Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version:	HB 252
Fiscal Note Number:	1
(H) Publish Date:	1/19/2016

Identifier: DOR-TAX-01-13-16
Title: ELCTRNC TAX RETURNS; VESSEL PASSENGER TAX
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: Governor

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)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2017**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Fund Source (Operating Only)

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues		16,600.0	16,600.0	16,600.0	16,600.0	16,600.0	16,600.0

Estimated SUPPLEMENTAL (FY2016) cost: 100.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) 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? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Revised to final governor's draft

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Division: Tax — Date: 01/13/2016 11:00 AM
Approved By: Jerry Burnett — Date: 01/13/16
Agency: Deputy Commissioner, DOR

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

Analysis

Bill Analysis

Alaska has had an excise tax on commercial passenger vessels since it passed by ballot initiative in 2006. The commercial passenger vessel tax is charged and collected monthly. Passenger head tax revenue is deposited in the Commercial Passenger Vessel Account in the General Fund (code 1206) and from there $5 per passenger is shared with each of the ports of call. Remaining state funds may be appropriated for port improvements and other projects that benefit visitors and improve the visitor experience.

The last major changes to the program were in 2010, when the tax was reduced from $46 per passenger to $34.50 per passenger. The legislation also increased the number of ports of call which may receive shared taxes of $5 per passenger, and added the credit for port fees paid to municipalities. It also added the restriction that the tax only applies to voyages that were in Alaskan waters for at least 72 hours, rather than to all voyages of 72 hours or more.

The primary changes in this legislation would reverse two of the changes from 2010:
(1) Repeal the tax reduction for local levies. This credit generally applies to the $8 Juneau and $7 Ketchikan head taxes. Therefore, this change would increase the state's revenue by $15 per passenger for most visitors.
(2) Amend the definition of "voyage" to mean any trip or itinerary lasting more than 72 hours. This would eliminate a loophole that some operators appear to be exploiting to avoid the tax in its entirety.

The other major change is to require electronic tax filing. With the implementation of the Tax Revenue Management System, DOR has a much more advanced, integrated tax database with a strong online portal and robust reporting functions. Paper tax filings require a laborious process of scanning and manual data entry, and the department is working to transition away from this system. To this end, each of the several revenue bills being introduced contains language in the general revenue statutes to require electronic submission unless the taxpayer does not have the technological capability to do so.

Revenue Impact

DOR estimates that this legislation would increase commercial passenger vessel revenue by approximately $16.6 million per year. Of this, approximately $14.8 million will be retained by the state and an additional $1.8 million shared with municipalities. The increase in municipal share is largely due to the change to the 72 hour rule.

Estimates are based on comparing the fall 2015 revenue forecast to an assumption of 1 million total passengers each paying the full $34.50 rate with no credit for municipal taxes paid. It is assumed that on average, 3.5 ports per voyage receive the $5 municipal share, which is consistent with current voyages that we tax. The estimates make no adjustment for changes in demand due to higher taxes.

Implementation Cost

We anticipate a one-time implementation cost of $100.0 to update tax forms and reprogram and test the Tax Revenue Management System and Revenue Online System which allows a taxpayer to file a return online. The update would consist of reprogramming both systems, updating return rules in TRMS and testing both systems thoroughly to verify that they function as anticipated. This is slightly higher than some of the costs we've attached to other excise and business tax legislation; this is because of the designated nature of the funds and the possible additional need to adjust certain Revenue Sharing features. After the implementation of the changes, we do not anticipate any additional costs to administer the tax program.