

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: SB 168
 (S) Publish Date: 3/3/08

Identifier (file name): SB168-DOR-TAX-03-1-08 Dept. Affected: Revenue 04
 Title: Passenger Vessel Tax Credit RDU: Taxation and Treasury
 Component: Tax Division
 Sponsor: Senate Finance
 Requester: Senate Rules Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING		0.0	0.0	0.0	0.0	0.0	0.0	

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES ()	*	*	*	*	*	*	*	*
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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 Interagency Receipts								
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time	0	0	0	0	0	0	0
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

See attached:

Prepared by: Johanna Bales Phone 907 269-6628
 Division: Tax Division Date/Time 3/1/08 12:00 AM
 Approved by: Jerry Burnett Date 3/1/2008
Department of Revenue

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BILL NO. SB 168

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 reduce state revenues by at least \$12 per passenger. Since the cruise industry projects approximately one million passengers for the 2008 cruise season, we anticipate that this will reduce state revenues by approximately \$12 million in fiscal year 2009.

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.