State may undertake to do for the IRS, you assert the unqualified right, without reasonable notice as our contract requires, to attempt to force the sale of any property interest a delinquent fisher may have in State fishing privileges, particularly in those cases IRS subjectively classifies as "egregious." On December 4, you represented to the Alaska Congressional Delegation that the targets of your pre-Christmas sales of entry permits were such "egregious" cases.

Under 26 USC §6343, Congress created an affirmative duty on the part of the IRS to release a levy when "such levy is creating an economic hardship due to the financial condition of the taxpayer" The clear requirement of §6343 mandates a levy release in all cases of economic hardship, regardless of whether or not the IRS has subjectively designated any such case as "egregious". Despite this mandate, you have insisted the State negotiate an agreement recognizing the purported right of the IRS to attempt the forced sale in cases the IRS determines are "egregious". From your pre-Christmas actions, this amounts to a demand on the State to accept a pledge to do less than Congress has already required.

In short, your January 14 letter clarifies the IRS is not offering the State of Alaska any consideration for the changes you would like to see in State law.

Recent Events

It is clear the IRS' recent actions are an improper attempt to pressure the State. In addition, those actions demonstrate a lack of best efforts with respect to our agreement and, also, a failure to act in good faith with respect to the current negotiations.

Consistent with Part 3 of IRS Form 4585, the IRS assured a taxpayer targeted for your pre-Christmas sale: "The minimum bid price is established to protect your interests in the property." This written representation was deceptive. The IRS set the minimum bid at \$3,375, which is a fraction of the average \$30,000 for an authorized State transfer. Affidavits provided to CFEC

Exhibit D
(4 of 10)

state a Revenue Officer under your direction advised possible buyers as follows: in order to pursue the IRS' present dispute with the State, the IRS intended to sell the particular permits for "substantially below the permits' fair market value" and, once a permit was transferred, it would "open the floodgates" of State permit seizures by the IRS. The affiants stated the Revenue Officer volunteered "the Commissioner of the IRS is aware of the situation and the matter is receiving attention at the highest levels at the IRS Washington D.C., headquarters" and, also, the IRS intended to pursue its disagreement with the State of Alaska "to a conclusion that is satisfactory to the IRS." Based on these affidavits, it appears the IRS willfully breached its duties to the State in an attempt to improperly coerce the State into acting as the IRS dictated.

Moreover, your December 6, 1996 letter states, if we fail to meet your expectations for future negotiations, "fishing entry permits will continue to be seized and sold [and thereby] endanger[] the interests of Alaska taxpayers (e.g., devalued fishing permits, permits sold to non-Alaskans)." Consistent with your letter, a Revenue Officer under your direction has announced he will resell an entry permit from the pre-Christmas sale on one day's notice. A Revenue Officer has threatened the seizure of seven limited entry permits in the Dillingham area at any moment. Additionally, we received a call from a widow in Anchorage who reported a Revenue Officer threatened to sell her fishing privileges and those of her deceased husband for as little as \$3,000.

In addition to disrupting orderly implementation of the Loan Program, IRS' pre-Christmas actions and threatened actions require the Entry Commission as Administrative Law Judges to rule on any claims that result. If we are in the midst of negotiating with you, and, on 2 days' notice, we are required to rule on a related claim, we face a conflict that creates at least an appearance of impropriety. We need sufficient warning from you to be able to withdraw from negotiations before such a conflict arises.

Apart from our requirements to function as Administrative Law Judges under State law, your pre-Christmas actions damaged the climate for cooperation between

Exhibit D
(5 of 10)

the State and Federal Government. See the enclosed letter from our Governor to the Alaska Congressional Delegation.

Again, our agreement requires meaningful notice from you identifying your targets well in advance of an IRS forced sale.

Where Do We Go From Here

More than once in the past, we have discussed the possibility of extending the State's Tax Obligation Loan Program presently due to sunset this spring. We committed to explore that alternative. When we talked last Friday, you asked again about this possibility, and I told you the door was not closed to this option. Accordingly, you prepared a letter to Governor Knowles' advocating this alternative.

In contrast to the other IRS proposals, this option makes the most sense for several reasons.

First, the State-IRS "partnership" has proven effective to assist Alaskan fishers damaged by the post-1988 adverse market conditions not only in achieving federal tax compliance, but in ordering their other financial affairs.

Second, our joint cooperation has reaped rewards in cases in which the IRS, alone or through contractors, otherwise has been unsuccessful. In this regard, we are aware the IRS instituted a pilot program in 13 states, including Alaska, through which private collectors were to be hired by the IRS to collect delinquent taxes. According to a recent article, the IRS is disappointed in this program, because the five collection agencies hired by the IRS were able to contact only about 9% of the taxpayers and, according to the collection agencies involved, the poor results were "because the IRS was late in getting the files to them and the files were extremely old."

Third, our mutual cooperation has provided an opportunity to accomplish our respective goals, largely without counterproductive adversarial conflict. We

believe this effect has and continues to raise our citizens' confidence in our respective governments. Specifically, the process has become less threatening and less fearsome to the lone fisher with tax problems, because we are working together.

Fourth, our cooperation has identified many Federal and State tools available to assist fishers. As a result, these tools have been more fully utilized than has been the case in the past.

Fifth, our respective efforts have put a human face on what otherwise could be characterized as mechanical processing by the IRS in relative isolation from the community. In this time of shrinking federal budgets and operations, we believe our cooperative undertakings should serve as a model for the future. In short, we continue to achieve good results and, thus, should persist on the path we know to be productive.

This week, after conferring with the Commission and the Division of Investments, State Representative Ivan introduced HB 123 to extend the Tax Obligation Loan Program. While this is a positive first step, persuading the Legislature and the Administration of the merits of this legislation will be an extremely difficult task. As you well know, there are very many worthy and competing alternative uses for the same funds. We need meaningful numbers from the IRS to show (1) the extent of the current problem; (2) the extent to which Alaskans have been helped; and (3) the extent of improvement in tax compliance since the original information presented by the former IRS Chief of Collections in 1993. This is the same information we requested more than a year ago consistent with our agreement. The numbers you employed in your January 14 letter suggest a substantial improvement of at least 58%. However, the figures you employed in your more recent letter to the Governor appear inflated. We need some real information from the IRS to present to the Legislature and the Governor.

**Exhibit D
(7 of 10)**

Mr. Paul Beene

-8-

February 14, 1997

In the interim, we have to operate with the sunset of the Loan Program in mind. We must evaluate and coordinate our outreach efforts to ensure maximizing service to Alaskans and revenue to the federal government. To further this goal, I reported to your Chief of Examination, Mel Joseph, that, on the recommendation of the IRS, the State has already modified its regulations governing permanent fund dividend recipients. Mr. Joseph and I are discussing practical ways to make use of the information that will be generated. This is an experimental work in progress, and we do not yet know whether it will prove to be a practical tool. Nonetheless, we remain committed to working through the process as we promised IRS.

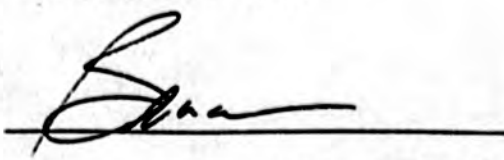
Finally, as we have stressed in this letter, we must have meaningful notice of IRS' targets for seizure and sale well in advance of any action by the IRS so as (1) not to disrupt our planned cooperative efforts, and (2) to allow sufficient time for intervention and help well before an IRS seizure and forced sale.

The Legislature is in session for only 120 days. We hope you will address these points at our meeting on Wednesday, February 19.

Yours truly,

COMMERCIAL FISHERIES ENTRY COMMISSION

Dale Anderson, Commissioner
Marlene Johnson, Commissioner
Bruce Twomley, Chairman

by: 

Enclosure

Exhibit D
(8 of 10)

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 21, 1997

The Honorable Ted Stevens
United States Senate
522 Hart Senate Office Building
Washington, DC 20510-2354

Dear Senator Stevens:

I am writing to request your administrative or legislative assistance in stopping the Internal Revenue Service (IRS) from forcing the sale of Alaska limited fishing privileges.

As you know, the IRS has persistently attempted to force the sale of Alaska limited fishing privileges for some time. Last March, the Alaska Commercial Fisheries Entry Commission (CFEC), in its *Carle* decision, denied a demand by IRS to force transfer of privileges held by an elderly Alaska Native fisherman.

Notwithstanding the *Carle* decision, on December 11, 1996, the IRS shocked the State of Alaska by conducting a pre-Christmas sale of an Alaska limited entry permit. The Cook Inlet set net permit was held by a 54-year-old Alaska Native fisherman from a small coastal community and valued at \$30,000. The IRS sold the permit for only \$5,005.

The IRS is well aware the State of Alaska stands ready to cooperate and intervene to help such individual fishermen through Alaska's secured loan program. With the help of the Alaska Business Development Center and others, the state has so far aided numerous individual fishermen in meeting their tax obligations and generated more than \$4 million in revenue to the IRS. Yet the IRS gave the state only two days' notice of its sale.

The pre-Christmas timing of this sale is deplorable. People are especially vulnerable at Christmas, both financially and emotionally. Adverse actions taken at this time can cause tragic consequences. Additionally, two days' notice effectively precludes the state from meaningful intervention and counsel to the individual fisherman.

Despite congressional direction to the IRS to avoid hardship in its collection practices, this sale appears calculated to inflict maximum harm on the taxpayer.

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Senator Ted Stevens
January 21, 1997
Page 2

As you know, in Alaska's small coastal communities, fishing privileges represent a right to work and a way of life for thousands of Alaskans. You are also aware the IRS led the state into talks about this issue promising a "fresh start." This pre-Christmas sale represents a giant step backward.

As the IRS knows, Alaska is in the last months of our successful tax loan program. The state and the Alaska Business Development Center are systematically traveling throughout the state to help Alaska's fishermen secure the benefits of this program. IRS' precipitous action drops a grenade into these planned efforts and causes extreme hardship to the individual fisherman. Such action can destroy a small business and force a fishing family onto public assistance.

We would welcome your help in avoiding such hardship. I invite you to work with John Katz of my Washington office, and Bruce Twomley, Chairman of the CFEC, toward this end.

Sincerely,



Tony Knowles
Governor

Exhibit D
(10 of 10)

Chapter 062
 Chapter: CH062
 Source: HCS CSSB 251(FIN)
 Action Date: May 25, 1994
 Effective Date: See Chapter

AN ACT

Relating to the commercial fishing revolving loan fund and the fisheries enhancement revolving loan fund; and providing for an effective date.

* Section 1. AS 16.10.310(a) is amended to read:

(a) The department may

(1) make loans to

(A) individual commercial fishermen who have been state residents for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370 and have had a crewmember or commercial fishing license under AS 16.05.480 or a permit under AS 16.43 for the year immediately preceding the date of application and any other two of the past five years, and who actively participated in the fishery during those periods,

(i) for the purchase of entry permits;

(ii) to upgrade existing vessels and gear for the purpose of improving the quality of Alaska seafood products; or

(iii) to satisfy past due federal tax obligations that may result in the execution upon and involuntary transfer of the individual commercial fishermen's entry permits, to the extent allowed under (d) of this section;

(B) an individual for the repair, restoration, or upgrading of existing vessels and gear, for the purchase of entry permits and gear, [AND] for the construction and purchase of vessels, or, to the extent allowed under (d) of this section, to satisfy past due federal tax obligations that may result in the execution upon and involuntary transfer of the individual's entry permits, if the individual has been a state resident for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370, and either

(i) because of lack of training or lack of employment opportunities in the area of residence, does not have occupational opportunities

available other than commercial fishing; or

(ii) is economically dependent on commercial fishing for a livelihood and for whom commercial fishing has been a traditional way of life in Alaska;

(2) designate agents and delegate its powers to them as necessary;

(3) adopt regulations necessary to carry out the provisions of AS 16.10.300 - 16.10.370, including regulations to establish reasonable fees for services provided;

(4) establish amortization plans for repayment of loans, which may include extensions for poor fishing seasons or for adverse market conditions for Alaskan products;

(5) enter into agreements with private lending institutions, other state agencies, or agencies of the federal government, to carry out the purposes of AS 16.10.300 - 16.10.370;

(6) enter into agreements with other agencies or organizations to create an outreach program to make loans under AS 16.10.300 - 16.10.370 in rural areas of the state;

(7) allow an assumption of a loan if

(A) the applicant has been a state resident for a continuous period of two years immediately preceding the date of the request for an assumption; and

(B) approval of the assumption would be consistent with the purposes of AS 16.10.300; an applicant for a loan assumption may not be disqualified because the applicant does not meet the loan eligibility requirements of (1) of this subsection;

(8) prequalify loan applicants for a limited entry permit loan and charge a fee not to exceed \$200 for prequalification;

(9) charge and collect the fees established under this subsection;

(10) refinance a debt obligation incurred by a borrower or borrowers under this section if the borrower or borrowers otherwise qualify for a loan under AS 16.10.300 - 16.10.370; the department shall collect a refinancing loan origination charge of one-half percent of the amount of the debt obligation that has been refinanced when the first refinancing payment is due;

(11) refinance debt obligations, not to exceed \$300,000, incurred by a borrower or borrowers for the purchase of a commercial fishing vessel or gear if the borrower or borrowers otherwise qualify for a loan under AS 16.10.300 - 16.10.370; the department may collect a refinancing loan origination charge as provided by regulation.

* Sec. 2. AS 16.10.310(a) is repealed and reenacted to read:

(a) The department may

(1) make loans to

(A) individual commercial fishermen who have been state residents for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370 and have had a crew member or commercial fishing license under AS 16.05.480 or a permit under AS 16.43 for the year immediately preceding the date of application and any other two of the past five years, and who actively participated in the fishery

during those periods,

(i) for the purchase of entry permits;

or

(ii) to upgrade existing vessels and gear for the purpose of improving the quality of Alaska seafood products;

(B) an individual for the repair, restoration, or upgrading of existing vessels and gear, for the purchase of entry permits and gear, and for the construction and purchase of vessels, if the individual has been a state resident for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370, and either

(i) because of lack of training or lack of employment opportunities in the area of residence, does not have occupational opportunities available other than commercial fishing; or

(ii) is economically dependent on commercial fishing for a livelihood and for whom commercial fishing has been a traditional way of life in Alaska;

(2) designate agents and delegate its powers to them as necessary;

(3) adopt regulations necessary to carry out the provisions of AS 16.10.300 - 16.10.370, including regulations to establish reasonable fees for services provided;

(4) establish amortization plans for repayment of loans, which may include extensions for poor fishing seasons or for adverse market conditions for Alaskan products;

(5) enter into agreements with private lending institutions, other state agencies, or agencies of the federal government, to carry out the purposes of AS 16.10.300 - 16.10.370;

(6) enter into agreements with other agencies or organizations to create an outreach program to make loans under AS 16.10.300 - 16.10.370 in rural areas of the state;

(7) allow an assumption of a loan if

(A) the applicant has been a state resident for a continuous period of two years immediately preceding the date of the request for an assumption; and

(B) approval of the assumption would be consistent with the purposes of AS 16.10.300; an applicant for a loan assumption may not be disqualified because the applicant does not meet the loan eligibility requirements of (1) of this subsection;

(8) prequalify loan applicants for a limited entry permit loan and charge a fee not to exceed \$200 for prequalification;

(9) charge and collect the fees established under this subsection;

(10) refinance a debt obligation incurred by a borrower or borrowers under this section if the borrower or borrowers otherwise qualify for a loan under AS 16.10.300 - 16.10.370; the department shall collect a refinancing loan origination charge of one-half percent of the amount of the debt obligation that has been refinanced when the first

refinancing payment is due;

(11) refinance debt obligations, not to exceed \$300,000, incurred by a borrower or borrowers for the purchase of a commercial fishing vessel or gear if the borrower or borrowers otherwise qualify for a loan under AS 16.10.300 - 16.10.370; the department may collect a refinancing loan origination charge as provided by regulation.

* Sec. 3. AS 16.10.310 is amended by adding a new subsection to read:

(d) The department may not make a loan to an individual under (a)(1) of this section to satisfy past due federal tax obligations unless the individual has filed past and current federal tax returns with the federal government and has executed an agreement with the federal government for repayment of past due federal tax obligations. An individual may receive only one loan under (a)(1) of this section to satisfy past due federal tax obligations during the individual's lifetime. A loan made under (a)(1) of this section to satisfy past due federal tax obligations may not exceed \$30,000.

* Sec. 4. AS 16.10.320(d) is amended to read:

(d) The total of balances outstanding on loans made to a borrower under AS 16.10.310(a)(1)(A) may not exceed \$300,000. The total of balances outstanding on loans made to a borrower under AS 16.10.310(a)(1)(B) may not exceed \$100,000. The total of balances outstanding on all loans, including debt refinancing under AS 16.10.310(a), made to a borrower under AS 16.10.300 - 16.10.370 may not exceed \$300,000.

* Sec. 5. AS 16.10.340 is amended by adding a new subsection to read:

(c) If the commissioner determines that the fund contains money that is excess to that needed to carry out the purpose of AS 16.10.300 - 16.10.370, then the commissioner may use the excess money to carry out the purpose of AS 16.10.500 - 16.10.560.

* Sec. 6. AS 16.10.505(a) is amended to read:

(a) There is created within the Department of Commerce and Economic Development a revolving fund to be known as the fisheries enhancement revolving loan fund. Except as provided in (b) and (c) of this section, the fund shall be used to carry out the purposes of AS 16.10.500 - 16.10.560 and for no other purpose. All principal and interest payments, and money chargeable to principal or interest that is collected through liquidation by foreclosure or other process on loans made under AS 16.10.500 - 16.10.560, shall be paid into the fisheries enhancement revolving loan fund.

* Sec. 7. AS 16.10.505 is amended by adding a new subsection to read:

(c) Money in the fund that the commissioner determines to be excess to that needed to carry out the purpose of AS 16.10.500 - 16.10.560 may be used to carry out the purpose of AS 16.10.300 - 16.10.370.

* Sec. 8. AS 16.10.520 is amended by adding a new subsection to read:

(f) The commissioner may not make a loan under AS 16.10.500 - 16.10.550 from funds available under AS 16.10.340(c), unless the commissioner determines, in consultation with the appropriate regional planning team established under AS 16.10.375, that the hatchery or other enhancement or rehabilitation activity for which the loan is requested will provide a significant contribution to common property fisheries, be operated in a manner beneficial to the public interest, and be managed in a financially viable manner that is reasonably expected to result in repayment of the loan.

* Sec. 9. AS 16.10.310(d) is repealed.

* Sec. 10. Sections 2 and 9 of this Act take effect three years after the effective date of sec. 1 of this Act.

* Sec. 11. Except for secs. 2 and 9 of this Act, this Act takes effect immediately under AS 01.10.070(c).

CITY OF ALEKNAGIK
P.O. Box 33
ALEKNAGIK, ALASKA 99555
(907) 842-5953

February 12 1997

Representative Ivan Ivan
State Capitol
Room 204
Juneau, AK 99801

RE: Commercial fishing Revolving Loan Fund

Dear Sir,

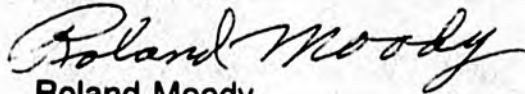
The Aleknagik City Council and Mayor would like to urge you to support the continuation of the Revolving Loan Fund (1994 - SB 251) which is due to expire May of 1997.

As you are aware our economy is based on our fishing business. Programs designed to help bridge possible revenue short falls that fisherman experience, can only help to stabilize, the rural Alaskan frail economy.

If rural Alaska is to have any chance of a independent self supporting economy, its fishing industry needs continuing oversight, to insure stable capital investment sources are available.

Thank you for your attention to this matter, we are sure your interests are parallel to those of our local residents.

Respectfully,



Roland Moody
Mayor

TRADITIONAL COUNCIL OF TOGIAK

P. O. Box 310
TOGIAK, ALASKA 99678-0310
907-493-5003
FAX: 907-493-5005

February 11, 1997

Representative Ivan Ivan
State Capitol
Room 204
Juneau, AK 99081-1182

Dear Representative Ivan:

The Traditional Council of Togiak do support for the continuation of the State of Alaska Commercial Fishing Revolving Fund (1994 - SB251), which is due to expire during May of 1997.

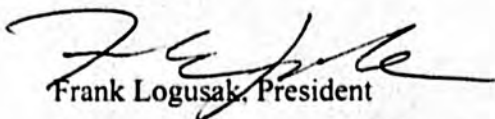
This important program has assisted many Alaskan fishermen during the past three years. Approximately four million dollars in loans have been awarded to fishermen to pay delinquent taxes since the programs inception.

This Commercial Fishing Revolving Loan Fund is now beginning to be effective and residents are becoming aware of the benefits this program can have on their tax obligation problems. It would be a great disadvantage to our region's fishermen if this program expired as scheduled. As far as we know, no alternative loan funds are available for this purpose.

The remaining commercial fishing permits which are held by Alaska residents infuses millions of dollars into the Alaska economy annually. If any other commercial fishing permits are lost by the sale or seizure for tax delinquencies in the future, all of Alaska will feel the effects.

Once again, the Traditional Council of Togiak urges your support for the continuation of this most important program for our state's commercial fishermen. We encourage your immediate attention and support regarding this issue.

Respectfully,



Frank Logusak, President

Traditional Council of Togiak

CC: H. Robin Samuelson, Jr., President
Bristol Bay Economic Development Corporation

Bristol Bay Economic Development Corporation

P.O. Box 1464 • Dillingham, Alaska 99576 • (907) 842-4370 • Fax (907) 842-4336 • 1-800-478-4370



February 5, 1997

Representative Ivan Ivan
State Capitol
Room 418
Juneau, Ak 99803

Re: Commercial Fishing Revolving Loan Fund

Dear Representative Ivan:

The Bristol Bay Economic Development Corporation (BBEDC) Board of Directors would like your consideration and support for the continuation of the State of Alaska Commercial Fishing Revolving Loan Fund (1994 - SB 251), which is due to expire during May of 1997.

This important program has assisted many Alaskan fishermen during the past three years. Approximately four million dollars in loans have been awarded to fishermen to pay delinquent taxes since the programs inception.

During this past week, \$334,000 in tax loan obligation applications were submitted to Division of Investments personnel who were traveling in our region. A total of 12 commercial fishermen will be assisted by this program if their applications are approved, and this was done in just one week!

The BBEDC's Permit Brokerage staff works closely with the IRS and Division of Investments, assisting resident fishermen in coming into compliance with their tax problems. This Commercial Fishing Revolving Loan Fund is now beginning to be affective and residents are becoming aware of the benefits this program can have on their tax obligation problems. Our staff plans to visit many more of the villages in our region this year to assist with these types of tax problems. It would be a great disadvantage to our region's fishermen if this program expired as scheduled. As far as we know, no alternative loan funds are available for this purpose.

The remaining commercial fishing permits which are held by Alaska residents infuses millions of dollars into the Alaskan economy annually. If any other commercial fishing permits are lost by the sale or seizure for tax delinquencies in the future, all of Alaska will feel the effects.

Once again, the BBEDC urges your support for the continuation of this most important program for our state's commercial fishermen. We encourage your immediate attention and support regarding this issue.

Respectfully,

for H. Robin Samuelsen, Jr.,
President

January 19, 1997

TO: REP IVAN
FROM: KOLIGANEK VILLAGE CORPORATION
RE: DIVISION OF INVESTMENTS TAX OBLIGATION LOAN

One of the most useful State loan programs affecting our Bristol Bay area is the Tax Obligation Loan Program. This program has helped numerous village residents in Bristol Bay, as well as other parts of the State. Many fishing permits would have been lost to back IRS tax bills if we didn't have this program to help pay the IRS. And, as a result of this, village fishermen and the village economies around them have been saved.

This program will come to an end sometime this spring, unless it is extended by the State Legislature. Please help people in your region who are in trouble with the IRS , and the villages in which they live, save their permits from IRS seizure by extending this useful loan program.

Sincerely



Charlie Nelson- President Koliganek Village Corp.
Koliganek, Alaska 99576

Cordova District Fishermen United

Celebrating 62 Years of Service to Commercial Fishermen in Cordova, Alaska
P.O. Box 939 Cordova, Alaska 99574 / Telephone (907) 424-3447 / Fax (907) 424-3430

February 24, 1997

**Oral testimony given re: HB 123 (Extending federal tax obligation loan program)
and HJR 23 (Relating to the seizure and sale of commercial fishing entry permits)**

Sent via facsimile to House Special Committee on Fisheries (907) 465-4956

Good evening. Mr. Chairman and committee members, my name is Cheri Shaw. I hold the position of executive director for Cordova District Fishermen United (CDFU) and will be speaking to both HB 123 and HJR 23 on behalf of CDFU and myself this evening.

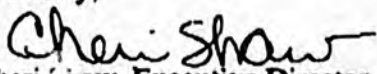
CDFU strongly supports HB 123 and HJR 23. Since the tax obligation loan program came into effect, the State has been successful in enabling commercial fishermen to pay tax obligations that have been in arrears. It has also empowered the limited entry commission to step in and council delinquent taxpayers on programs available to help them in these situations. Extending this program could only benefit the state and the commercial fishing industry while it increases revenues collected by the Internal Revenue Service. CFEC will be able to continue in their efforts to bring commercial fishermen in compliance with their federal tax obligations.

I personally have been involved in many of the aspects of HB 123 and HJR 23. My husband was a recipient of the federal tax obligation loan program and I was the fishermen's representative during the Alaska Symposium held in July of last year when the IRS, CFEC and different interested parties came together to discuss solutions to the commercial fishing tax delinquency problems. The intention of the symposium was to brainstorm different ideas to further assist those in arrears.

I was appalled to hear of the attempt by the IRS to seize and force sale permits prior to the Christmas holiday. My understanding of what was discussed at the symposium and the literature that followed, was an effort to avoid such drastic measures and to allow time for the CFEC to intervene and try to rectify the problem by suggesting solutions to the delinquent taxpayer. A trust was broken that had only begun to foster and I personally find it reprehensible that the IRS could turn its back to the agreements that were made.

Mr. Chairman and committee members, due to time constraints I will end my testimony by saying once again that CDFU supports HB 123 and HJR 23. Thank you for the opportunity to testify and I welcome any questions you may have on either bill.

Sincerely,


Cheri Shaw, Executive Director
Cordova District Fishermen United