SCOMM

147:39

Alaska State Legislature

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REPRESENTATIVE Paul Seaton

District 35

Sponsor Statement: HJR 14

"A resolution urging the United States Congress to enact Senate bill 552 and House bill 1334 so that individuals receiving a damage award from the Exxon Valdez oil spill can benefit from the income averaging and retirement contribution provision of the bill."

HJR 14 supports S552, sponsored by Senators Murkowski and Stevens and its companion bill HR 1334 sponsored by Representatives Don Young and Dave Reichert. This federal legislation would allow taxpayers who are plaintiffs in the civil action in the Exxon Valdez Oil spill, or their heirs or dependents to:

1. Average the income received in settlement of the civil action for the period beginning on January 1, 1994, and the ending date of December 31st of the year in which the settlement income is received and/or

2. Make contributions of any amount of such settlement income to certain tax-exempt retirement plans in the year the income is received.

The Exxon Valdez Oil spill has adversely impacted the coastal regions of Alaska and affected the economic status of these communities for many years. Many commercial fishermen in Alaska, who comprise 80 percent of the plaintiffs, have suffered a loss of opportunity to establish retirement plans due to diminished fish catches or decreased prices resulting from the Exxon Valdez oil spill. Senators Murkowski's, Stevens' and Representatives Young's and Reichert's bills would provide relief to those affected once the settlement is awarded.

S552 and HR1334 would increase the cap on deductions and income for traditional IRAs, Roth IRAs or any qualified retirement plan to the extent of the income the individual receives from the settlement or judgment. The recipient of this settlement may choose to place the money into one of these retirement funds and/or choose to income average to better reflect how income would have been earned if the Exxon Valdez oil spill had not occurred.

MURKOWSKI AND STEVENS INTRODUCE TAX LEGISLATION TO ASSIST EXXON VALDEZ OIL SPILL PLAINTIFFS

WASHINGTON, D.C. – Senators Lisa Murkowski and Ted Stevens today introduced tax legislation to give the plaintiffs in the Exxon Valdez oil spill settlement the ability to increase retirement contributions and to provide tax relief through income averaging.

The bill would provide tax relief to all of the individual plaintiffs in the oil spill settlement, 80% of whom are commercial fisherman. It was drafted to cover any possible settlement while the case is in litigation and any amounts received under the judgment if it is upheld. The current level of court-approved punitive damages is $2.5 billion, plus interest.

"This bill provides financial relief to those impacted by the spill when it comes to contributions to retirement plans and averaging of income for tax purposes," said Senator Murkowski. "It is imperative that we address this important issue to help our fishermen plan for their retirement needs."

"The Exxon Valdez oil spill occurred nearly 18 years ago, but many Alaskans are still dealing with losses incurred by the disaster," said Senator Stevens. "Commercial fishermen and others whose livelihoods were adversely impacted by the spill have not been able to plan adequately for retirement. I am pleased to work with Senator Murkowski in introducing legislation to address this important issue."

The bill includes the following provisions:

-

Contributions to Retirement Plans

- Increases the caps on deductions and income for traditional IRAs to the extent of the income the individual receives from the settlement or judgment.
- Allows contributions to Roth IRAs to the extent of the income from the settlement or judgment.
- Allows contributions to any other type of qualified retirement plan [e.g., SEPs, 401 (k)/Profit Sharing Plans, etc] to the extent of the income received from the settlement or judgment.

The bill gives the plaintiffs until the end of the taxable year in which they receive the settlement to transfer funds to one of the aforementioned retirement plans. In practice, plaintiffs would be able to use settlement funds to contribute to retirement plans until the day before the tax filing deadline for the taxable year when they received the funds.

Income Averaging

This bill draft allows a plaintiff to average his or her income between December 31 of the year he or she receives the settlement or judgment payment and January 1, 1994 – the year of the original court decision in Anchorage.

Lump Sum Payments vs. Periodic Payments

There is a possibility that the plaintiffs will receive settlement/judgment funds as periodic

payments, instead of a lump sum payment. If the former is the case, this bill is drafted so that the plaintiffs can still take advantage of the provisions in the bill.

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ELECTION 2007

Congressional Legislation

'A bill to provide for the tax treatment of income received in connection with the litigation concerning the Exxon Valdez oil spill and for other purposes. '
Bill # S.552

Take Action Now
Enter Your ZIP Code
Go!

Original Sponsor:
Lisa Murkowski (R-AK)

Cosponsor Total: 2
(last sponsor added 02/12/2007)
2 Republicans

About This Legislation:

2/12/2007--Introduced.
Exxon Valdez Oil Spill Tax Treatment Act - Allows taxpayers who are plaintiffs in the civil action In re Exxon Valdez, No. 89-095-CV (HRH) (Consolidated) (D. Alaska), or their heirs or dependents, to: (1) elect to average, for income tax purposes, income received in settlement of such civil action for the period beginning on January 1, 1994, and ending on December 31 of the year in which any settlement income is received; and (2) make contributions of any amount of such settlement income to certain tax-exempt retirement plans in the year such income is received.

Detailed, up-to-date bill status information on S.552.

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110th CONGRESS
1st Session

S. 552

To provide for the tax treatment of income received in connection with the litigation concerning the Exxon Valdez oil spill and for other purposes.

IN THE SENATE OF THE UNITED STATES

February 12, 2007

Ms. MURKOWSKI (for herself and Mr. STEVENS) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To provide for the tax treatment of income received in connection with the litigation concerning the Exxon Valdez oil spill and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the `Exxon Valdez Oil Spill Tax Treatment Act'.

SEC. 2. TAX TREATMENT OF INCOME RECEIVED IN CONNECTION WITH THE EXXON VALDEZ LITIGATION.

(a) Income Averaging of Amounts Received From the Exxon Valdez Litigation-

(1) IN GENERAL- At the election of a qualified taxpayer who receives qualified

settlement income during a taxable year, the tax imposed by chapter 1 of the Internal Revenue Code of 1986 for such taxable year shall be equal to the sum of--

(A) the tax which would be imposed under such chapter if--

(i) no amount of elected qualified settlement income were included in gross income for such year, and

(ii) no deduction were allowed for such year for expenses (otherwise allowable as a deduction to the taxpayer for such year) attributable to such elected qualified settlement income, plus

(B) the increase in tax under such chapter which would result if taxable income for each of the years in the applicable period were increased by an amount equal to the applicable fraction of the elected qualified settlement income reduced by any expenses (otherwise allowable as a deduction to the taxpayer) attributable to such elected qualified settlement income.

Any adjustment under this section for any taxable year shall be taken into account in applying this section for any subsequent taxable year.

(2) COORDINATION WITH FARM INCOME AVERAGING- If a qualified taxpayer makes an election with respect to any qualified settlement income under paragraph (1) for any taxable year, such taxpayer may not elect to treat such amount as elected farm income under section 1301 of the Internal Revenue Code of 1986.

(3) DEFINITIONS- For purposes of this subsection--

(A) APPLICABLE PERIOD- The term `applicable period' means the period beginning on January 1, 1994, and ending on December 31 of the year in which the elected qualified settlement income is received.

(B) APPLICABLE FRACTION- The term `applicable fraction' means the fraction the numerator of which is one and the denominator of which is the number of years in the applicable period.

(C) ELECTED QUALIFIED SETTLEMENT INCOME- The term `elected qualified settlement income' means so much of the taxable income for the taxable year which is--

(i) qualified settlement income, and

(ii) specified under the election under paragraph (1).

(b) Contributions of Amounts Received to Retirement Accounts-

(1) IN GENERAL- Any qualified taxpayer who receives qualified settlement income during the taxable year may, at any time before the end of the taxable year in which such income was received, make one or more contributions to an eligible retirement

plan of which such qualified taxpayer is a beneficiary in an aggregate amount not to exceed the amount of qualified settlement income received during such year.

(2) TIME WHEN CONTRIBUTIONS DEEMED MADE- For purposes of paragraph (1), a qualified taxpayer shall be deemed to have made a contribution to an eligible retirement plan on the last day of the taxable year in which such income is received if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

(3) TREATMENT OF CONTRIBUTIONS TO ELIGIBLE RETIREMENT PLANS- For purposes of the Internal Revenue Code of 1986, if a contribution is made pursuant to paragraph (1) with respect to qualified settlement income, then--

(A) except as provided in paragraph (4)--

(i) to the extent of such contribution, the qualified settlement income shall not be included in taxable income, and

(ii) for purposes of section 72 of such Code, such contribution shall not be considered to be investment in the contract, and

(B) the qualified taxpayer shall, to the extent of the amount of the contribution, be treated--

(i) as having received the qualified settlement income--

(I) in the case of a contribution to an individual retirement plan (as defined under section 7701(a)(37) of such Code), in a distribution described in section 408(d)(3) of such Code, and

(II) in the case of any other eligible retirement plan, in an eligible rollover distribution (as defined under section 402(f)(2) of such Code), and

(ii) as having transferred the amount to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

(4) SPECIAL RULE FOR ROTH IRAS AND ROTH 401(k)S- For purposes of the Internal Revenue Code of 1986, if a contribution is made pursuant to paragraph (1) with respect to qualified settlement income to a Roth IRA (as defined under section 408A(b) of such Code) or as a designated Roth contribution to an applicable retirement plan (within the meaning of section 402A of such Code), then--

(A) the qualified settlement income shall be includible in taxable income, and

(B) for purposes of section 72 of such Code, such contribution shall be considered to be investment in the contract.

(5) ELIGIBLE RETIREMENT PLAN- For purpose of this subsection, the term `eligible retirement plan' has the meaning given such term under section 402(c)(8)(B) of the Internal Revenue Code of 1986.

(c) Qualified Settlement Income Not Included in SECA- For purposes of chapter 2 of the Internal Revenue Code of 1986 and section 211 of the Social Security Act, no portion of qualified settlement income received by a qualified taxpayer shall be treated as self-employment income.

(d) Qualified Taxpayer- For purposes of this section, the term `qualified taxpayer' means--

(1) any plaintiff in the civil action In re Exxon Valdez, No. 89-095-CV (HRH) (Consolidated) (D. Alaska); or

(2) any beneficiary of the estate of such a plaintiff who--

(A) acquired the right to receive qualified settlement income from that plaintiff; and

(B) was the spouse or an immediate relative of that plaintiff.

(e) Qualified Settlement Income- For purposes of this section, the term `qualified settlement income' means income received (whether as lump sums or periodic payments) in connection with the civil action In re Exxon Valdez, No. 89-095-CV (HRH) (Consolidated) (D. Alaska), including interest (whether pre- or post judgment and whether related to a settlement or judgment).

END

Bill would ease rules for Exxon Valdez payments

By Margaret Bauman
Alaska Journal of Commerce
Publication Date: 02/18/07

Federal legislation introduced Feb. 12 would allow the plaintiffs in the Exxon Valdez oil spill litigation to increase retirement contrib ıtions and would provide them tax relief through income averaging.

The measure, introduced by Alaska Sens. Lisa Murkowski and Ted Stevens, would provide tax relief to all of the individual plaintiffs in the oil spill settlement, 80 percent of whom are commercial fisherman.

"The Exxon Valdez oil spill occurred nearly 18 years ago, but many Alaskans are still dealing with losses incurred by the disaster," Stevens said in a written statement. "Commercial fishermen and others whose livelihoods were adversely impacted by the spill have not been able to plan adequately for retirement."

The senators said the bill was drafted to cover any possible settlement while the case is in litigation, and any amounts received under the judgment if it is upheld. The current level of court-approved punitive damages is $2.5 billion, plus interest.

"This bill provides financial relief to those impacted by the spill when it comes to contributions to retirement plans and averaging of income for tax purposes," Murkowski said in a written statement. "It is imperative that we address this important issue to help our fishermen plan for their retirement needs."

The bill also addresses the issue of lump-sum and periodic payments.

The bill would increase caps on deductions and income for traditional individual retirement accounts to the extent of the income the individual receives from the settlement or judgment. It would allow contributions to Roth IRAs any other type of qualified retirement plan to the extent of the income from the settlement or judgment.

The bill gives the plaintiffs until the end of the taxable year in which they receive the settlement to transfer funds to one of the retirement plans. In practice, plaintiffs would be able to use settlement funds to contribute to retirement plans until the day before the tax-filing deadline for the taxable year when they received the funds.

The bill would also allow plaintiffs in the case to average his or her income between Dec. 31 of the year he or she receives the settlement or judgment payment and Jan. 1, 1994 — the year of the original court decision in Anchorage.

Murkowski and Stevens said there is also is a possibility that the plaintiffs will receive settlement/judgment funds as periodic payments, instead of a lump-sum. If the former is the case, the bill is drafted so that the plaintiffs can still take advantage of its provisions, they said.

Margaret Bauman can be reached at margie.bauman@alaskajournal.com.
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United Southeast Alaska Gillnetters
P.O. Box 23378, Ketchikan, AK 99901 Phone & Fax (907) 247-2471 Email: usag@kpunet.net

March 16, 2007

Representative Paul Seaton, Chair
House Special Committee on Fisheries
Alaska State Legislature
Juneau, AK 99801 Send Via Fax to: 907-465-3472

Dear Chairman Seaton,

The United Southeast Alaska Gillnetters (USAG) supports HJR 14 which calls for the passage of federal legislation to provide income averaging and increased limits on deposits to IRA's for fishermen receiving compensation for the Exxon Valdez oil spill. This is not some special break for fishermen but a long overdue adjustment that would help impacted fishermen to better deal with the economic situation that is not of their making. In our view the delay in compensating the fishermen of Prince William Sound who were the most severely impacted and others in Alaska who suffered reduced markets is close to criminal. The small measures that are supported by this Resolution will assist these fishermen by reducing the impact of taxes on this oil spill compensation, if Exxon ever exhausts its legal gyrations and lives up to its moral obligations. Many fishing businesses have been ruined by the action of Exxon in this situation and any compensation that fishermen receive will represent a special situation that our regular tax code did not envision when it was legislated. We hope the House Fisheries Committee will forward this resolution and that it will pass the Legislature. Thank you for considering our position on HJR 14.

Yours Truly,

Kenneth Duckett
Executive Director

Cordova District Fishermen United
P.O. Box 939 | Cordova AK 99574
Ph: (907) 424 3447 Fax: (907) 424 3430
Email: cdfu@ak.net

Since 1935

March 16, 2007

Representative Paul Seaton
Chairman House Special Committee on Fisheries
Alaska State Legislature
State Capitol (Mail stop 3100)
Juneau AK 99801

RE: HJR 14 A Resolution urging the United States Congress to enact Senate Bill 552.

Dear Representative Seaton, and Members of the House Special Committee on Fisheries:

The Cordova District Fishermen United (CDFU) have represented the interests of Copper River / Prince William Sound commercial fishermen and there families for the past seventy-two years. CDFU supports HJR 14.

The Exxon Valdez oil spill in Prince William Sound18 years ago, devastated the livelihoods of tens of thousands of men and women associated with both commercial and subsistence fisheries, and damaged coastal community economies around the Sound. Eighteen years later Alaskans are still dealing with those losses.

Eighty percent of the plaintiffs who would benefit from The Exxon Valdez Oil Spill Tax Treatment Act (S 552) introduced by Senators Murkowski and Stevens, are fishermen.

In Cordova, we lost the herring fishery because of the spill. Families sustained losses they could not recover from. Permits and equipment became worthless. Boats and business debts had to be paid, but the resources to do so had been

destroyed due to the spill. Some families faced bankruptcy; all lost their investment in the future.

The Alaska Legislature must support Senate bill 552, which provides some tax relief for the injured fishermen to ease their retirement.

The damages settlement will give those fisherman a one time opportunity to make retirement account payments, and averaging income will go a long way in assuring that herring fishermen and others, damaged from lingering impacts from the spill, are not injured further with an unjust tax burden.

Thank you for your consideration,

Catherine Crawford.

Catherine Crawford
Executive Director

Cc. Senator Albert Kookesh
Representative Bill Thomas

25-LS0639\K
Bullock
3/15/07

CS FOR HOUSE JOINT RESOLUTION NO. 14(FSH)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON FISHERIES

Offered:
Referred:

Sponsor(s): HOUSE SPECIAL COMMITTEE ON FISHERIES

A RESOLUTION

Urging the United States Congress to enact S. 552 and H.R. 1334 so that individuals receiving a damage award from the Exxon Valdez oil spill can benefit from the income averaging and retirement contribution provisions of the bill.

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

WHEREAS it is well documented that the Exxon Valdez oil spill has adversely affected the coastal region of the state and affected the economic status of communities in this region for many years; and

WHEREAS the state's commercial fishermen, who make up 80 percent of the plaintiffs seeking to recover damages from the Exxon Valdez oil spill, suffered economically as a result of the oil spill, and as a result lost the opportunity to establish retirement plans or were limited in their ability to save for retirement; and

WHEREAS these Alaskans would benefit from the contributions to retirement accounts they could make by using money received from the award of damages; and

WHEREAS S. 552 and H.R. 1334 would benefit these commercial fishermen by authorizing increases in the deductions and income caps applicable to traditional individual

retirement accounts, Roth IRAs, and other qualified retirement plans to the extent of the amount of the damage award; and

WHEREAS the bill would authorize individual plaintiffs to average income from the award for tax purposes over the period January 1, 1994, through the end of the year in which the award is made;

BE IT RESOLVED that the Alaska State Legislature urges the United States Congress to enact S. 552 as introduced by Senator Murkowski and Senator Stevens and H.R. 1334 as introduced by Representative Young and Representative Reichert to provide relief to those individuals who suffered economic damages as a result of the Exxon Valdez oil spill.

COPIES of this resolution shall be sent by electronic transmission and by mail to the Honorable Ted Stevens and the Honorable Lisa Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress; the Honorable Dave Reichert, U.S. Representative for the 8th District of Washington; and to all members of the 110th United States Congress by electronic transmission.

Southeast Alaska Fishermen's Alliance
9369 North Douglas Highway
Juneau, AK 99801
Phone 907-586-6652
Fax 907-523-1168 Website: http://www.seafa.org E-mail: seafa@gci.net

March 19, 2007

House Resources Committee
Representative Carl Gatto, Co-Chair
Represenative Craig Johnson, Cc-Chair
Alaska State Legislature
State Capitol, Room 124
Juneau, AK 99801

RE: HJR 14 – support

Southeast Alaska Fishermen's Alliance (SEAFA) supports HJR 14 urging the United States Congress to enact Senate bill 552 and House bill 1334 so that damage awards from the Exxon Valdez Oil spill can benefit from income averaging and retirement provision of the bill.

Both of these two provisions provides the fishermen finally receiving a settlement from Exxon options for effective tax planning.

Thank you for sponsoring this legislation supporting the efforts of our Congressional Delegation.

Sincerely,

Kathy Hansen
Kathy Hansen
Executive Director

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: CS HJR 14 (FSH)
() Publish Date:

Revision Date/Time (Note if correction):
Dept. Affected:
Title: FED S 552/HR 1334; EXXON PLAINTIFFS
RDU
Component
Sponsor: House Fisheries
Requester
Component No.

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2007) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: House Fisheries Committee Staff
Phone 465-3923
Division
Date/Time
Approved by: Rep. Seaton, Chairman
Date 3/19/2007
Agency: Legislature

(Revised 9/18/2006 OMB)