

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version: HB 399
Fiscal Note Number:
() Publish Date:

Identifier: HB 399-DOR-TAX-3-24-2018
Title: CORP. TAX: REMOVE EXEMPTIONS/CREDITS
Sponsor: FINANCE
Requester: (H) Resources
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)

	FY2019 Appropriation Requested	Included in Governor's FY2019 Request	Out-Year Cost Estimates				
			FY 2019	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES							
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating			0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total		0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

1250 UGF Rev (UGF)	3,450.0		6,900.0	6,900.0	6,900.0	6,900.0	6,900.0
Total	3,450.0		0.0	6,900.0	6,900.0	6,900.0	6,900.0

Estimated SUPPLEMENTAL (FY2018) cost: 50.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) 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? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/19

Why this fiscal note differs from previous version/comments:

Initial Version

Prepared By: Brandon Spanos
Division: Tax
Approved By: Mike Barnhill
Agency: DOR

Phone: (907)269-6736
Date: 03/24/2018 12:00 AM
Date: 03/27/18

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

BILL NO. HB 399

Analysis

This bill would make the following changes to the corporate net income tax:

1. Disallow federal credits as a credit against taxes in Alaska
2. Disallow the exclusion of foreign royalties from net income
3. Repeals the preferential tax rate for capital gains (which would treat capital gains as ordinary income)
4. Repeals statutes that were part of the Alaska Stranded Gas Development Act. The credits had a statutory sunset date that has long since passed (the last credits were allowed to be created in 1994 and carried forward to 1999 at the latest).

Change in revenue estimates are based on a four year average (our data is the most reliable in the last four years since we rolled out our new Tax Revenue Management System). The breakdown for each proposed change is as follows:

1. Federal credits: \$1.8 million
2. Foreign royalties: \$1.7 million
3. Reduced rate on capital gains: \$3.4 million
4. Alaska Stranded Gas Development Act: \$0

The tax changes would be effective beginning January 2019. The estimated change in revenues in FY19 is half of the future years' estimated changes to account for the mid-fiscal year effective date.

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, make changes to certain regulations, and draft transition regulations. The supplemental fiscal note figure of \$50.0 in FY19 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.