

# Fiscal Note

State of Alaska  
2018 Legislative Session

Bill Version: HB 383  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: DOR TAX HB383 version1  
Title: TOURISM  
MARKETING:BOARD;ASSESSMENT;FUND  
Sponsor: GRENN  
Requester: H Comm. on Arctic Policy, Econ Devt, Tourism

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<br>Appropriation<br>Requested | Included in<br>Governor's<br>FY2019<br>Request | Out-Year Cost Estimates |              |              |              |              |
|------------------------|--------------------------------------|--|-------------------------|--------------|--------------|--------------|--------------|
| OPERATING EXPENDITURES | FY 2019                              | FY 2019  | FY 2020                 | FY 2021      | FY 2022      | FY 2023      | FY 2024      |
| Personal Services      | 300.0                                |  | 300.0                   | 300.0        | 300.0        | 300.0        | 300.0        |
| Travel                 |                                      |  |                         |              |              |              |              |
| Services               | 70.0                                 |  | 70.0                    | 70.0         | 70.0         | 70.0         | 70.0         |
| Commodities            |                                      |  |                         |              |              |              |              |
| Capital Outlay         |                                      |  |                         |              |              |              |              |
| Grants & Benefits      |                                      |  |                         |              |              |              |              |
| Miscellaneous          |                                      |  |                         |              |              |              |              |
| <b>Total Operating</b> | <b>370.0</b>                         | <b>0.0</b>                                     | <b>370.0</b>            | <b>370.0</b> | <b>370.0</b> | <b>370.0</b> | <b>370.0</b> |

## Fund Source (Operating Only)

|                     |              |            |              |              |              |              |              |
|---------------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|
| 1004 Gen Fund (UGF) | 370.0        |            | 370.0        | 370.0        | 370.0        | 370.0        | 370.0        |
| <b>Total</b>        | <b>370.0</b> | <b>0.0</b> | <b>370.0</b> | <b>370.0</b> | <b>370.0</b> | <b>370.0</b> | <b>370.0</b> |

## Positions

|           |     |  |     |     |     |     |     |
|-----------|-----|--|-----|-----|-----|-----|-----|
| Full-time | 3.0 |  | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Part-time |     |  |     |     |     |     |     |
| Temporary |     |  |     |     |     |     |     |

## Change in Revenues

|              |            |            |            |            |            |            |            |
|--------------|------------|------------|------------|------------|------------|------------|------------|
| None         | ***        | ***        | ***        | ***        | ***        | ***        | ***        |
| <b>Total</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

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

**Estimated CAPITAL (FY2019) cost:** 900.0 (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: Ken Alper, Director  
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Approved By: Mike Barnhill  
Agency: Department of Revenue

Phone: (907)465-8221  
Date: 02/24/2018 01:00 PM  
Date: 02/24/18

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2018 LEGISLATIVE SESSION

BILL NO. HB383

### Analysis

The purpose of HB383 is to create what is known as a tourism improvement district (TID) structure within the state.

The Bill creates the Travel Alaska Board in the Department of Revenue. The board is intended to replace the Alaska Tourism Marketing Board in the Department of Commerce, Community, and Economic Development, which is scheduled to sunset on June 30, 2018.

The proposed model allows an industry-approved assessment to provide revenue from private sector businesses to fund tourism promotion, marketing, and research activities directed by the board. The bill delineates the board's powers, duties, requirements, and expenditures as well as the assessment process. Business segments within the tourism industry will be asked to vote for separate levies for each segment, with eight possible tax rates between 0.25% and 2% of gross revenues, and with each business segment's election weighted so each member's vote is scaled to their expected payment level. Payments are remitted to the state remitted quarterly.

The board is entirely made up of industry members, and appointed by the governor from a list provided by industry. Members can only be removed for cause.

As envisioned, the Alaska Travel Industry Association (ATIA), a nonprofit independent tourism association, will provide administrative support to the board. However, the Department of Revenue will likely be expected to: perform the research to determine the appropriate industry segments; outreach to industry to identify and contact the multiple players in each; collect the data required to create the vote weighting mechanics based on the estimated tax obligations of each potential taxpayer; and administer what might be several dozen elections within the various industry sectors.

If the bill becomes law, the tax division will need to build a substantial new module within the Tax Revenue Management System (TRMS). The \$900.0 one-time capital appropriation is for this purpose. To implement and run the program, we envision three new staff: a senior auditor or audit supervisor, a tax technician to engage with registration of what could be up to 2,000 new taxpayers, and an economist to provide research support, pre-election levy estimates, and drafting assistance with the annual report. Incremental cost for commodities is primarily the internal cost of supporting the three new employees, as well as a small amount for supplies, postage, and advertising of public notices for elections and proposed regulations.

HB383 also makes changes to the current disposition of the Vehicle Rental Tax, AS 43.52, administered by the tax division. Currently, the revenue from this tax (forecasted at \$12.6 million for FY2018) is accounted for as Designated General Funds (DGF), and in recent years has primarily been allocated to the Departments of Natural Resources and Transportation. These funds are reallocated to the General Fund, with an option provided to individual taxpayers to have some or all of their taxes used for the Travel Alaska Board. Therefore, the full amount of forecasted revenues would be converted from Designated General Fund to Unrestricted General Funds, with an indeterminate portion of these funds being re-converted to a different DGF designation for tourism marketing purposes.