

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 168
 (S) Publish Date: 5/7/07

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue 04
 Title Passenger Vessel Tax Credit RDU Taxation and Treasury
 Sponsor _____ Component Tax Division
 Requester Senate Finance Component No. 2476
Senate Finance

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()	*	*	*	*	*	*

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)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2007) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

*See attached.

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 Agency: Dept. of Revenue

Phone: (907) 269-6628
 Date/Time: 3 May 2007/5:00 pm
 Date: 5/4/2007

ANALYSIS CONTINUATION

Bill Language: This bill would grant commercial vessel passengers who are liable for the \$46 tax under AS 43.52.220 a tax credit equal to the lesser of \$10 or the actual amount of a passenger tax they may pay to each municipality that is one of their first five ports of call. The total credit would be limited to the total tax levied under AS 43.52.220 (\$46).

Revenues: Since Juneau and Ketchikan currently have a \$5 and a \$7 tax on commercial vessel passengers, respectively, this bill will cost the state at least \$12 per passenger. Since the cruise industry projects approximately one million passengers for the 2007 cruise season, we anticipate that this will cost the state approximately \$12 million in fiscal year 2008.

One effect of this bill will be to remove the current dis-incentive for communities to tax cruise passengers. Each community will have the option to tax passengers, and that tax will effectively be paid by the state rather than by the passenger, up to a total of \$46 for all communities. Therefore, we anticipate that by the next cruise season, more communities will have imposed passenger taxes which take advantage of the credit. These hypothetical local taxes will be higher than the \$5 which the ports of call could get from the state. Therefore, it is possible that this measure could eventually erode essentially all of the state's revenues from the commercial passenger vessel tax.

The current law calls for the state to share \$5 per passenger with each of the first five ports of call which do not charge their own tax. The state is also called to share 25% of the money collected with regions which are impacted by the cruise industry. Funds for impacted regions could potentially be reduced to nothing by this bill.

Expenditures: It is not anticipated that this bill will result in any additional expenditures for the Department of Revenue.