ALASKA STATE LEGISLATURE
HOUSE RULES COMMITTEE
REPRESENTATIVE JOHN COGHILL, CHAIRMAN
State Capitol Juneau, AK 99801-1182 (907) 465-3719
3340 Badger Road Suite #290, North Pole, AK 99705 (907) 488-5725

MEMORANDUM

Date: April 8, 2009

To: Representative Bill Stoltze, Co-Chair
Representative Mike Hawker, Co-Chair
House Finance Committee

From: Representative John Coghill, Chair
House Rules Committee

Re: Request for Committee Hearing HB 167

Please schedule House Bill 167 "*An Act relating to a corporation income tax credit for contributions by a person owning or operating a commercial passenger vessel to a qualified trade association that was awarded a contract by the Department of Commerce, Community, and Economic Development, and used for planning and executing a destination tourism marketing campaign*" for a committee hearing in Labor and Commerce.

For your information and distribution to committee members, I have attached House Bill 167, and a sponsor statement. I will provide a sectional and other support material shortly.

Attachment: HB 167 26-LS0695\R
Sponsor Statement

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Sponsor Statement

HB 167

"An Act relating to a corporation income tax credit for contributions by a person owning or operating a commercial passenger vessel to a qualified trade association used for planning and executing a destination tourism marketing campaign"

Alaska's tourism industry, a vibrant part of our economy, has made it known that Alaska is struggling to maintain and grow a market share in national and international markets. With the onset of the worldwide economic downturn, and competing destinations far outspending Alaska with increased marketing budgets, Alaska's tourism industry is facing a future of decline.

With all sectors of Alaska's travel industry reporting an unprecedented drop in 2009 summer season advanced bookings, there exists an urgent need for broadening the greatness of Alaska as a destination.

HB 167 will establish a tourism marketing tax credit that will create a sustainable funding source to grown Alaska's tourism marketing program.

The reinvestment of tourism tax revenues will ultimately grow and strengthen Alaska's economy through the travel industry, which is important to aiding Alaska's small businesses who are the backbone of our State and Alaska's tourism industry.

HOUSE BILL NO. 167

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES COGHILL, Harris, Holmes

Introduced: 3/9/09
Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

"An Act relating to a corporation income tax credit for contributions by a person owning or operating a commercial passenger vessel to a qualified trade association that was awarded a contract by the Department of Commerce, Community, and Economic Development, and used for planning and executing a destination tourism marketing campaign."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* **Section 1.** AS 43.20 is amended by adding a new section to article 1 to read:

Sec. 43.20.047. Tourism marketing tax credit. (a) A person owning or operating a commercial passenger vessel in the state is entitled to a credit against the tax due under this chapter for a cash contribution

(1) accepted by the qualified trade association that was awarded a contract under AS 44.33.125(a); and

(2) used for the destination tourism marketing campaign that was

planned and executed under the contract issued under AS 44.33.125(a).

(b) The credit in (a) of this section may not be less than zero and may not exceed the difference between the tax liability for the person owning or operating a commercial passenger vessel in the state determined under AS 43.20.011(e) in conjunction with AS 43.20.021(h) and (i) and the tax liability for the person owning or operating a commercial passenger vessel in the state determined under AS 43.20.011(e) in conjunction with AS 43.20.021 as that section read on December 16, 2006.

(c) A credit or portion of a credit under this section may not be used to reduce a person's total tax liability under this chapter for a calendar year below zero, and any unused credit or portion of a credit not used under this section may not be applied in a subsequent calendar year.

(d) In this section, "commercial passenger vessel" has the meaning given in AS 43.52.295.

*** Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. AS 43.20.047, added by sec. 1 of this Act, applies to cash contributions accepted and used after June 30, 2009, for the destination tourism marketing campaign described in AS 43.20.047(a), added by sec. 1 of this Act.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB 167**
() Publish Date:

Identifier (File Name): HB167-DOR-TAX-04-03-09
Title **Tax Credit for State Tourism Program**
Sponsor **Representative Coghill**
Requester **(H)Labor & Commerce**

Dept. Affected: Revenue 04
RDU **Taxation and Treasury**
Component Taxation and Treasury
Component No. **2476**

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	30.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**30.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES	**0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CHANGE IN REVENUES ( )	*	**0.0**	*	*	*	*	*

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	30.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**30.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost: **0**

POSITIONS

Full-time	0.00	0	0.00	0.00	0.00	0.00	0.00
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

See Attached.

Prepared by: **Dan Stickel, Economist** Phone (907) 465-3279
Division Tax Division Date/Time 3-17-09 8:07am
Approved by: **Ginger Blaisdell, Director, Administrative Services** Date 4/3/2009
Agency Department of Revenue

(Revised 9/2008 OMB)

STATE OF ALASKA
2009 LEGISLATIVE SESSION

BILL NO. HB 167

ANALYSIS CONTINUATION

Bill Language:
This bill will create a tax credit for contributions to a qualified trade association that has been awarded a contract by the Department of Commerce, Community and Economic Development for planning and executing a destination tourism marketing campaign.

The tax credit would be equal to the value of qualified contributions and could be applied to a liability under the Alaska Corporate Net Income Tax. Unused tax credits could not be carried forward or transferred. The tax credit would be available only to corporations owning or operating large commercial passenger vessels.

A 2006 initiative subjected commercial passenger vessel operations to corporate income tax under AS 43.20. Prior to that initiative, commercial passenger vessel operations were exempt from taxation through the department's adoption of Internal Revenue Code Section 883. The credit would have a maximum value equal to the difference between (1) the corporate income tax liability under current law which includes commercial passenger vessels in the tax base, and (2) the corporate income tax liability under laws in place as of December 16, 2006 which exempted commercial passenger vessels.

The tax credit would apply to contributions after June 30, 2009.

Revenues:
Revenues from this bill are indeterminate for two reasons: first, the total tax liability from corporations operating commercial passenger vessels cannot be disclosed due to confidentiality constraints; and second, we do not know to what extent commercial passenger vessel operators will offset that liability through contributions that qualify for the tax credit under this bill.

Corporate income tax collections from the entire tourism industry were $3.5 million in FY 2007 and $15.8 million in FY 2008. These amounts include commercial passenger vessels as well as other tourism companies such as tour operators and hotels. The FY 2008 amount reflects the first full fiscal year of collections after commercial passenger vessels were added to the tax base, but we cannot disclose the amount of tax from commercial passenger vessel operators due to confidentiality constraints. It can be said, however, that the maximum possible credit in FY 2008 would have been no greater than $15.8 million.

Expenditures:
This bill would require the Department of Revenue to administer a new tax credit program. We anticipate being able to implement the new credit using existing staff. There will be $30,000 in one-time startup expenses. These expenses include $20,000 for enhancements to our tax examination system, and $10,000 for updates to our tax forms and education and communication with stakeholders as we implement the credit program.

DRAFT Cruise Industry Revenue Summary for Calendar Year 2007

Revised October 1, 2008 by Dan Stickel

Revenue Source	Amount	Source	Notes
Ocean Ranger Fee	$ 4,019,868	Department of Environmental Conservation	Assessments for calendar 2007; of this amount, $3,858,368 was actually collected in calendar 2007.
Commercial Passenger Vessel Excise Tax:			
Regional Cruise Ship Impact Fund	$ 11,632,170	Tax Division Accounting System	Collections received in calendar 2007.
Distributed to Municipalities	$ 9,977,410	Tax Division Accounting System	Collections received in calendar 2007.
General Fund (Remainder)	$ 24,701,215	Tax Division Accounting System	Collections received in calendar 2007.
Total Commercial Passenger Vessel Excise Tax	$ 46,310,795	Tax Division Accounting System	Collections received in calendar 2007.
Large Passenger Vessel Gambling Tax	$ 6,757,501	Alaska State Accounting System	Collections received in April 2008 for calendar 2007 returns; unamended.
Corporate Income Tax	confidential	FY 2007 and FY 2008 Corporate Income Tax sector analysis.	Collections for cruise ship operators are confidential based on Tax Division confidentiality protocol. Calendar 2007 collections for entire tourism sector were $13.2 million.