Tax reform measure includes Alaska amendments

WASHINGTON — The tax reform bill, passed by the Senate by a vote of 97 to 3, includes six amendments sponsored by Sen. Ted Stevens. These amendments will be considered by a House-Senate conference committee later this summer.

"I have long supported the effort to reform our tax laws to further the goals of fairness, simplicity and growth that President Reagan announced last year," Stevens said. "I believe that this bill is a major step in this direction, and I am pleased to see it passed by the Senate. I am also pleased that we were able to secure the approval of amendments to deal with Alaska's unique concerns."

The amendments deal with the Alaska Natural Gas Transportation System, corporations established by the Alaska Native Claims Settlement Act, the Endicott off-shore oil production project, Employee Stock Ownership Plans and the 1937 Reindeer Industry Act.

One of the Stevens amendments will continue the Alaska Natural Gas Transportation System's (ANGTS) exemption from capitalization of construction period interest and taxes. This exemption is crucial to maintaining the ability of the ANGTS sponsors to move forward with the project when market conditions in the Lower 48 improve. The Tax Equity and Fiscal Responsibility Act of 1982 exempted ANGTS and its related facilities from the capitalization requirement, but the House tax bill did not carry forward this exemption.

Sen. Stevens also sponsored an amendment to clarify the Alaska Native corporations' consolidated return exemption, which was initially included in the Tax Reform Act of 1984. The exemption enables Native corporations to consolidate with profitable corporations, offset the profitable coporations' income with their net operating losses, and share the resulting tax benefits.

The purpose of the 1984 exemption was to assist Native corporations that had run into financial trouble as a result of the federal government's slowness in implementing ANCSA. Implementation of the Native exemption was disrupted last year when the Internal Revenue Service (IRS) declined to rule on a proposed Native net operating loss transaction due to some uncertainty regarding the scope of the 1984 exemption. The Stevens amendment clarifies the 1984 exemption so that the IRS will be able to rule favorably on these transactions.

A third Stevens amendment ensures that Standard Oil Company's Endicott Project in the Beaufort Sea is included as one of the Senate tax reform bill's transition rules, thus allowing for more favorable accelerated cost recovery and investment tax credit than otherwise available under the bill. The amendment will facilitate the construction of the project, which is scheduled to start producing 100,000 barrels of oil a day at the end of 1988.

The fourth Stevens amendment to the Senate tax reform bill as passed today deals with the Employee Stock Ownership Plan (ESOP). The amendment repeals the voting rights pass-through requirement for closely held companies that engage in newspaper publishing. In addition, the amendment will also allow for non-voting common stock of a closely held company, which publishes a newspaper, to be held by ESOP. This is an issue Sen. Stevens has worked to correct since the voting rights pass-through requirement was initially adopted as part of the Revenue Act of 1978.

The sixth Stevens amendment provides that income from reindeer held in trust under the Reindeer Industry Act of 1937 will not be subject to federal income taxation. The Department of the Interior and Internal Revenue Service had for years interpreted the Act to exempt such income. Late in 1984, the Ninth Circuit Court of Appeals upheld a lower court ruling that the Act, as originally approved, did not include such an exemption, making legislative action on the issue necessary.

In addition to these amendments, Sen. Stevens, in a colloquy on the Senate floor with the Chairman of the Senate Finance Committee, Sen. Bob Packwood (R-Ore.), established that plant facilities being constructed under certain conditions for use on the North Slope of Alaska qualify for transitional relief under a rule included in the Senate tax reform bill. This colloquy facilitates the completion of a major ARCO North Slope project.