

Fiscal Note

State of Alaska
2024 Legislative Session

Bill Version: HB 220
Fiscal Note Number:
() Publish Date:

Identifier: HB220-DOR-TAX-3-29-24
Title: ROOM RENT TAX
Sponsor: GRAY
Requester: (H) Community & Regional Affairs
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)

	FY2025 Appropriation Requested	Included in Governor's FY2025 Request	Out-Year Cost Estimates				
			FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
OPERATING EXPENDITURES							
Personal Services	218.7		218.7	218.7	218.7	218.7	218.7
Travel	2.0		2.0	2.0	2.0	2.0	2.0
Services	27.8		27.8	27.8	27.8	27.8	27.8
Commodities	28.2		0.2	0.2	0.2	0.2	0.2
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	276.7	0.0	248.7	248.7	248.7	248.7	248.7

Fund Source (Operating Only)

1004 Gen Fund (UGF)	276.7		248.7	248.7	248.7	248.7	248.7
Total	276.7	0.0	248.7	248.7	248.7	248.7	248.7

Positions

Full-time	2.0		2.0	2.0	2.0	2.0	2.0
Part-time							
Temporary							

Change in Revenues

1004 Gen Fund (UGF)	52,100.0		53,400.0	54,700.0	56,100.0	57,500.0	58,900.0
Total	52,100.0	0.0	53,400.0	54,700.0	56,100.0	57,500.0	58,900.0

Estimated SUPPLEMENTAL (FY2024) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2025) cost: 250.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No

(Supplemental/Capital/New Fund - 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If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/24

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

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Division:	Tax Division	Date:	03/15/2024
Approved By:	Adam Bryan, Division Operations Manager	Date:	03/29/24
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2024 LEGISLATIVE SESSION

BILL NO. HB220

Analysis

Background Information

This bill creates a new excise tax under AS 43.52 on the rental of lodging in the state if the lease or rental of the room does not exceed 30 consecutive days. The rate of tax is 6% of the total cost charged for the room rental. The tax would apply broadly to nearly all short-term rentals, including those executed via an online platform.

This bill would hold online platforms responsible for collecting and remitting the tax from the individual owner if the rental was arranged or executed through the platform.

Revenue Impact

The estimates in this fiscal note start with gross room rentals for municipalities with a bed tax, scaled up to a statewide estimate based on population. The assumption assumes the bed tax will be collected on lodges in the unorganized borough or on any short term rentals in municipalities without a current bed tax. The estimate assumes that levying a tax on short term room rentals will not impact the demand for room rentals. The forecast assumes an annual rate of inflation of 2.5%.

Implementation Cost

This fiscal note reflects the costs to stand up a new tax which would require developing a new module in the department's Tax Revenue Management System (TRMS). Two new positions are required to administer the registration, return processing, auditing, and customer service functions of the program since the bill would create a new taxpayer base. The staff would have an outreach and enforcement function requiring some travel. Services costs include annual overhead for department and statewide core service rates. Commodity costs include a one-time cubicle buildout for the two new positions and required equipment. Out years are reduced to annual office supply costs.

The department will need to engage FAST Enterprises, our TRMS contractor, to develop a state bed tax module into TRMS and integrate the module with our existing imaging, filing, accounting, and collections modules. The \$250.0 in FY2025 capital costs is an estimate for the needed contract with FAST Enterprises to expedite development and implementation the new tax module by the end of the fiscal year.

The bill has an effective date of July 1, 2024. The department will need to adopt regulations to define filing and payment requirements.