

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 169
 (H) Publish Date: 3/5/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Charitable gaming tax BRU Revenue Operations
 Component Tax Division
 Sponsor Rules Committee
 Requester Governor Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	125.0	125.0	125.0	125.0	125.0	125.0
Travel	15.0	15.0	15.0	15.0	15.0	15.0
Contractual	22.0	12.0	12.0	12.0	12.0	12.0
Supplies	3.0	3.0	3.0	3.0	3.0	3.0
Equipment	15.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	180.0	155.0	155.0	155.0	155.0	155.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	11,500.0	12,500.0	12,500.0	12,500.0	12,500.0	12,500.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	180.0	155.0	155.0	155.0	155.0	155.0
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	180.0	155.0	155.0	155.0	155.0	155.0

Estimate of any current year (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time	2	2	2	2	2	2
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would increase the state's charitable gaming tax rate from 3 percent of ideal net on pull-tabs to 5 percent of ideal gross receipts for pull-tabs. This marks the first change in tax rates since 1988. This legislation the state tax rate on raffles, bingo and other charitable gaming.

The tax increase would take effect July 1, 2003. The Department of Revenue estimates the increase will generate \$12.5 million in additional state revenue for a full fiscal year, with approximately \$11.5 million in Fiscal 2004 because the state would receive the higher revenues for 11 months in the fiscal year. (Taxes are paid one month after sales for distributors on pull-tab games.)

See attached page for more information on the revenue and program costs.

Prepared by: Jeff Prather and Larry Meyers Phone 465-3410
 Division Tax Division Date/Time 3/5/03 2:10 PM
 Approved by: Larry Persily, Deputy Commissioner Date 3/5/2003
 Agency Department of Revenue

Department of Revenue Charitable Gaming Tax

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Operating Expenditures

The Department of Revenue is requesting general fund program receipts to cover the cost of one Revenue Auditor III position and an Investigator III position. With such a large increase in taxes due the state (an estimated \$12.5 million per year), the department anticipates the need to strenuously verify the gross receipts that the new tax increase is based upon. A lack of sufficient staff to verify, audit and enforce the state's higher charitable gaming tax rate would exacerbate an already serious shortage in the state's enforcement effort.

The incidence of taxation under this legislation would be focused on gross receipts, an area that is possible for manipulation in an industry that is very cash oriented. These two new positions would focus on distributor-reporting practices and audits for the sale of pull-tab games. The projected annual salary cost for these new positions totals \$125,000.

The department is also requesting one-time Fiscal 2004 funding of \$15,000 for equipment and \$10,000 for start-up contractual costs.

Comparison to other states

The National Association of Fundraising Ticket Manufacturers 2001 Annual Report on the Charity Gaming in North America lists 34 states that tax pull-tabs and/or bingo. Four states have rates equal to or greater than 5% of gross receipts on pull-tabs, the two highest being Massachusetts and Oklahoma, both with a 10% tax on gross receipts.