

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSSB 112(CRA)
 (S) Publish Date: 3/18/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue 04
 Title Tax on REAA Residents RDU Treasury and Tax
 Component Tax Division
 Sponsor Senators Bunde and Wilken
 Requester (s) CRA Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	184.3	626.0	742.1	742.1	742.1	742.1
Travel	2.0	13.0	18.0	18.0	18.0	18.0
Contractual	95.4	116.1	119.3	119.3	119.3	119.3
Supplies	5.0	9.5	11.0	11.0	11.0	11.0
Equipment	56.0	36.0	12.0			
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	342.7	800.6	902.4	890.4	890.4	890.4

CAPITAL EXPENDITURES	147.0					
-----------------------------	-------	--	--	--	--	--

CHANGE IN REVENUES ()	0.0	8,400.8	12,910.9	12,910.9	12,910.9	12,910.9
-------------------------------	------------	----------------	-----------------	-----------------	-----------------	-----------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	342.7	800.6	902.4	890.4	890.4	890.4
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	342.7	800.6	902.4	890.4	890.4	890.4

Estimate of any current year (FY2005) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time	5	10	11	11	11	11
Part-time						
Temporary	2	2	2	2	2	2

ANALYSIS: (Attach a separate page if necessary)
 (see attached)

Prepared by: Chuck Harlamert & Brett Fried Phone 465-2320
 Division Tax Division Date/Time 3/3/2005
 Approved by: Tom Boutin Date 3/4/2005
 Agency Revenue

FISCAL NOTE # 1

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. CSSB 112(CRA)

ANALYSIS CONTINUATION

Cost Discussion

We project peak filing volume under the bill at approximately 16,000 returns annually comprised of 12,000 individual filings and 4,000 returns from an estimated 1,400 employers. This volume represents a 50 percent increase over our current levels although, on average, the returns will be simpler than existing returns. Our projected operating costs are largely driven by enforcement and collection activities appropriate for collecting tax from individuals and by recognition of the challenges associated with a tax based on the place of residence within the state. These estimates assume a number of key administrative tools and requirements will be added to the bill. Foremost among these assumed changes is a requirement to report a physical place of residence data on Permanent Fund dividend applications. This information will provide the department with critical information necessary to enforce the tax and significantly reduce personnel requirements.

Capital expenditures represent the cost of incorporating the program into existing information systems and facilitation of electronic filing.

Revenue

For the revenue estimate we used the total local required contribution for boroughs in FY 2005 of \$161,743,619 divided by the 2004 organized-borough adult (21+) population of 379,136 for CY 2004. The result is an estimated per-organized-borough-adult contribution of \$426.61. This bill imposes a tax "on each individual 21 years of age or older residing in a regional educational attendance area." However, eighteen first-class and home-rule cities fall within the regional educational attendance areas and are subject to the same school contribution requirement as the organized boroughs (AS 14.17.410(b)(2)). Consequently, we adjusted the estimated total number of adults residing in REAAs (49,964) by subtracting out the estimated number of adults who reside in first class and home rule cities (19,700) for an estimate of 30,264. The source of the contribution data is the Alaska Department of Education and Early Development and population estimates are from the Alaska Department of Labor and Workforce Development. No adjustment was made for changes in population or required contribution amounts over time.

The bill has an effective date of January 1, 2006. Taxpayers have until "November 1 of the calendar year following the year for which it is imposed" to file their taxes. In the first fiscal year we assume we will receive the employer withholding. Here we are assuming that all employers withhold the required amount for all employees that reside within the unorganized borough but outside of first class or home rule cities and remit this amount to the Department within the first six months of 2006. We used a 2003 Alaska Department of Labor estimate of workers over 21 years of age (19,692) that reside within the Unorganized Borough but outside of first-class or home-rule cities to derive the FY 2006 revenue estimate. In FY 2007, we assume that we will receive returns from all adults who are subject to the tax but have not had their taxes paid by an employer.

We did not adjust for noncompliance with the tax. Identifying individuals who reside in the Unorganized Borough but outside of first class or home rule cities may be difficult because many work within organized areas or cities and often list their address on their PFD application as a Post Office Box. In addition, many of these areas are remote.