

Internal Revenue Service amendments pass

Four amendments to the Internal Revenue Code dealing with taxes as they directly affect Native corporations have passed along with the Revenue Act of 1978. At last word, the President was expected to sign the legislation.

They concern money spent by Native corporations on land selection activities, exploration for oil and gas and whether all of such expenses as rents and salaries could be deducted. A fourth amendment would affect small village corporations whose money is mostly invested in stocks and other securities.

Since 1976 Alaska's ANCSA-created Native corporations have been the target of IRS tax claims that the corporations felt were unfair and in direct contradiction to the intent of Congress when they passed the ANCSA.

One of the issues was that of money spent on mineral and oil and gas exploration. IRS had ruled that geophysical and exploration work done on Native lands by oil and gas companies and other mining firms was to be considered income and taxed as such. The legislation passed would prevent IRS from considering this money as income.

A second provision concerns land selection expenses. Such expenses, as high as they have

been for Native corporations, could not be claimed as a legitimate expense, according to IRS; the new law will change this.

A third provision of the new law would allow Native corporations to deduct expenses incurred in organizing their corporations. Such expenses, said IRS, were pre-openings expenditures and not allowable because the company was not yet engaged in business.

The fourth amendment to the new code affects mostly small village corporations not engaged in active businesses, whose

money is invested in stocks, bonds and other securities. Under provisions of a law called the Personal Holding Company Act, small corporations owned by five or less families are heavily taxed under such circumstances. The new law will exempt Native corporations from this provision of the IRS code.

The four provisions were contained in the new IRS code because of the unique nature of the Alaska Native Claims Act corporations, and are designed to relieve Native corporations from burdensome decisions by the Internal Revenue Service.