

# Fiscal Note

State of Alaska  
2018 Legislative Session

Bill Version:	CSHB 96(FIN)
Fiscal Note Number:	3
(H) Publish Date:	2/28/2018

Identifier: HB096-DOR-TAX-02-17-2018  
Title: TAXES;DEDUCTIONS;FEES;TAX STAMP  
DISCOUNT  
Sponsor: THOMPSON  
Requester: House Finance

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
<b>OPERATING EXPENDITURES</b>	<b>FY 2019</b>						
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>		<b>0.0</b>		<b>0.0</b>		<b>0.0</b>

## Fund Source (Operating Only)

None							
<b>Total</b>	<b>0.0</b>		<b>0.0</b>		<b>0.0</b>		<b>0.0</b>

## Positions

Full-time							
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>

**Estimated SUPPLEMENTAL (FY2018) cost:** 0.0 (separate supplemental appropriation required)

(discuss reasons and fund source(s) in analysis section)

**Estimated CAPITAL (FY2019) cost:** 0.0 (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If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/18

## Why this fiscal note differs from previous version/comments:

Initial version
-----------------

Prepared By: Dan Stickel, Chief Economist  
Division: Tax Division  
Approved By: Mike Barnhill  
Agency: OOC

Phone: (907)465-3279  
Date: 02/16/2018 01:00 PM  
Date: 02/17/18  
REPORTED OUT OF  
HFC 02/27/2018  
Control Code: RaBql

## FISCAL NOTE ANALYSIS

### STATE OF ALASKA 2018 LEGISLATIVE SESSION

#### Analysis

##### **Bill Overview and Revenue Impact**

This bill would make changes to several indirect expenditures in the State of Alaska. The revenue impact of this bill for the Tax Division is indeterminate because the Department of Revenue does not collect information needed to estimate the impact of one of the provisions of the bill. However for the provisions we can estimate, this bill is estimated to increase revenue by approximately \$339,500 in FY 2019 decreasing to approximately \$314,150 in FY 2024, based on the Fall 2017 revenue forecast. Of those additional revenues, the unrestricted General Fund would receive about \$219,150 in FY 2019 decreasing to approximately \$213,600 in FY 2024.

Following are the specific changes that would impact the Tax Division, and their estimated revenue impacts based on the Fall 2017 revenue forecast:

1. Repeals the deduction for accounting and filing expenses for the Tobacco Products Tax under AS 43.50.330(b). This deduction is four-tenths of one percent of the tax due. The revenue impact of this deduction was \$55,941 in FY 2017, and is estimated to be \$62,950 in FY 2019 rising to \$83,000 in FY 2024 based on the forecasted increase in tobacco products wholesale value.
2. Repeals deduction for expenses of affixing stamps to packs for the Cigarette Tax under AS 43.50.540(c). This deduction allows for a discount of 3% of the first \$1,000,000 and 2% of the second \$1,000,000 in tax stamps purchased, up to a maximum deduction of \$50,000 per taxpayer. The revenue impact of this deduction was \$376,516 in FY 2017, and is estimated to be \$276,550 in FY 2019, falling to \$231,150 in FY 2024 based on declines in cigarette consumption.

Cigarette Tax revenue is deposited into the School Fund and the General Fund, with a portion of the General Fund money directed to the Tobacco Use Education and Cessation sub-fund. Of the \$276,550 Cigarette Tax Stamp Discount impact estimated in FY 2019, \$105,100 would be deposited in the School Fund, \$15,250 in the Tobacco Use Education and Cessation sub-fund, and \$156,200 in the unrestricted General Fund. It is estimated in FY 2024 that there would be about \$87,800 deposited into the School Fund, around \$12,750 into the Tobacco Use Education and Cessation sub-fund, and \$130,600 to the General Fund.

3. Repeals the deduction for federal taxes paid for the Large Passenger Vessel Gambling Tax under AS 43.35.210. This deduction allows federal taxes to be deducted in arriving at "adjusted gross income" for purposes of calculating the tax liability. The fiscal impact of this provision is indeterminate because the Department of Revenue does not collect this information.

##### **Expenditures**

The department can implement the provisions of this bill using existing resources.

##### **Regulations**

The department anticipates that it will need to repeal, amend, and adopt regulations for the tax types impacted by repealed credits and deductions. Regulations should be effective by December 31, 2018.