

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSHB 293(FIN)
 (H) Publish Date: 5/16/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title State Sales Tax and Use Tax BRU Revenue Operations
 Component Tax Division
 Sponsor House Ways and Means Committee
 Requester House Finance Committee 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 | FY2008 | FY 2009 |
|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Personal Services | 2,496.4 | 3,881.5 | 3,881.5 | 3,881.5 | 3,881.5 | 3,881.5 |
| Travel | 85.0 | 75.0 | 75.0 | 75.0 | 75.0 | 75.0 |
| Contractual | 889.5 | 995.0 | 995.0 | 995.0 | 995.0 | 995.0 |
| Supplies | 76.3 | 92.0 | 92.0 | 92.0 | 92.0 | 92.0 |
| Equipment | 525.0 | 67.5 | 15.0 | 15.0 | 15.0 | 15.0 |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 4,072.2 | 5,111.0 | 5,058.5 | 5,058.5 | 5,058.5 | 5,058.5 |

| | | | | | | |
|-----------------------------|----------------|--------------|--|--|--|--|
| CAPITAL EXPENDITURES | 1,900.0 | 400.0 | | | | |
|-----------------------------|----------------|--------------|--|--|--|--|

| | | | | | | |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| CHANGE IN REVENUES () | 163,000.0 | 341,000.0 | 341,000.0 | 341,000.0 | 341,000.0 | 341,000.0 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | 5,972.2 | 5,511.0 | 5,058.5 | 5,058.5 | 5,058.5 | 5,058.5 |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (Specify Type--Do not abbreviate) | | | | | | |
| TOTAL | 5,972.2 | 5,511.0 | 5,058.5 | 5,058.5 | 5,058.5 | 5,058.5 |

Estimate of any current year (FY2003) cost: 150.0

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

POSITIONS

| | | | | | | |
|-----------|----|----|----|----|----|----|
| Full-time | 67 | 74 | 74 | 74 | 74 | 74 |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This legislation would put into effect a 3% state sales and use tax effective Jan. 1, 2004.

This legislation also includes an increase in the state excise tax on highway motor fuel, from 8 cents a gallon to 20 cents a gallon, effective July 1, 2003, with a provision that the legislature may share with municipalities half of the increase (using the revenue sharing formula in statute). The authorization for additional revenue sharing is not reflected in this fiscal note.

See Pages 2 and 3 for further discussion.

Prepared by: Chuck Harlamert, Robynn Wilson and Brett Fried Phone 465-5469
 Division Tax Division Date/Time 5/16/03 8:06 AM
 Approved by: Larry Persily, Deputy Commissioner Date 5/16/2003
 Agency Department of Revenue

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This legislation would:

- Increase the state's highway motor fuel tax rate from 8 cents a gallon to 20 cents a gallon. The rate increase would take effect July 1, 2003. This legislation would not affect marine fuel, aviation gas or jet fuel taxes, and would not change the tax on off-road motor fuel (which would remain at 2 cents per gallon).
- Direct that the Legislature may appropriate 6 cents a gallon of the 12-cents-a-gallon highway motor fuel tax increase to municipalities, through the revenue-sharing formula in AS29.60.
- Impose a statewide sales and use tax of 3% on the sale and rents of tangible personal property and services. The tax would take effect Jan. 1, 2004.
- Set a cap on the combined state and municipal sales and use tax rate at 8%, but would allow municipalities — as per their charter or ordinance — to raise the municipal sales and use tax rate to exceed the combined state/municipal cap.
- Provide that municipalities with a local sales and use tax in effect or approved as of April 1, 2003, may continue to receive the full amount due under the tax until Jan. 1, 2008, with the state to receive the amount remaining between the municipal rate and the 8% cap.
- The municipal share within the 8% cap would be limited to no more than 6% effective Jan. 1, 2008. Then, effective Jan. 1, 2010, municipalities would be limited to 5% within the 8% cap.
- Allow municipalities to collect and administer their own sales and use taxes for the first two years of the new state tax. Then, on Jan. 1, 2006, municipalities would need to start collecting their local sales and use tax under state rules. Then, on Jan. 1, 2008, the state would take over collection and administration of all municipal sales and use taxes.
- Require out-of-state vendors to collect the sales and use tax if the vendor is subject to the jurisdiction of the state under the U.S. Constitution.
- Limit the tax to \$5,000 of the purchase price of a motor vehicle, boat, plane or mobile home.
- Provide a mechanism for enforcement of the sales and use tax on the purchase of motor vehicles, including those purchased out of state and brought to Alaska: AS 28.10.021 would require that sales or use tax must have been paid to register a vehicle.
- Amend the interest rate the state charges on all delinquent taxes to a floating rate.
- Nothing in this measure would prevent municipalities from continuing existing or imposing new excise taxes on specific goods and services, such as a hotel bed tax or car rental tax.

This legislation would provide exemptions from the state sales and use tax, including:

- Sale for resale and sale or lease for subsequent lease.
- Goods and services, ingredients, components and transportation used in operations and maintenance in natural resource industries (oil and gas, mining, timber and fishing), and manufacturing. Capital assets would be taxable. For self-constructed assets, only the tangible personal property incorporated into the asset would be taxable.
- The tariff on oil and gas pipelines.
- Goods moved in state as part of interstate or foreign commerce.
- Sales to federal, state and local government agencies, and sales by government agencies—except for sale of utility services to consumers.
- Sales to or by IRS-approved 501(c)(3) charitable organizations.
- Sales/services by licensed health-care providers, prescription drugs.
- Child-care services.
- Purchases with food stamps.
- All fuel subject to the state excise tax is exempt from the new sales and use tax.
- Car rentals subject to the proposed new state car rental excise tax.
- Wages, insurance premiums, dividends and interest.
- Financial services, including stock and bond brokerage fees, loan and account fees.
- Pull-tab, bingo and raffle sales.
- Isolated or occasional sales.
- Real estate is exempt, and additions to real estate (such as a new garage or home addition).