Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version:	SB 135
Fiscal Note Number:	1
(S) Publish Date:	1/19/2016

Identifier: DOR-TAX-01-13-16
Title: ELECTRONIC TAX RETURNS & FISHERIES TAXES
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 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates				
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		18,300.0	18,700.0	19,100.0	19,500.0	19,900.0	20,500.0

Estimated SUPPLEMENTAL (FY2016) cost: 100.0 *(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If yes, by what date are the regulations to be adopted, amended or repealed?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:

Not applicable, initial version.

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Division: Tax Date: 01/13/2016 11:00 AM
Approved By: Jerry Burnett Date: 01/13/16
Agency: Deputy Commissioner, DOR

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

Analysis

Bill Analysis
The Fisheries Business Tax is generally paid by seafood processors, although it is also paid by fisherman if they market and sell their fish directly. The rate varies from 1% to 5% depending on the location and type of processing and the condition of the fishery (onshore / offshore; canning / other processing; developing / mature fishery.)

The Fisheries Landing Tax is generally paid by offshore processors, generally working in federal fisheries, who bring their product through Alaska ports. Although there are several other fisheries taxes, these are the only two that generate unrestricted general funds. The others are all dedicated to a specific program (marketing, salmon enhancement, dive fisheries enhancement, etc.)

The FY16 estimated state revenue for these is about $19.5 million for the Business Tax and $5.3 million for the Landing Tax, or $24.8 total under existing law. Both of these taxes are split 50/50 with the municipality in which the activity takes place. In practice, the state revenue is less than half of what is collected, because there are several tax credits (salmon product development tax credit is the most widely known) and credits come out of the state's "half." So that $24.8 million is net of both credits and sharing.

The bill proposes raising most of the tax rates for both of these taxes by 1%. The taxes resulting from this increment would not be subject to the municipal sharing requirement. The tax rates on certain "developing" fisheries who currently pay at 1% are not increased.

The other major change is to require electronic tax filing. With the implementation of the Tax Revenue Management System, DOR has a much more advanced, integrated tax database with a strong online portal and robust reporting functions. Paper tax filings require a laborious process of scanning and manual data entry, and the department is working to transition away from this system. To this end, each of the several revenue bills being introduced contains language in the general revenue statutes to require electronic submission unless the taxpayer does not have the technological capability to do so.

Revenue Impact
DOR estimates that this legislation would create additional revenue of approximately $18.3 million in FY17. Estimates are based on the fall 2015 revenue forecast, factor in a 2.25% inflation rate, and estimate only a minor catch shift from year to 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. This cost is higher than the costs we've attached to some of the other excise and business tax changes; this is because of the additional need to adjust certain Revenue Sharing features.

The supplemental fiscal note figure of $100.0 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.