

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version: HB 264
Fiscal Note Number:
() Publish Date:

Identifier: HB 264 DOR-TAX-1-28-18
Title: SHOPPING BAG FEES & RECYCLING
Sponsor: JOSEPHSON
Requester: House 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)

	FY2019 Appropriation Requested	Included in Governor's FY2019 Request	Out-Year Cost Estimates				
			FY 2019	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES							
Personal Services	172.0			172.0	172.0	172.0	172.0
Travel	10.0			10.0	10.0	10.0	10.0
Services	40.0			40.0	40.0	40.0	40.0
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	222.0	0.0	222.0	222.0	222.0	222.0	222.0

Fund Source (Operating Only)

1004 Gen Fund (UGF)	222.0		222.0	222.0	222.0	222.0	222.0
Total	222.0	0.0	222.0	222.0	222.0	222.0	222.0

Positions

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

Change in Revenues

1250 UGF Rev (UGF)	1,650.0		3,300.0	3,300.0	3,300.0	3,300.0	3,300.0
Total	1,650.0	0.0	3,300.0	3,300.0	3,300.0	3,300.0	3,300.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 500.0 *(separate capital appropriation required)*
(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If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/19

Why this fiscal note differs from previous version/comments:

Initial version

Prepared By: Brandon Spanos, Deputy Director
Division: Tax Division
Approved By: Ken Alper, Director
Agency: Tax Division

Phone: (907)269-6736
Date: 01/26/2018 05:00 PM
Date: 01/27/18

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

BILL NO. 0

Analysis

Bill Analysis

The bill establishes a fee of \$0.20 for each disposable shopping bag provided by a retailer, with reduction for any municipal levy. The fee would apply to any bag that is not "reusable" with a minimum lifetime of 75 uses. The fee would be itemized and listed as a line item on the sales receipt. The bill also requires retailers that provide disposable shopping bags to also provide a bag recycling location at the entrance to their store. The fee would be collected by the retailer. The retailer would remit 75% of the fee to the state and would retain 25% of the fee to help cover costs associated with recycling disposable bags. The fee would be effective January 1, 2019.

Revenue Estimate

Revenue from this bill is uncertain, as we do not have an accurate estimate of the fee base in Alaska, how consumer behavior will change in response to the fee, or the extent to which municipalities will impose their own fees.

One jurisdiction with a similarly structured fee to this bill is Montgomery County, MD which has a \$0.05 per bag fee applied to all retail establishments. In FY 2015, that fee was applied to 61.6 million qualifying bags for a county with just over 1 million people. Scaling this consumption to Alaska's population would yield a revenue estimate of \$6.5 million; however since our fee would be 4 times as high we believe this is an unrealistic revenue number because of the increased likelihood individuals will stop using disposable bags due to the higher fee in Alaska. Our revenue estimate assumes that Alaska consumption is half of Montgomery County's as a result of the higher fee, generating about \$3.3 million per year after deducting the retailer's 25 percent of the fee. This is before adjusting for any municipal levies. However, because of the ability for municipalities to claim this revenue with zero net fiscal impact, we expect that many municipalities will add a similar tax or fee, which could dramatically reduce state revenue from what is reflected in our estimate. Depending on how businesses and consumers respond to the fee, and the extent to which municipalities enact offsetting levies, revenue could be significantly higher or lower than our estimate.

Implementation Cost

This bill would create a new tax type to be administered by the Tax Division. According to the 2012 Economic Census, there are 2,508 retail trade establishments in the state, 983 full- and limited-service restaurants and eating establishments and 390 dry cleaning or laundry establishments. We anticipate that some of these establishments will not offer disposable shopping bags and therefore will not collect and remit the disposable shopping bag fee. If there are 3,000 taxpayers submitting returns, this would amount to 12,000 quarterly tax returns filed per year. This would be the second-largest tax type in Alaska in terms of number of returns filed (behind corporate income tax). After a period of time, it is possible that some establishments will stop offering disposable shopping bags entirely, reducing the number of taxpayers and quarterly returns.

We recently completed implementation of the Tax Revenue Management System (TRMS), which created an integrated online tax application used by both taxpayers and administrators for the 25 tax types currently administered by the Division. We expect to engage FAST enterprises, the TRMS contractor, to build a disposable shopping bag fee module into TRMS. This will require the mobilization of at least one additional FAST contractor to Alaska to develop the new module, and is the majority of the estimated cost within the \$500.0 capital request.

The Department would need to adopt regulations to implement this new fee, and the Division would plan to carry out a public outreach program in the second half of 2018. The cost for regulations and outreach will be paid from the capital request.

Ongoing costs for tax return processing, examination and audit will include two new employees, an auditor and tax technician. The Tax Division's fiscal note for a similar bill in 2008 stated it would require 5 new positions to administer. However, because of efficiencies gained through implementation of our TRMS system, we anticipate that we will be able