

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version:	HB 4005
Fiscal Note Number:	1
(H) Publish Date:	5/27/2016

Identifier: DOR-TAX-5-26-16
 Title: MINING: LICENSE, TAX, FEES; EXPLOR. CREDIT
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: Governor

Department: Department of Revenue
 Appropriation: Taxation and Treasury
 Allocation: Tax Division
 OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2017 Request	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES	FY 2017	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
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

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues			7,000.0	7,200.0	6,400.0	6,600.0	6,000.0
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Estimated SUPPLEMENTAL (FY2016) cost: 50.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Original bill version, based on language split out from original omnibus special session tax bill HB/SB 4001.

Prepared By: Ken Alper, Director	Phone: (907)465-8221
Division: Tax	Date: 05/26/2016 02:00 PM
Approved By: Jerry Burnett, Deputy Commissioner	Date: 05/26/16
Agency: Department of Revenue	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION**Analysis****Bill Analysis**

Alaska levies a Mining License Tax on mining net income and royalties received in connection with mining properties and activities in Alaska. Mining licensees file annual tax returns. The mining license tax dates back to 1913 and the rate structure as it exists today was adopted in 1955. In 1951, the legislature authorized a 3 ½ year exemption for new mining operations.

The primary change in this legislation would be to increase the highest tax rate from 7% to 9% of the amount of net taxable income over \$100,000 and to reduce the exemption from paying tax from 3 ½ years to 2 years after production begins for new mining operations. The tax brackets for income levels below \$100,000 are unchanged. Because of the annual tax structure, the state will not see the impact of the increase until the returns that are filed after the first full year after the effective date. Therefore, this tax change shows no fiscal impact until FY 2018.

Additional revenue is about \$7 million / year.

Implementation Cost

This legislation would require the Department of Revenue to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file a return online. The update would consist of reprogramming both systems, updating the return rules in TRMS and testing both systems thoroughly to verify that they function as expected. We would also need to update the current tax return forms.

The supplemental fiscal note figure of \$50.0 in FY16 is to cover the costs of having our contractor update the two systems. We do not anticipate any continuing costs or additional staff needs. After the implementation of the changes, this legislation would not cause any additional administrative burden on the Tax Division.