

# Fiscal Note

State of Alaska  
2018 Legislative Session

Bill Version:	HB 398
Fiscal Note Number:	1
(H) Publish Date:	4/5/2018

Identifier: HB 398-DOR-TAX-3-30-2018  
 Title: CORP TAX:PUBLIC UTILITY INCOME  
 ALLOCATION  
 Sponsor: FINANCE  
 Requester: (H) 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	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2019 Request	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>OPERATING EXPENDITURES</b>	<b>FY 2019</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</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>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Fund Source (Operating Only)

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

## Positions

Full-time							
Part-time							
Temporary							

## Change in Revenues

None	***		***	***	***	***	***
<b>Total</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 If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/19

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

Initial Version

Prepared By: Brandon Spanos  
 Division: Tax  
 Approved By: Mike Barnhill  
 Agency: DOR

Phone: (907)269-6736  
 Date: 03/30/2018 01:00 PM  
 Date: 03/31/18

**REPORTED OUT OF  
HFC 04/04/2018**

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2018 LEGISLATIVE SESSION**Analysis**

This bill would require public utilities to apportion income using the same three-factor formula of property, payroll, and sales that is used by all other non-oil and gas corporate income taxpayers in Alaska. Under current statutes public utilities aren't required to file using the three-factor formula, but there is also no other method specified. Within the last 10 years some public utilities have started using their own methods of allocating and apportioning income to Alaska. These methods are less than favorable to Alaska.

Currently there are a small number of public utilities utilizing a method other than the standard three-factor apportionment formula to apportion or allocate income to Alaska. Because of the limited number of impacted taxpayers, including one taxpayer who could generate over 80% of potential revenue, we are unable to provide an estimate of the additional potential revenue due to confidentiality concerns. However, we estimate that there will be a material amount of additional revenue collected, between \$100,000 and \$5,000,000, if this legislation were to pass.

This legislation would not require the Department of Revenue to update its Tax Revenue Management System (TRMS). There would also be no needed changes to forms. The only anticipated change would be to draft transition regulations. We would be able to draft transition language with current resources.