



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Revenue

Office of the Commissioner

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March 25, 2020

The Honorable Chuck Kopp
Chair, House Rules Committee
State Capitol, Room 216
Juneau, AK 99801

Dear Chair Kopp;

Thank you very much for yesterday's hearing on HB 311. At that hearing, several questions were raised regarding cash management and Constitutional Budget Reserve Fund (CBRF) issues if a tax filing and payment extension to July 15, 2020 were to be enacted. I wanted to provide responses to the Committee in advance of the hearing this afternoon.

Timing of Revenues Between Fiscal Years. If tax payment deadlines were to be extended to July 15, 2020, for taxes that would otherwise be paid between the effective date of an extension and July 15, the tax payments would still constitute FY2020 receipts. This is because the tax liabilities would accrue during FY2020, and the payments would still be received during the FY2020 appropriation closeout period. Accordingly, no revenues are projected to shift between FY2020 and FY2021 if the tax extension is enacted. This is reflected in the Department of Revenue's (DOR) Tax Division fiscal note.

Impact on the State of Alaska's Cash Management Process. DOR's Tax Division estimates that the payment extension would defer approximately \$150 million in tax receipts. The effect of the tax payment extension would be that tax revenues collected throughout the 4th Quarter would be deferred until on or about July 15, 2020. This would decrease collections during the course of the 4th Quarter, but result in additional collections at the end of the 4th Quarter, effectively back-loading revenue receipts. Currently, the Treasury Division has tentatively scheduled a CBRF draw in early June.

If the tax payment extension were to pass, it is likely that the scheduled June draw on the CBRF would be accelerated into May. However, because the deferred tax revenues would be received in late June and early July, the next scheduled draw on the CBRF or the Permanent Fund Earnings Reserve Account (ERA) would not otherwise need to be accelerated. Thus, the only cash management impact that DOR foresees from the tax payment extension would be to accelerate a single planned draw from the CBRF. However, DOR notes that cash draws from the CBRF and the ERA are constantly reevaluated in light of changing circumstances, and that other factors may also cause changes in planned cash management draws from these or other sources.

Sincerely,

A handwritten signature in black ink that reads "Mike Barnhill".

Mike Barnhill
Deputy Commissioner of Revenue