FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**SB 29**
Fiscal Note Number	
() Publish Date	

Identifier (file name)	SB029-DOR-TAX-02-28-12	Dept. Affected	Revenue
Title	Tax Expenditure Report	Appropriation	Taxation and Treasury
		Allocation	Tax
Sponsor	Senator Wielechowski		
Requester	Senate State Affairs Committee	OMB Component Number	2476

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services			1,583.2	1,583.2	1,583.2	1,583.2	1,583.2
Travel			60.0	60.0	60.0	60.0	60.0
Services			68.0	68.0	68.0	68.0	68.0
Commodities			8.0	8.0	8.0	8.0	8.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**1,719.2**	**1,719.2**	**1,719.2**	**1,719.2**	**1,719.2**

FUND SOURCE (Thousands of Dollars)

1002	Federal Receipts							
1003	GF Match							
1004	GF			1,719.2	1,719.2	1,719.2	1,719.2	1,719.2
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
	TOTAL	**0.0**	**0.0**	**1,719.2**	**1,719.2**	**1,719.2**	**1,719.2**	**1,719.2**

POSITIONS							
Full-time			16	16	16	16	16
Part-time							
Temporary							

CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY12) operating costs ________ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs ________ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version.

Prepared by	Mike Redlinger, Economist/Johanna Bales, Deputy Director	Phone	907-269-1021
Division	Tax	Date/Time	02/28/2012; 10am
Approved by	Jerry Burnett, Director Administrative Services	Date	2/28/2012
	Department of Revenue		

STATE OF ALASKA **BILL NO.** SB 29
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Analysis

Bill Language:
This bill would require the Department of Revenue to annually prepare and publish a report of tax expenditures. "Tax expenditures" are defined in this bill to be any of the following: tax deduction, tax credit, exclusion, exemption, deferral, or other loss of state and local tax revenue due to either an express provision of state tax law or resulting from the overall operation of state tax law. The bill would require the Department to identify the statutory authority for the expenditure, calculate the total amount of the tax expenditure and number of taxpayers who claimed the expenditure in the prior fiscal year, and forecast the amount of each tax expenditure claimed by all taxpayers for the current fiscal year. In addition the Department would be required to use this information to determine the public and private costs of administering the expenditure, whether each statute authorizing a tax expenditure achieved its purpose, whether each statute authorizing the expenditure is the most fiscally effective means of achieving its intended purpose, and then recommend either the support of repeal or extension of the authorizing statute.

The effective date of the bill is July 1, 2013.

Revenues:
This bill does not affect state tax revenues.

Expenditures:
This bill would require the Department of Revenue to analyze each and every tax expenditure claimed by every taxpayer in every tax type administered by the Department. The Department currently administers 22 tax programs. Compiling this report annually would be a major undertaking and would require significant staff resources.

The Department would need to compile tax expenditure information manually. We receive over 15,000 tax returns each year. We estimate that eight full-time tax technician positions would be required to compile, aggregate, and categorize all tax expenditures for all taxpayers in all tax types.

Four full-time auditor positions (2 Oil & Gas Revenue Auditor III positions, 1 Corporate Income Tax Auditor III position, and 1 Tax Auditor IV position) would be required to conduct the research to identify the statutory authority and legislative intent of each statute. Since most legislation does not contain intent language, the Department would be required to scan through all hearing minutes to determine intent.

Four full-time economist positions (2 petroleum economist positions and 2 Economists III positions) would be required to determine the public and private costs of administering the tax expenditure, whether the Department of Revenue believes the statute authorizing each expenditure meets its intent, whether each statute authorizing a tax expenditure provides the most fiscally effective means of achieving that intent, and whether it results in a fair and equitable distribution of tax burden on taxpayers.

The costs for this bill include the payroll and benefits costs for the 16 new full-time positions, the interagency costs associated with these positions, the travel costs for these positions, and the computer and office supply costs. It is assumed that half of these positions would be in Juneau and half would be in Anchorage.