

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CSSB 176(RES)
 Fiscal Note Number 2
 (S) Publish Date 2/22/12

Identifier (file name) SB176-DOR-TAX-02-01-12 Dept. Affected Revenue
 Title Exemptions From Mining Tax Appropriation Taxation and Treasury
 Allocation Tax
 Sponsor Senator Wagoner
 Requester (S) RES OMB Component Number 2476

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS

Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES		(150.0)	(300.0)	(300.0)	(300.0)	(300.0)	(300.0)
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Estimated SUPPLEMENTAL (FY12) operating costs _____ (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version

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 Division Tax
 Approved by Alicia Egan, Legislative Liaison
Department of Revenue

Phone 269-6628
 Date/Time 2/1/2012 3:30 p.m.
 Date 2/4/2012

FISCAL NOTE #2

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2012 LEGISLATIVE SESSION

BILL NO. CSSB 176(RES)

Analysis

Bill Language:

This bill would exempt sand and gravel and marketable earth from the mining license tax. During FY 2011, the Department received 182 mining license tax returns from sand and gravel operators. Included in those tax returns was activity from the extraction of other marketable earth such as peat, top soil, and the like. Only 17 of those 182 taxpayers paid tax. Under the current mining license tax structure, taxpayers do not pay tax if their current year net mining license taxable income is less than \$40,000. Most sand and gravel taxpayers do not have more than \$40,000 in net income annually and, therefore, do not pay tax. They are, however, required to obtain a mining license and file a mining license tax return each year.

Revenues:

During the past five years, the state has received the following amount of mining license tax revenue from sand and gravel operations:

<u>Fiscal Year</u>	<u># of Licensees</u>	<u>Sand & Gravel Tax</u>	<u>Total Mining Tax Revenue</u>	<u>Sand & Gravel Tax (Percent of Total)</u>
2007	11	\$267,592	\$79,141,526	.3%
2008	38	\$285,314	\$54,408,228	.5%
2009	140	\$260,355	\$16,044,139	1.6%
2010	131	\$206,830	\$29,725,100	.7%
2011	189	\$320,360	\$43,338,119	.7%

Based on previous filings, the Department expects that total mining license tax revenues will decrease each year by approximately \$300,000. This bill has an effective date of July 1, 2012, which would result in decreased revenue in FY 2013 of approximately \$150,000 as taxpayers, which file on a calendar year basis, would report and pay tax on 6 months of activity (January 1, 2012 through June 30, 2012).

Sand and gravel operators that currently use their mining license in lieu of a business license will be required to obtain a business license each year. The state could see a small increase in business license revenue as a result of this bill.

Expenditures:

During the past five years, the Department has expended approximately \$150,000 each fiscal year on the examination and audit of sand and gravel tax returns. Staff used to conduct those examinations were diverted from other excise tax programs to focus on sand and gravel taxpayers as the Department was aware that there was a significant number of non-filers in this tax type. As you can see from the above data, compliance efforts by the Department which started in FY 2007 resulted in the number of licensees increasing dramatically from only 11 in FY 2007 to 189 in FY 2011. However, there was not a dramatic increase in revenues as most taxpayers brought into compliance had less than \$40,000 in mining license net income and, therefore, paid no tax. The Department does not expect to reduce staff as a result of this legislation as most resources that currently focus on sand and gravel mining have been re-assigned to compliance activities and audits of other excise taxes.