

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: CSSB 82(L&C)  
 (S) Publish Date: 2/20/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title Alcoholic Beverage Tax for Wine RDU Revenue Programs & Services  
& Others Component Tax Division  
 Sponsor Senator Gary Stevens  
 Requester Senate Finance Component No. 2476

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
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>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>(18.4)</b>	<b>(18.4)</b>	<b>(18.4)</b>	<b>(18.4)</b>	<b>(18.4)</b>	<b>(18.4)</b>
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**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

See page 2 for analysis.

Prepared by: Chuck Harlamert  
 Division: Tax Division  
 Approved by: Steve Porter, Deputy Commissioner  
 Agency: Department of Revenue

Phone 465-2320  
 Date/Time 2/17/04 9:27 AM  
 Date 2/17/2004

**FISCAL NOTE #2**

**STATE OF ALASKA  
2004 LEGISLATIVE SESSION**

**BILL NO. CSSB 82(L&C)**

**ANALYSIS CONTINUATION**

This legislation is intended to reduce the tax burden for small Alaska wine producers. Wine is taxed at the rate of \$2.50 per gallon at the time it is sold in the state or consigned to the state. Section 1 of the bill would exempt from taxation the first 100 gallons of wine each month per taxpayer. The maximum benefit is \$3,000 per taxpayer per year. Section 2 limits the exclusion to 100 gallons per month per business.

This tax break accrues to all taxpayers including in-state producers and importers, ten of which reported tax on wine during FY03. By contrast, a tax break specifically for small producers would necessarily have to include small in-state and out-of-state producers. Any limits on the benefit for a single producer would require coordination of each producer's tax benefit, potentially between multiple distributors. We do not have the information necessary to measure the impact of this 100 gallon exemption, or variations, were the tax break targeted at producers instead of the taxpayer. We believe that the impact on revenues would exceed that of the bill as drafted if producers were specifically targeted.

Operating costs are unaffected by the bill. The department will add two lines to our existing tax return to calculate taxable gallons after the exclusion and compute the tax. We believe that our costs, and the costs of distributors, would be significant were the tax benefit awarded directly to small producers.

We estimate the annual revenue loss from the bill at \$18,400 based on returns filed for FY03. Approximately \$3,400 (18%) of this benefit accrues to small in-state producers.