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Governor Bill Walker
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January 15, 2016

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to the commercial vessel passenger excise tax.

Under the commercial vessel passenger excise tax, all commercial passengers pay \$34.50, irrespective of what ports they visit in Alaska, because AS 43.52.255 provides an offset to the state passenger tax to passengers whose voyages include one or more stops in a municipality that collects its own local passenger tax. The offset is limited to local passenger taxes that were in effective on December 17, 2007. In essence, the result is that passengers who stop at Juneau or Ketchikan pay a lower statewide passenger tax because they are paying one or more qualified passenger levies. My bill proposes to repeal AS 43.52.255, which reduces the state tax on cruise ship passengers by the amount the passenger pays in local borough taxes. This change would result in additional revenue of approximately \$15,000,000 annually.

In addition, the bill would amend the definition of "voyage" to remove language requiring that a vessel be in the state for 72 hours to be liable for the tax. The language, added in 2010, has generated some unintended consequences of companies attempting to avoid paying the commercial excise passenger vessel tax through route adjustments.

To increase administrative efficiency for the Department of Revenue and state taxpayers, the bill would require the electronic submission of tax returns with an exemption available upon request.

The bill is an integral component of the New Sustainable Alaska Plan to provide a balanced and sustainable budget for Alaska's long-term fiscal stability.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink that reads "Bill Walker".

Bill Walker
Governor

Enclosure