

# Tax amendment for Native regions

WASHINGTON — The Senate has accepted an amendment that will save Alaska's Native Corporations \$29 million in federal taxes.

Sen. Mike Gravel, author of the amendment, said that without the measure, "I have no doubt several of the regional corporations would go bankrupt."

He said the reduced tax liability amounts to about \$400 per individual native stockholder in Alaska, and "Many of the stockholders of these corporations have not even earned \$400" in 1973 and 1974, the two tax years in question.

Gravel's amendment, which was accepted during the Senate's session Saturday, reverses two rulings by the Internal Revenue Service which the Alaska Democrat termed "terribly unfair."

In the first ruling, IRS said Alaska's Regional Corporations could not deduct start-up costs because the corporations were not yet in business when the costs were incurred. Other companies are allowed to deduct start-up costs.

In the second ruling, which Gravel said would set a burdensome precedent, the IRS sought to tax "imputed income." Several private companies entered into agreements with Native corporations to explore for minerals and petroleum on lands which the corporations could select under the Native Claims Settlement Act. Under the agreement the companies were not paid but shared the information they acquired with the corporations. IRS ruled that this work should be considered income and be tax taxed, even though it generated no revenue for the corporations.

"There's no income received, and they would be paying taxes on something they never got, something that was just used to help them make land selections," Gravel said.

"We've met with (Treasury)

Secretary Blumenthal on several occasions and tried to get this situation corrected. I fully feel that if IRS's rulings are left to stand, they'll bankrupt several of the regional corporations. This obviously is at variance with the intent of Congress in trying to get these corporations properly launched and to bring equity to the Native community with the Native Claims Act."

The treasury Department's rulings would result in counting as additional \$70 million of income in 1973 and 1974, resulting in additional taxes of \$29 million.

Gravel noted that as a result of a meeting between himself and Blumenthal earlier this year,

the Treasury Department withheld objections to Gravel's amendment on start-up costs and imputed income.

Noting that almost \$1 billion is to go to Alaska's Natives under the Settlement Act, Gravel said that the Treasury's rulings "would require the Natives to take the money appropriated by Congress and give it back to the government" in taxes.

Gravel's amendment must now be incorporated in the final tax bill to be written by House and Senate conferees and then be signed by the President. There are not likely to be difficulties in either case, Gravel said.