

AMENDMENT NO. _____ Calendar No. _____

Purpose: To clarify the tax-exempt treatment of certain income of six Alaska Community Development Quota (CDQ) program entities.

IN THE SENATE OF THE UNITED STATES—111th Cong., 2d Sess.

H. R. 4213

To amend the Internal Revenue Code of 1986 to extend certain expiring provisions, and for other purposes.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Ms. MURKOWSKI
(for herself and Mr. BEGICH)

Viz:

1 At the end, add the following:

2 **TITLE VIII—ALASKA COMMU-**
3 **NITY DEVELOPMENT QUOTA**
4 **PROGRAM**

5 **SEC. 801. SHORT TITLE.**

6 This title may be cited as the “Western Alaska Com-
7 munity Development Organizations Tax Relief Act”.

8 **SEC. 802. FINDINGS.**

9 Congress finds the following:

1 (1) In 1990, Congress established a Joint Fed-
2 eral-State Commission on Policies and Programs Af-
3 fecting Alaska Natives to investigate economic and
4 social conditions in rural Alaska communities that
5 are Native villages for the purposes of the Alaska
6 Native Claims Settlement Act; the Commission re-
7 ported very high unemployment and widespread pov-
8 erty.

9 (2) In 1992, the United States Secretary of
10 Commerce approved Amendment 18 to the Bering
11 Sea and Aleutian Island (BSAI) Fishery Manage-
12 ment Plan creating the Western Alaska Community
13 Development Quota (CDQ) Program to promote the
14 economic development of the 65 villages of the west-
15 ern Alaska region which were organized as six coali-
16 tions.

17 (3) In 1994, the Commission recommended to
18 Congress that it amend the Magnuson-Stevens Fish-
19 ery Conservation and Management Act to codify the
20 establishment of the CDQ Program and expand the
21 program to include all commercial fisheries that are
22 conducted in the Bering Sea-Aleutian Islands Man-
23 agement Area.

24 (4) In 1996, Congress implemented the rec-
25 ommendation of the Commission by enacting section

1 305(i)(1) of the Magnuson-Stevens Fishery Con-
2 servation and Management Act subparagraph (A) of
3 which established the Western Alaska Community
4 Development Quota (CDQ) Program—

5 (A) to provide eligible western Alaska vil-
6 lages with the opportunity to participate and in-
7 vest in fisheries in the Bering Sea and Aleutian
8 Islands Management Area;

9 (B) to support economic development in
10 western Alaska;

11 (C) to alleviate poverty and provide eco-
12 nomic and social benefits for residents of west-
13 ern Alaska; and

14 (D) to achieve sustainable and diversified
15 local economies in western Alaska.

16 (5) In 2006, Congress, in section 416 of the
17 Conference Report to Coast Guard and Maritime
18 Transportation Act of 2006, stated its intent that
19 “all activities of the CDQ groups continue to be con-
20 sidered tax-exempt (as has been the practice since
21 the program’s inception in 1992) so that the six
22 CDQ groups can more readily address the pressing
23 economic needs of the region”.

24 (6) The original six coalitions organized as six
25 corporations and are recognized as tax-exempt under

1 either section 501(c)(3) or section 501(c)(4) of the
2 Internal Revenue Code of 1986.

3 (7) Today, the six CDQ organizations are mak-
4 ing important and ongoing contributions to the eco-
5 nomic development and the alleviation of poverty in
6 the western Alaska region consistent with the pur-
7 poses Congress has established for the CDQ Pro-
8 gram. As the program was intended, the organiza-
9 tions have become bona fide participants in the
10 BSAI commercial fisheries. The CDQ organizations
11 are using the revenue that their participation gen-
12 erates to create employment and economic develop-
13 ment opportunities that would have been impossible
14 in western Alaska prior to the CDQ Program.

15 (8) The CDQ organizations have paid, and will
16 continue to pay, income tax on income generated
17 from their activities and investments outside of the
18 BSAI area.

19 (9) Excluding income generated from the CDQ
20 organizations' fishery-related activities and invest-
21 ments inside the BSAI area from unrelated business
22 taxable income is consistent with the intent of Con-
23 gress.

1 **SEC. 803. CLARIFICATION OF TAX-EXEMPT TREATMENT OF**
2 **CERTAIN INCOME OF SIX ALASKA COMMU-**
3 **NITY DEVELOPMENT QUOTA (CDQ) PROGRAM**
4 **ORGANIZATIONS.**

5 (a) CLARIFICATION.—

6 (1) IN GENERAL.—Section 512(b) of the Inter-
7 nal Revenue Code of 1986 is amended by adding at
8 the end the following new paragraph:

9 “(20) TREATMENT OF CERTAIN INCOME OF SIX
10 ALASKA COMMUNITY DEVELOPMENT QUOTA (CDQ)
11 PROGRAM ORGANIZATIONS.—There shall be excluded
12 all income derived from a trade or business carried
13 on by a Community Development Quota entity iden-
14 tified in section 305(i)(1)(D) of the Magnuson-Ste-
15 vens Fishery Conservation and Management Act (16
16 U.S.C. 1855(i)(1)(D) participating or investing in
17 the harvesting, processing, transportation, sales, or
18 marketing of fish and fish product in the Bering Sea
19 and Aleutian Islands Management Area if the con-
20 duct of such trade or business is in furtherance of
21 one or more of the purposes specified in section
22 305(i)(1)(A) of such Act. Such excluded income re-
23 ceived after the date of the enactment of this para-
24 graph shall be reported by such entity on the annual
25 return required under section 6033 and in any an-

1 nual report required under section 305(i)(1)(F)(ii)
2 of such Act (16 U.S.C. 1855(i)(1)(F)(ii)).”.

3 (2) EFFECTIVE DATE.—The amendment made
4 by paragraph (1) shall apply to income received be-
5 fore, on, or after the date of the enactment of this
6 Act.

7 (b) APPLICATION TO CERTAIN WHOLLY OWNED
8 SUBSIDIARIES.—If the assets of a trade or business de-
9 scribed in section 512(b)(20) of the Internal Revenue
10 Code of 1986 (as added by subsection (a)(1)) of any sub-
11 sidiary wholly owned by a Community Development Quota
12 entity identified in section 305(i)(1)(D) of the Magnuson-
13 Stevens Fishery Conservation and Management Act (16
14 U.S.C. 1855(i)(1)(D)) are transferred to such entity (in-
15 cluding in liquidation of such subsidiary) not later than
16 18 months after the date of the enactment of this Act—

17 (1) no gain resulting from such transfer shall
18 be recognized to either such subsidiary or such enti-
19 ty under such Code, and

20 (2) all income derived by such subsidiary from
21 such transferred trade or business shall be exempt
22 from taxation under such Code.