
House Community & Regional Affairs Committee Hearing
April 4, 2013

Good morning. My name is Daniel Moore and I am the City Treasurer for the Municipality of Anchorage. Thank you for this opportunity to testify in support of HB 193 allowing reciprocal information sharing between the State and local jurisdictions and promoting coordinated administration and enforcement of commonly assessed taxes. This bill specifically speaks to 2 current tax types that both the State and a number of local jurisdictions collect -- that being tobacco tax and rental vehicle tax.

HB 193 is beneficial to both the State and local jurisdictions because it strengthens the effectiveness and efficiency of tax enforcement. The amount of lost revenue due to willful tax evasion by businesses or individuals can be quite significant to a local jurisdiction and to the State. Speaking from the Municipality's viewpoint, a 5% leakage in tobacco tax, as an example, would equate to \$1 million of lost revenue each year. And to illustrate potential loss exposure from non-coordinated rental vehicle tax, we are aware of a State effort in just the past couple years whereby the State assessed a single Anchorage-based rental vehicle operator over \$600,000 in unpaid State rental vehicle taxes -- the State's tax assessment did not include any unpaid municipal rental vehicle tax and they could not under the Statute share or coordinate the details of their audit findings as they were proceeding through this matter of a major tax evading entity.

With both tobacco tax and rental vehicle tax, current State statute does not allow the State Department of Revenue to share information gathered -- through discovery and audits -- with local jurisdictions and willful tax evaders are therefore not being fully assessed for the taxes owed. The public policy behind information sharing is widely accepted around the country, with many other state jurisdictions having statutes that authorize sharing of information with local jurisdictions.*

Section 2 of HB 193 further promotes coordinated administration and enforcement of tobacco tax in particular, by authorizing the Department of Revenue to enter into an agreement with a local jurisdiction, if at some future date, a local jurisdiction desires to implement a joint tobacco tax stamp. Under the proposed legislation the Department would be designated as central administrator of any joint tobacco tax stamp program meeting their economy of scale criteria. This central designation of the Department as chief administrator of a joint tobacco stamp program would serve to minimize impact on private sector stamp purchasers. Program administration by the Department would include collection of tobacco stamp revenues on behalf of a local jurisdiction. A participating local jurisdiction would then be responsible for reimbursing the Department for any direct, incremental cost increases resulting from a joint tobacco tax program, as these cost reimbursement terms would be formally detailed in an agreement which HB 193 requires to be in place. There are a number of jurisdictions, particularly in largely populated city and county areas, which have multi-jurisdictional tobacco stamps in place, supported by economies of scale and the need to unify tax enforcement.**

HB 193 is sound legislation that encourages greater intergovernmental efficiency and effectiveness in fulfilling tax collections mandated by law at both the State and local level. This bill serves to strengthen tax revenue realization benefiting both the State and local jurisdictions and it serves to notably curtail tax evasion. HB 193 levels the playing field for law abiding businesses and citizens by helping to reduce the number of willful tax evaders not paying their fair share of legally due taxes. The Municipality of Anchorage strongly supports passage of HB 193.

***Several Other Sample Statutes authorizing information sharing**

Arizona (section H references local governments) <http://law.onecle.com/arizona/taxation/42-2003.html> Title 42, Section 42-2003

H. Confidential information relating to transaction privilege tax, use tax, severance tax, jet fuel excise and use tax and rental occupancy tax may be disclosed to any county, city or town tax official if the information relates to a taxpayer who is or may be taxable by the county, city or town. Any taxpayer information released by the department to the county, city or town:

1. May only be used for internal purposes.
2. May not be disclosed to the public in any manner that does not comply with confidentiality standards established by the department. The county, city or town shall agree in writing with the department that any release of confidential information that violates the confidentiality standards adopted by the department will result in the immediate suspension of any rights of the county, city or town to receive taxpayer information under this subsection.

Washington (section h references local governments) <http://apps.leg.wa.gov/rcw/default.aspx?Title=82>, Section 82.32.330

(h) Disclosing any such return or tax information to the proper officer of the internal revenue service of the United States, the Canadian government or provincial governments of Canada, or to the proper officer of the tax department of any state or city or town or county, for official purposes, but only if the statutes of the United States, Canada or its provincial governments, or of such other state or city or town or county, as the case may be, grants substantially similar privileges to the proper officers of this state;

Connecticut http://www.lawserver.com/law/state/connecticut/ct-laws/connecticut_statutes_12-15 Title 12, Chapter 201, Subsection 12-15

(b) The commissioner may disclose (1) returns or return information to (A) an authorized representative of another state agency or office, upon written request by the head of such agency or office, when required in the course of duty or when there is reasonable cause to believe that any state law is being violated, or (B) an authorized representative of an agency or office of the United

States, upon written request by the head of such agency or office, when required in the course of duty or when there is reasonable cause to believe that any federal law is being violated, provided no such agency or office shall disclose such returns or return information, other than in a judicial or administrative proceeding to which such agency or office is a party pertaining to the enforcement of state or federal law, as the case may be, in a form which can be associated with, or otherwise identify, directly or indirectly, a particular taxpayer except that the names and addresses of jurors or potential jurors and the fact that the names were derived from the list of taxpayers pursuant to chapter 884 may be disclosed by the Judicial Branch; (2) returns or return information to the Auditors of Public Accounts, when required in the course of duty under chapter 23; (3) returns or return information to tax officers of another state or of a Canadian province or of a political subdivision of such other state or province or of the District of Columbia or to any officer of the United States Treasury Department or the United States Department of Health and Human Services, authorized for such purpose in accordance with an agreement between this state and such other state, province, political subdivision, the District of Columbia or department, respectively, when required in the administration of taxes imposed under the laws of such other state, province, political subdivision, the District of Columbia or the United States, respectively, and when a reciprocal arrangement exists;

***Several Other City/County/State examples of a Joint Stamp (or multi-jurisdictional stamp)

Supplemental Background / Profile information

- Which Alaskan communities have their own Tobacco excise tax?
Municipality of Anchorage
Barrow
Bethel (effective Mar 1, 2013)
Fairbanks North Star Borough
Fairbanks
City and Borough of Juneau
Matanuska-Susitna Borough
City and Borough of Sitka

Source: "Alaska Taxable 2011" published by State of Alaska Department of Commerce, Community, and Economic Development, Table 2.
("Alaska Taxable 2012" is not yet available) for all except Bethel. Bethel: city code available at <http://www.cityofbethel.org/>.

- Which Alaskan communities have their own Rental Vehicle tax?
Municipality of Anchorage
Cordova

Yakutat

Source: "Alaska Taxable 2011" published by State of Alaska, Department of Commerce, Community, and Economic Development, Table 2. ("Alaska Taxable 2012" is not yet available).

- What is the current MOA tobacco tax per pack? Per carton?

Municipal 2013 tax rates

115.3 mills
11.53 cents per cigarette
\$2.306 per pack of twenty cigarettes
\$23.06 per carton of ten packs

Source: Muni Web Site

- What is the current SOA tobacco tax per pack? Per carton?

State 2013 tax rates

100 mills
10 cents per cigarette
\$2.00 per pack of twenty cigarettes
\$20.00 per carton of ten packs

Source: State of Alaska, Department of Revenue, Tax Division, "2012 Annual Report."

- How much revenue did the SOA generate in tobacco tax, per the most recent and available published data?

FY 2012 State of Alaska Tobacco Tax Collections

Cigarettes	\$59,630,927
Tobacco Products	12,035,633
Penalties & Interest	87,812
License Fee Collections	4,975
Accounting Expense & Tax Stamp Deduction	<u>(353,722)</u>
Total Collections by Product	<u>\$71,405,625</u>

Source: State of Alaska, Department of Revenue, Tax Division, "2012 Annual Report."

Note: MOA collected approximately \$22M in tobacco tax revenue in calendar year 2012 – this is the MOA's 3rd largest revenue source in support of city services.

- Is it accurate to say that in recent years the overall tobacco tax paid within MOA ranks in the Top 10 of cities nationwide?

Yes, as of Dec 2012, Anchorage was still in the top ten. See the PDF file attached below for a listing of the cities with the highest tax rates.

This listing was published on Dec 12, 2012, and does not include the new 2013 tax rates for Anchorage. After including the new tax 2013 rate, Anchorage would have a combined state and local tax rate of \$4.306 per pack and move ahead of Bethel to position number 8 in the top ten ranking.



Ranking of Cities
with highest...

- What volume of cigarettes were imported into MOA in 2012?

Total number of cigarettes acquired in 2012 = 435,922,644

Source: Treasury ACCESS tobacco tax return database

- What volume of MOA-imported cigarettes were sold exempt by MOA Distributors in 2012? What % do exempt sales make of the total cigarette imports into MOA in 2012?

	Number of Cigarettes imported in 2012	Percent of Total
Total Cigarettes Acquired	435,922,644	100.0%
Cigarette Exempt Sales	265,652,535	60.9%
Taxable Cigarettes	169,968,949	39.0%
Cigarette Other Credits	301,160	0.1%

Source: Treasury ACCESS tobacco tax return database

- How much revenue did the SOA generate in Rental Vehicle tax, per the most recent and available published data?

FY 2012 State of Alaska Rental Vehicle Tax Revenues

Passenger vehicle rental	\$8,132,668
Recreational vehicle rental	359,002
Penalties & interest	<u>37,963</u>
Total Tax Collections	<u>\$8,529,633</u>

Source: State of Alaska, Department of Revenue, Tax Division, "2012 Annual Report."

Note: MOA collected approximately \$4.8M in rental vehicle tax revenue in calendar year 2012.