

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version:	SB 137
Fiscal Note Number:	1
(S) Publish Date:	1/19/2016

Identifier: DOR-TAX-01-13-16  
 Title: ELCTRNC TAX RETURN;MINING LIC. TAX & FEES  
 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				
	FY 2017	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>OPERATING EXPENDITURES</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>

## 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>

## Positions

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>			5,900.0	6,700.0	6,600.0	6,700.0	5,800.0
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**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 If yes, by what date are the regulations to be adopted, amended or repealed?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.

Prepared By:	Brandon Spanos	Phone:	(907)269-6736
Division:	Tax	Date:	01/13/2016 12:00 PM
Approved By:	Jerry Burnett	Date:	01/13/16
Agency:	Deputy Commissioner, DOR		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2016 LEGISLATIVE SESSION

## Analysis

**Bill Analysis**

Alaska levies a mining tax on mining net income and royalties received in connection with mining properties and activities in Alaska. The department collects mining license taxes primarily from businesses engaged in coal and hard rock mining. Mining licensees file annual tax returns. These vary by time of year as mining businesses may file based on their own fiscal year. Payment of tax is due before the first day of the fifth month after the close of the tax year. For calendar year filers, payment is due on April 30.

The mining license tax dates back to 1913 and the legislature has restructured it several times over the years. The original mining license tax was 0.5% of net income from mining of more than \$5,000. There was no tax on net income less than \$5,000. There were numerous changes made between 1915 and 1953 to the tax rates and the tax-free net income base. In 1951, the legislature authorized a 3 ½ year exemption for new mining operations. The rate structure as it exists today was adopted in 1955.

The primary change in this legislation would be to increase the highest tax rate from 7% to 9% of the excess of net taxable income over \$100,000 and to remove the exemption from paying tax for 3 ½ years after production begins for new mining operations. The bill also adds an annual \$50 mining license fee. This parallels the existing cost of a business license in Alaska; mining operators are currently not required to have a business license.

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**

The majority of mining license taxpayers file their returns on a calendar year basis. Nearly all of the taxpayers paying the top rate of tax won't be subject to the tax until FY18. Therefore, we are projecting no change in revenues prior to FY18. Mining commodity prices are falling. Since mining taxes are based on income, the falling prices will effect tax revenues. DOR estimates that increasing the top tier tax rate from 7% to 9% will generate additional revenue of approximately \$5.9 million in FY18.

**Implementation Cost**

This legislation will 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 including a new account for the proposed license fee, 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 \$100.0 in FY16 is slightly higher than some of the costs we've attached to other excise and business tax legislation; this is because of the added need to program the system to accept and account for the proposed license fee. The supplemental will 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.