

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version:	HB 248
Fiscal Note Number:	1
(H) Publish Date:	1/19/2016

Identifier: DOR-TAX-01-13-16  
Title: ELECTRONIC TAX RETURNS & ALCOHOL TAX  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: Governor

Department: Department of Revenue  
Appropriation: Taxation and Treasury  
Allocation: Tax Division  
OMB Component Number: 2476

## Expenditures/Revenues

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

(Thousands of Dollars)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates				
			FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>OPERATING EXPENDITURES</b>	<b>FY 2017</b>	<b>FY 2017</b>					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Fund Source (Operating Only)

None							
<b>Total</b>	<b>0.0</b>						

## Positions

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>		40,000.0	40,900.0	41,800.0	42,800.0	43,700.0	44,700.0
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**Estimated SUPPLEMENTAL (FY2016) cost:** 50.0 *(separate supplemental appropriation required)*  
(discuss reasons and fund source(s) in analysis section)

**Estimated CAPITAL (FY2017) cost:** 0.0 *(separate capital appropriation required)*  
(discuss reasons and fund source(s) in analysis section)

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

## Why this fiscal note differs from previous version:

Not applicable, initial version.
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Division:  
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Phone: (907)269-6736  
Date: 01/13/2016 11:00 AM  
Date: 01/13/16

**FISCAL NOTE ANALYSIS****STATE OF ALASKA  
2016 LEGISLATIVE SESSION****Analysis****Bill Analysis**

Alaska has had an excise tax on wholesale alcoholic beverages since 1933, with the basic structure unchanged since 1937. Over the years, the tax rate has increased to account for inflation, public need, and in line with increases made in other states. The alcoholic beverage tax is charged and collected monthly.

The last major changes to the program were in 2002, during another period of large budget deficits when the taxes were raised to the current "dime a drink." In the actual statutory change made at that time, tax was set to equal 10 cents for each one ounce of distilled spirits, five ounces of wine, or 12 ounces of beer. For small craft breweries, the tax is reduced to 3.3 cents per 12 ounce portion.

At the same time, the legislature created the Alcohol and Other Drug Abuse Treatment and Prevention Fund and directed that 50% of the alcoholic beverage tax be deposited into this fund. Currently, approximately \$40 million per year is collected via Alaska's alcoholic beverage taxes with \$20 million going to the Treatment and Prevention Fund.

The primary change in this legislation would be to double the tax rates on all forms of alcoholic beverages, to a total of 20 cents per drink portion, with the rate increased to 6.6 cents for small craft breweries.

The other major change is to require electronic tax filing. With the implementation of the Tax Revenue Management System, DOR has a much more advanced, integrated tax database with a strong online portal and robust reporting functions. Paper tax filings require a laborious process of scanning and manual data entry, and the department is working to transition away from this system. To this end, each of the several revenue bills being introduced contains language in the general revenue statutes to require electronic submission unless the taxpayer does not have the technological capability to do so.

**Revenue Impact**

DOR estimates that doubling the tax rate will double tax collections, with additional revenue of approximately \$40 million in FY17. Of this, \$20 million will be unrestricted general fund and \$20 million will go to the Alcohol and Other Drug abuse Treatment and Prevention Fund. This designated GF is generally used to support various programs in the through this fund.

Alcohol tax estimates are based on the fall 2015 revenue forecast. The estimates make no adjustment for changes in demand due to higher prices, or for stockpiling in advance of the tax increase. These demand changes are expected to be material.

**Implementation Cost**

This legislation would require the Department of Revenue to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file a return online. The update would consist of reprogramming both systems, updating the return rules in TRMS and testing both systems thoroughly to verify that they function as expected. We would also need to update the current tax return forms.

The supplemental fiscal note figure of \$50.0 in FY16 is to cover the costs of having our contractor update the two systems. We do not anticipate any continuing costs or additional staff needs. After the implementation of the changes, this legislation would not cause any additional administrative burden on the Tax Division.