

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version:	CSHB 4005(FIN)
Fiscal Note Number:	2
(H) Publish Date:	6/3/2016

Identifier: HB4005CS(FIN)-DOR-TAX-6-2-16  
 Title: MINING: LICENSE, TAX, FEES; EXPLOR. CREDIT  
 Sponsor: RLS BY REQUEST OF THE GOVERNOR  
 Requester: House Finance Committee

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 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>OPERATING EXPENDITURES</b>	<b>FY 2017</b>	<b>FY 2017</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None								
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time								
Part-time								
Temporary								

<b>Change in Revenues</b>			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 If yes, by what date are the regulations to be adopted, amended or repealed?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:**

Revised to incorporate amendments made in House Finance
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 Approved By: Jerry Burnett, Deputy Commissioner  
 Agency: Department of Revenue

Phone: (907)465-8221  
 Date: 06/02/2016 09:00 AM  
 Date: 06/02/16

REPORTED OUT OF  
HFC 06/03/2016

## 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. 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.