

SENATE FINANCE COMMITTEE
February 10, 2014
9:05 a.m.

9:05:36 AM

CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 9:05 a.m.

MEMBERS PRESENT

Senator Pete Kelly, Co-Chair
Senator Kevin Meyer, Co-Chair
Senator Anna Fairclough, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

David Scott, Staff, Senator Donnie Olson; Karen Cleary, Project Director, Vocational and Technical Education Center, Prince of Wales; Kathy Leary, Training Manager, Ilisagvik College, Barrow; Grey Mitchell, Assistant Commissioner, Department of Labor and Workforce Development; Wanetta Ayers, Director, Division of Business Partnerships, Department of Labor and Workforce Development; Senator Peter Micciche; Kathy Hansen, Executive Director, Southeast Alaska Fisherman's Alliance; Dirk Craft, Staff, Representative Lance Pruitt; Tim Cottongim, Revenue and Audit Supervisor, Department of Revenue.

PRESENT VIA TELECONFERENCE

Charles Edwardson, Southern Southeast Alaska Technical Education Center, Ketchikan; Fred Villa, University of Alaska, Fairbanks; Daniel Moore, Treasurer, Municipality of Anchorage, Anchorage; Johanna Bales, Deputy Director, Tax Division, Department of Revenue.

SUMMARY

SB 71 PAYMENT OF FISHERY RESOURCE LANDING TAX

CS SB 71(FIN) was REPORTED out of committee with a "do pass" recommendation and with new zero fiscal note from the Department of Commerce, Community, and Economic Development; and a new indeterminate fiscal note from the Department of Revenue.

SB 93 TECHNICAL/VOCATIONAL EDUCATION PROGRAM

SB 93 was HEARD and HELD in committee for further consideration.

CSHB 193(FIN) MUNICIPAL TAXATION OF TOBACCO PRODUCTS

CS HB 193(FIN) was HEARD and HELD in committee for further consideration.

#sb93

SENATE BILL NO. 93

"An Act extending the unemployment contributions for the Alaska technical and vocational education program."

9:06:58 AM

Senator Olson explained that The Technical and Vocational Education Fund (TVEP) authorized under AS 23.15.840 sunsets on June 30, 2014. He felt it was important legislation, because there were some capital projects that were considered, based on the passage of the legislation.

DAVID SCOTT, STAFF, SENATOR DONNIE OLSON, stated that SB 93 extends the sunset date to June 30, 2024. In 2000 the Alaska Legislature created the Training and Vocational Education Program to provide financial assistance to support facilities throughout the state that provide technical and educational programs for industry specific training. Alaska was experiencing unemployment rates that were reaching to above 50 percent of the national average in 2008. With large projects on the horizon, there was a clear need for a trained, resident work force. The TVEP

program was extended to provide training to Alaskan residents to help reduce the unemployment rate and put Alaskan residents to work. Figures released on March 14, 2013 by the Department of Labor and Workforce Development (DLWD) indicated that unemployment rates in Alaska for December of 2012 were 6.6 percent, while the national average was 8.1 percent. Alaska has had a consistent lower rate than the national average for the past forty-six months, indicating the effectiveness of this program. Funds for the TVEP program are appropriated from amounts the state collects in unemployment insurance contributions at a rate of 0.15 percent and are allocated according to statute. The more we can train our youth, as they enter the work force, the more we will re-enforce the desirability of staying in Alaska as part of a highly skilled, resident work force. The last five years has shown this Fund works. We can double the effectiveness with ten more years. He stated that there were three fiscal notes attached to the bill. He also noted some documents that were included in the members' files.

Senator Dunleavy noticed that the sunset date was June 30, 2014, and wondered if the reauthorization would be the same date. Mr. Scott assumed that the bill would need to be amended to include an immediate effective date.

Senator Dunleavy observed that there may be adjustments to the actual funding, if the effective date fell on a different fiscal year than the sunset date.

Co-Chair Meyer wondered if the funding was strictly from the private sector. Mr. Scott responded in the affirmative.

Co-Chair Meyer asked if the bill requested an increase in funding. Mr. Scott replied that the bill was only intended to renew the program.

[9:11:29 AM](#)

KAREN CLEARY, PROJECT DIRECTOR, VOCATIONAL AND TECHNICAL EDUCATION CENTER, PRINCE OF WALES, testified in support of SB 93. She requested that the Prince of Wales Vocational and Technical Center be added to the list of qualified regional technical centers to receive the funding referred to in SB 93, in the same percentage as the other regional technical centers of 3 percent.

Co-Chair Meyer wondered what percentage of funding that the Prince of Wales Vocational and Technical Center received. Ms. Cleary responded that they were not currently on the list, because it was a new center.

Senator Olson queried the population of Klawock. Ms. Cleary replied that Klawock had 750 people, and Prince of Wales Island had approximately 5,500 people. The technical center served the entire island.

Senator Olson wondered if Prince of Wales Island had jet service. Ms. Cleary responded that there was ferry service, and small commuter aircrafts.

Senator Olson wondered if there was a dormitory to house students for the technical center. Ms. Cleary replied that the initial objective for the center was to offer courses for the residents of the island. She furthered that it was intended for the students to build a dormitory on site at a later date.

Senator Olson queried the selection process for the teachers. Ms. Cleary replied that there were some teachers that were employed through the school district, and there were also some distance learning options through the University of Alaska (UA).

Senator Bishop wondered what kind of courses were to be offered in the technical center. Ms. Cleary replied there was an extensive needs assessment before the building plans. She stated that there were courses for mining safety; welding; health care professions; and water and wastewater treatment certifications for municipalities. She stressed that the technical center would be tailored specifically to the needs of the municipalities and the industry on Prince of Wales Island.

Senator Bishop wondered if there were industry partnerships. Ms. Cleary replied that there were many industry partners on the board of directors, and she explained that they were waiting for the 501 C3 authorization from the federal government to use the Alaska corporate tax structure to encourage industry partnerships.

Co-Chair Meyer wondered what types of mining occurred in Prince of Wales Island. Ms. Cleary responded that there was intent to open gold and rare earth mines. She stated that

the mines were in the permitting stages, and were already hiring personnel.

[9:16:20 AM](#)

Senator Olson asked if the technical center was involved with the Ketchikan Technical Institute. Ms. Cleary responded the center was not directly involved with that institute, because they were a self-contained college. She furthered that there were plans to partner with the institute in the future.

Vice-Chair Fairclough remarked that the percentages total to 100 percent, so adding another entity to the program would result in extracting percentages from other organizations.

Co-Chair Kelly felt that there was a flaw in the list of technical centers. He furthered that the list included UA and UAS. He stated that the universities were included, because UAS did not have programs that included some programs that were offered on other campuses. He felt that removing UAS from the list would not impact their funding, because they would receive funding through the overall UA budget.

Senator Olson stated that he remembered those political discussions.

[9:19:55 AM](#)

KATHY LEARY, TRAINING MANAGER, ILISAGVIK COLLEGE, BARROW, testified in support of SB 93. She requested that Ilisagvik College be included in the list of regional training centers to receive funding. She stated that the Ilisagvik College offered various forms of training, including 247 classes, which served a total of 1877 students. She stressed that the total included duplicate numbers, because some students took more than one certification to enhance employment capability. In addition to short-term classes, the college offered its regular vocational and technical education programs for heavy equipment, electrical, plumbing, welding, commercial driver's licenses, and other various certifications within the industry.

[9:24:03 AM](#)

Co-Chair Meyer wondered if she had a recommended percentage Ms. Leary responded that she would like 10 percent for her program.

Senator Olson remarked that UA did not have an operating budget that included Ilisagvik College. He wondered how many students were transfer students, and where from they were transferring. Ms. Leary responded that many students were from the North Slope villages, and much of the training was conducted in those villages. She announced that there were students from the Northwest Arctic region villages. She stressed that the college tried to consolidate the classes in order to leverage the cost of the classes.

Senator Olson wondered if students must be native in order to be admitted to the college. Ms. Leary replied that admissions were open to anyone, and explained that the college received federal funds based on a number of native students attending the college.

Senator Olson surmised that the college was open to native and non-native students. Ms. Leary agreed with that summation.

Senator Bishop asked for a couple of examples of the college's industry partnerships, and if they were in-kind or cash partnerships. Ms. Leary responded that the college partnered with many companies in the industry, including Umiak and Arctic Slope Regional Corporation (ASRC) Energy Services and contracts with producers to provide personnel. She stated that the college provided instruction, and the industry usually provided travel and lodging, or vice versa.

Senator Bishop queried the college's relationship with the North Slope Borough. Ms. Leary responded that there was extensive work with the borough and its employees whenever requested.

[9:29:55 AM](#)

Co-Chair Meyer queried the employment success of the graduates of the center. Ms. Leary replied that the students were generally successful. The students that were in intended for the Alaska Trucking Association (ATA)

industry were granted a Commercial Driver's License (CDL), so they had a better chance of placement.

CHARLES EDWARDSON, SOUTHERN SOUTHEAST ALASKA TECHNICAL EDUCATION CENTER, KETCHIKAN (via teleconference), testified in support of SB 93. He remarked that the center was fully staffed and a strong current student base. He announced that the center had been in operation for over two years, and had \$3.3 million state capital appropriation investment. The center was completed in 2010 with the construction academy trainees and apprentices. The center had served nearly 100 Ketchikan residents annually for the two prior years. The center was awarded a grant from the state to administer the Ketchikan Construction Academy. The first group of trainees from the center graduated in May 2013. The center was working collaboratively with UA in Ketchikan and local school districts. He stated that the center provided a continuum of services that included all Southeast Alaska learners who chose vocational training as a career path. The center's goal was to be included in the bill's funding at 3 percent. He stated that the inclusion would allow the center to spread the programs to the entire community. He announced that there would be a dormitory complete in April 2014, and was funded by a \$2.2 million grant from the state through the capital budget. He stressed that the center worked with the industry. The industry had expressed challenges with recruiting and retaining residents because of workforce behaviors. He stated that the center's dormitory would have a fully staffed social services department that would address workforce behaviors.

[9:38:30 AM](#)

Senator Olson asked if Mr. Edwardson would be in favor of including his center in the TVEP program, and wondered how that would be balanced with the private sector funding. Mr. Edwardson replied that the governor had a bill that would allow private industry to invest directly into vocational training centers for direct services. He stressed that the center currently had a federal funding stream that allowed the center to leverage with state funds. He felt that reallocating the funding formula was a delicate issue, but the history of the bill reflected expansion. He remarked that the unemployment tax increase was a direct result of vocational training.

9:42:31 AM

FRED VILLA, UNIVERSITY OF ALASKA, FAIRBANKS (via teleconference), explained that that the University of Alaska Technical Education program provided grants for high demand career and technical education for industry specific on-the-job and classroom training. The TVEP funds were managed as a single allocation to initiate or enhance high priority workforce development programs. The funding must meet the following criteria within UA's allocations: 1) high demand or regional workforce needs; 2) increased access and flexibility of training delivery; 3) improved persistence of educational progress associated with workforce development; and 4) formal collaboration across the university system by expanding partnerships. The three priority areas that UA specifically provided through educational pathways which included dual credit; technical preparation for students transitioning from high school, military, or other walks of life; economic development; and addressed the high demand jobs identified by the Alaska Workforce Development Board as state priority industries. The funding distribution was such that any application within the university and university partnerships must meet the criteria vetted through the university campus; ranked and tiered; and then presented to a committee that discusses, negotiates, and evaluates the program to determine the state, university, and regional priorities. Those recommendations were presented to the president, who then authorizes the allocations.

Co-Chair Meyer referred to a question from Co-Chair Kelly, and felt that the 5 percent allocation for UAS was properly addressed.

Co-Chair Meyer CLOSED public testimony.

9:52:11 AM

GREY MITCHELL, ASSISTANT COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, introduced himself.

WANETTA AYERS, DIRECTOR, DIVISION OF BUSINESS PARTNERSHIPS, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, introduced herself.

Mr. Mitchell announced that the Department of Labor (DLWD) supported the reauthorization of TVEP. He remarked that

DLWD did not want to participate in the discussion regarding who should share in the fund. He stressed that DLWD would like to see some elements in the governor's proposed legislation that included articulation agreements for dual credits and reporting accountability requirements for TVEP recipients.

Co-Chair Meyer noted that there were many new groups that asked to be a part of TVEP, and queried DLWD's viewpoint on those additional groups. Mr. Mitchell responded that DLWD did not have a position with respect to those parties' request. He stressed that DLWD was in a precarious position, because AVTEC, which is part of DLWD, is a TVEP recipient. He remarked that DLWD was careful to distance itself from the discussion, because of the possible conflict of interest.

Vice-Chair Fairclough looked at the fiscal note and remarked that flat funding was anticipated. She wondered if DLWD had anticipated additional revenues from the unemployment tax. Mr. Mitchell replied that the fiscal note assumed no changes in the unemployment contributions. He furthered that it was difficult to calculate exact unemployment contributions, so rather than determine an inaccurate calculation, the fiscal note assumed no changes from the FY 14 level.

Vice-Chair Fairclough requested that DLWD provide more accurate proposed numbers. She felt that the increase in wage and income should be reflected in the fiscal note. Mr. Mitchell replied that DLWD was currently composing a chart that would display accurate numbers.

[9:58:12 AM](#)

Senator Bishop agreed with Vice-Chair Fairclough, and wondered if there could be an analysis of projected job growth for Southeast and the North Slope.

Co-Chair Meyer wondered if the training areas were adequately covered across the private and public training centers. Mr. Mitchell responded that DLWD had an inventory of the training providers in the state. He stressed that training was critical to a strong workforce in Alaska.

Ms. Ayers announced that the issue of training infrastructure in new places was the reason for the

increase in requests for funding. She stated that part of the oversight was to advise the governor and legislature.

Co-Chair Meyer desired to see the report. He wanted to be sure that the state was getting value from the technical education training centers.

Senator Hoffman noted that the total training participants had been identified, and saw that those participants were employed in Alaska just one year after training. He wondered if the additional reporting requirements specifically for TVEP, and asked if the requirements included better information to evaluate the existing programs that were receiving funds. Mr. Mitchell replied that there would be a report for the dual-credit arrangements that the training providers would have. He stressed that high school students should have the opportunity to participate in the vocational training programs to earn college or high school credit. He remarked that, in Alaska, four out of five jobs do not require a college degree.

[10:04:32 AM](#)

Senator Olson inquired the administration's position on changing the rate. He remarked that the rate was reauthorized to curb some of the former unemployment rates. Mr. Mitchell replied that the administration wanted to maintain the rate as it was currently producing information to show what the impact would be.

Senator Olson understood that the program had been fully funded, but then was suspended because of the current unemployment rate. Mr. Mitchell responded that Senator Olson may be referring to the reduction in the unemployment insurance tax that occurred during the previous legislative session. He agreed that the Unemployment Insurance Trust Fund was healthy, and stated that the formulas from the previous legislative session allowed for some refunds to employers.

Senator Bishop stated that the refunds were issued to employers and employees.

Senator Olson announced that TVEP was a successful program. He felt their success should be rewarded with more success.

SB 93 was HEARD and HELD in committee for further consideration.

#sb71

SENATE BILL NO. 71

"An Act relating to the filing date for the final quarterly payment of, and to the assessment of penalties under, the fishery resource landing tax."

10:10:17 AM

Vice-Chair Fairclough MOVED to ADOPT the proposed committee substitute for CS SB 71 (FIN), Work Draft 28-LS0594\N (Bullard, 2/7/14). There being NO OBJECTION, it was so ordered.

SENATOR PETER MICCICHE, explained that SB 71 was introduced to repair glitches in the landing resource tax statutes and regulations that were requiring the payment of unfair penalties and interest by commercial fishermen. Section on aligned the date that the resource landing tax was due with the date that the statewide average fish price report was released. Currently the tax was due before April 1, however, the statewide average fish price report, which was calculated by the Department of Fish and Game (DFG) was not always released by that time. While the Department of Revenue (DOR) can grant an automatic extension to file the landing tax return if the report was not released at least 30 days prior to the due date, this did not extend the time for payment of the tax so penalties and interest could occur. Section 2 of the legislation still maintained that one must pay at least 100 percent of the previous year's tax liability or at least 90 percent of the estimated amount owed but took out the requirement for equal payments each quarter and lets commercial fishermen pay tax based on the earnings for the quarter. Depending on the fishery, the current statute required payment of 50 percent of the landing taxes before they had even left the dock to go fishing.

10:15:25 AM

Co-Chair Meyer looked at Section 3, and noted the three different methods of making tax payment. He asked for further explanation of that section. Senator Micciche deferred to Mr. Cottongim.

TIM COTTONGIM, REVENUE AND AUDIT SUPERVISOR, DEPARTMENT OF REVENUE, stated that the calculation in sub-Section 3 required the processor to determine the amount of activity for each quarter. In calculating the tax, they would determine the amount of pounds landed in each quarter. They would then take the number pounds landed for the unprocessed resource; identify the last posted DOR statewide average price list; calculated the value for the resource using the prices for each of the species that they landed; and take that value and multiply it by the 3 percent tax rate, taking 90 percent of that result which would be their installment.

Vice-Chair Fairclough looked at Section 3, line 20. She noted that if a tax payer had to choose a method each year, the tax payer may get caught by not choosing. She asked if there had been a conversation regarding the same form of the tax method from a previous year moving forward, versus the annual paperwork requirement to inform the department of one's actions. Mr. Cottongim responded that the option to notify the department by March 31 each year was only necessary if the applicant chose the last E-3 option. He remarked that DOR was always looking to see if they had fulfilled the two requirements through safe harbors. The third option would be particularly challenging for the taxpayer, so it was thought that the paperwork could give the tax payer an opportunity to be better prepared and know that they would be required to make those calculations. It also allowed for DOR to prepare, because DOR needed to verify that the calculations were correct.

Vice-Chair Fairclough stated that she would have a discussion with the sponsor off the record.

Senator Micciche announced that fisheries were constantly changing, and remarked that many of them fished in different quarters throughout the year or participate in different fisheries across the state.

Vice-Chair Fairclough wondered if there was any consistency in removing that particular paperwork requirement. Senator Micciche replied that there could be some work saved, but stressed that the fishery would be in communication with DOR regardless of the paperwork requirement.

[10:20:37 AM](#)

KATHY HANSEN, EXECUTIVE DIRECTOR, SOUTHEAST ALASKA FISHERMANS ALLIANCE, testified that the bill would affect some of the members of the Southeast Alaska Fisherman's Alliance. She felt that the legislation was a simple fix that aligned the reporting date and the actual payment of the taxes so that the tax payer did not automatically pay interest and penalties every year. She felt that the glitch was developed over time, and spoke in support of the legislation. She noted the E-3 requirement regarding the four installments calculated quarterly, and announced that many of the fishermen preferred that method, because they were paying on what they had actually earned in that quarter. She stated that the fisheries that were required to pay a fishery landing tax would be allowed an option to pay in accordance with what they were actually catching.

Co-Chair Meyer CLOSED public testimony.

[10:23:47 AM](#)

Co-Chair Meyer looked at the zero and indeterminate fiscal notes. He noted that there would be some revenue in the form of late payments, and remarked that there was total revenue of \$17,954 for FY 13 and \$9,000 for FY 12. He asked why there was an almost doubling in revenue in just one year. Senator Micciche responded that the beta for fisheries can change dramatically from year to year. He stressed that individuals and fisheries should be charged late fees that have control over timing and filing. He stressed that the vast majority of the current fees were because of conditions that could not be controlled by the fisheries.

Co-Chair Meyer wondered to whom the bill directly applied. Senator Micciche replied that the legislation applied to fishermen and processors that were responsible for paying a landing tax in Alaska.

Senator Olson looked at Section 3, line 14, regarding the installments that were outlined. He wondered if Senator Micciche agreed that the fishermen supported that installment plan. Senator Micciche replied that he believed that the fishermen supported the installment plan, because of the flexibility. He stressed that it was most important for fisheries and processors to pay their landing taxes.

Senator Bishop felt that the bill would have a positive effect on some smaller processors with a smaller cash flow.

Co-Chair Meyer wondered when there would be a true-up. If the 90 percent were paid, but the estimate needed to match up with the actual revenue at a certain point. Mr. Cottongim replied that the true-up would occur at the end of the year, when the fishery or processor files their tax return.

Vice-Chair Fairclough MOVED to ADOPT Amendment 1 (copy on file):

Section 3, letter (e), number (1):
after "preceding" insert the word "or"

There being NO OBJECTION, it was so ordered.

Vice-Chair Fairclough MOVED to REPORT CS SB 71(FIN) out of committee with individual recommendations and the accompanying fiscal notes.

CS SB 71(FIN) was REPORTED out of committee with a "do pass" recommendation and with new zero fiscal note from the Department of Commerce, Community, and Economic Development; and a new indeterminate fiscal note from the Department of Revenue.

[10:29:21 AM](#)

AT EASE

[10:30:21 AM](#)

RECONVENED

#hb193

CS FOR HOUSE BILL NO. 193(FIN)

"An Act relating to the joint administration of tobacco taxes by the state and a municipality."

[10:31:15 AM](#)

DIRK CRAFT, STAFF, REPRESENTATIVE LANCE PRUITT, introduced SB 193. He stated that Passage of CS HB 193 seeks to promote greater cooperation and reciprocal information sharing between State and local jurisdictions in Alaska resulting in more efficient and effective oversight,

enforcement and collection of commonly assessed, legally due taxes (e.g., tobacco tax and rental vehicle tax). The result of information sharing between State and local jurisdictions is that tax evasion by businesses and individuals will be less likely to occur, thereby promoting a more competitive business environment for Alaskan businesses and decreasing tax subsidization caused by willful tax evaders who otherwise shift the tax burden to law abiding citizens. Such joint information sharing between state and local government is a commonly authorized practice in many other state statutes. The proposed change to state statutes is comprised of two sections. The first section amends existing language to add political subdivisions of the State to the list of entities with which the State can share information. Implementation is expected to be cost neutral and should produce additional revenue through shared results of discovery efforts and audits. The second section of the CS HB 193 authorizes the State of Alaska Department of Revenue (Department) to enter into an agreement such as a Memorandum of Understanding (MOU) with a municipality, authorizing the Department to act as central administrator of any potential joint tobacco tax stamp program which meets their economy of scale criteria. The purpose of section two of the bill is to promote efficiency with respect to any potential joint tobacco stamp program, and to minimize impact on private sector stamp purchasers. Program administration by the Department would include central issuance of joint tobacco stamps as well collection of associated tobacco stamp revenues on behalf of a municipality. The cost causer - cost payer principle would be in effect, such that a participating municipality would be responsible for reimbursing the Department for direct, incremental cost increases resulting from a joint tobacco tax program. A number of jurisdictions, particularly in more largely populated city areas around the country, have multi-jurisdictional tobacco stamps in use based on economies of scale.

Vice-Chair Fairclough wondered why the state was incurring an additional cost on behalf of municipalities. Mr. Craft stated that the Department of Revenue (DOR) might be better suited to answer the question.

Senator Olson inquired what the vendors thought of the bill. Mr. Craft replied that he understood that there was no opposition from the vendors.

10:35:00 AM

DANIEL MOORE, TREASURER, MUNICIPALITY OF ANCHORAGE, ANCHORAGE (via teleconference), spoke in support the legislation. He stated the bill served two purposes. It was an information sharing bill as well as. It made sense for the state to administer the program on behalf of the municipalities. He expressed that there had been concern that had been voiced by lobbyists regarding the information sharing portion of the bill; however, language had been developed that had led to a consensus between all parties and he hoped that the committee would consider adopting it. He referenced a letter of support from the Municipality of Anchorage (copy on file):

The Municipality strongly supports passage of HB 193 which benefits municipalities in Alaska by promoting greater cooperation and reciprocal information sharing between State and local jurisdictions concerning administration and enforcement of commonly assessed, legally due taxes. The primary concept behind this legislation is consistent with joint information sharing practices cited in many other state statutes.

HB 193, if passed, will result in more efficient and effective oversight, enforcement and collection of taxes assessed by both the State of Alaska and municipalities (i.e., enforcement of tobacco tax and rental vehicle tax). Overall revenue realization by the State and municipalities is likely to be strengthened through shared results of discovery actions and audits. and more coordinated administration and enforcement of these commonly assessed taxes will serve to notably reduce tax evasion, thereby: (1) promoting a more competitive business environment for Alaskan businesses; and (2) decreasing the tax subsidization caused by willful tax evaders who otherwise shift tax burden to law abiding citizens.

In summary HB 193 is sound legislation that encourages greater intergovernmental efficiency and effectiveness in fulfilling tax collections mandated by law at both the State and local level. This bill levels the playing field for law abiding businesses and citizens

by helping to reduce the number of willful tax evaders not paying their fair share of legally due taxes.

10:40:45 AM

Vice-Chair Fairclough looked at the fiscal note, and wondered if the Municipality of Anchorage was prepared to take on the additional cost. Mr. Moore replied that he provided previous testimony that state that Anchorage would evaluate the cost of the program at the time it was ready to pursue a local stamp option. He remarked that there were other considerations such as inflation proofing that were already built into its tobacco tax. He felt that there would need to be an analysis in order for Anchorage to sign on to covering the additional cost. He furthered that if multiple jurisdictions participated in local stamp programs, it would make it more affordable and cost-beneficial for Anchorage.

Co-Chair Meyer CLOSED public testimony

Vice-Chair Fairclough wondered if the fiscal note should be amended to show a change of revenue on the positive of \$136,700, which would require the department to wait to set up the person until the revenue was received by the requestor.

JOHANNA BALES, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE (via teleconference), responded that Vice-Chair Fairclough had a fair assessment of the fiscal note. She furthered that she was directed to estimate the cost if municipalities wanted to enter into a memorandum of agreement with the state to administer a tax stamp on their behalf. Instead of showing the tax stamp as revenue, it would be shown as a designated general fund that would be reimbursed from the municipalities.

Senator Olson queried the frequency of flexibility recommendations at the cost detriment to the state. Ms. Bales replied that there were not many programs that worked directly with the government.

Senator Olson wondered how often investigations occurred with large sums of money at stake. Ms. Bales responded that most investigations did not deal with millions of dollars, but shared that there were some vehicle rental cases that were in the hundreds of thousands of dollars range.

Vice-Chair Fairclough shared that the Division of Motor Vehicles (DMV) had taxation, and wondered if there may be dual taxation. She asked Ms. Bales to be prepared for that type of discussion at a later meeting.

CS HB 193(FIN) was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

10:48:47 AM

The meeting was adjourned at 10:48 a.m.