

HOUSE FINANCE COMMITTEE
March 18, 2015
1:33 p.m.

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CALL TO ORDER

Co-Chair Thompson called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Mark Neuman, Co-Chair
Representative Steve Thompson, Co-Chair
Representative Dan Saddler, Vice-Chair
Representative Bryce Edgmon
Representative Les Gara
Representative Lynn Gattis
Representative David Guttenberg
Representative Scott Kawasaki
Representative Cathy Munoz
Representative Lance Pruitt

MEMBERS ABSENT

Representative Tammie Wilson

ALSO PRESENT

Jerry Burnett, Deputy Commissioner, Treasury Division, Department of Revenue; Representative Jonathan Kreiss-Tomkins, Sponsor.

PRESENT VIA TELECONFERENCE

Brandon S. Spanos, Deputy Director, Tax Division, Department of Revenue.

SUMMARY

HB 68 ELECTRONIC DISTRIB. OF REPORTS

HB 68 was HEARD and HELD in committee for further consideration.

HB 88 FEES FOR TIRES

HB 88 was HEARD and HELD in committee for further consideration.

Co-Chair Thompson discussed the meeting agenda.

#hb88

HOUSE BILL NO. 88

"An Act relating to remittance of tire fees; and providing for an effective date."

1:34:07 PM

JERRY BURNETT, DEPUTY COMMISSIONER, TREASURY DIVISION, DEPARTMENT OF REVENUE, testified that the bill would align the filing date for tire fees with other taxes filed on a monthly basis. He shared that tire fees currently were filed every 30 days, after the beginning of each quarter, rather than the end of the month.

BRANDON S. SPANOS, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE (via teleconference), relayed that the bill would align the filing date for quarterly tire fee tax payers. He said that the tax return and payment were currently due after the end of quarter, which confused some tax payers during the months of July, October and January because the quarter ended one day before the end of the month. He shared that the confusion had led to late filings which resulted in their losing a timely filing credit, causing complaints. He stated that the legislation would eliminate confusion for tax payers, as well as protect them from the 5 percent penalty for filing only one day late.

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Co-Chair Thompson recalled that the committee had studied the change when it examined the Indirect Expenditure Report. He noted that the change had the potential of costing the state money. He believed that filing timely reports should be a practice of doing business in Alaska.

Vice-Chair Saddler understood that there was a credit to be earned by vendors who filed in a timely manner as well as a 5 percent penalty for filing late.

Mr. Spanos replied in the affirmative. He said that the penalty applied to all tax types in the division and the timely filing credit was specific to only a few tax types, the tire fee being one of those tax types.

Vice-Chair Saddler asked how much the fees were and how much of the fee was passed onto the consumer.

Mr. Spanos answered that the tax was \$2.50 per new tire and the additional studded tire fee of \$5.00; a new studded tire would be \$7.00 total. He said that there were exemptions for tires not used on roads, such as tires for all terrain vehicles.

Vice-Chair Saddler asked how much revenue came in from the tire fees.

Mr. Spanos replied that he did not have the figure on hand.

Mr. Burnett interjected that the figure was approximately \$1 million annually.

Co-Chair Thompson noted that the 5 percent of the amount collected would not exceed \$900 per quarter. He asked for further detail.

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Mr. Spanos replied that the \$900 per quarter figure had been created when the fee was passed. He believed that the cap stemmed from concern that the state would pay too much of an incentive for timely filing.

Co-Chair Thompson understood that the maximum was \$900. Mr. Spanos replied in the affirmative; if 5 percent of the tax exceeded \$900 dollars then the credit would be limited to \$900.

Representative Kawasaki asked for the total value of the indirect expenditure credits. He surmised that the amount of money collected did not appear to be high.

Mr. Spanos answered that he did not have the detail on hand.

Co-Chair Thompson wondered why the vendors received the credit. He did not believe the state gave rental car companies credits.

Mr. Spanos relayed that he did not know. He pointed out to the committee that there was a vehicle rental tax in place.

Mr. Burnett noted that the legislation had been passed during the Murkowski Administration. He noted that other credits were being examined in order to decide whether it made sense to continue to honor them.

Co-Chair Neuman asserted that there were significant requirements for tire sales that made the credits necessary. He referred to data provided by Dave and Judy Schneider, Diversified Tires, Wasilla. He wondered why the type of tire sold was of such importance.

Mr. Spanos replied that it was fairly common in the division to request gross income before a net number was realized. He used the example of cigarette sales; the division wanted to know whether the cigarettes were being sold to Indian Reservations or being exported out of the state. He stated that for exempt purposes the tire would be taxable except for the exemption; if a tire was sold to the United States government for official use then it would not be taxed but the division would still require a record of the sale of the tire.

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Co-Chair Neuman noted that sellers were required to report how many tires were studded each day. He observed that companies had to stud tires in September to be ready for the winter season. He opined that the businesses had to physically count the number of tires each season. He believed that the businesses were subject to too many requirements.

Co-Chair Thompson observed that state government was making the issue more complex than necessary.

Representative Gattis relayed that she spoke to the same business owners. She thought that the bill insulted the intelligence of business owners. She expressed embarrassment that the legislation was under debate during the current fiscal climate.

Mr. Burnett rebutted that the bill would make it easier for tire dealers to know when to report. He noted that there had been confusion on the issue and cited examples of businesses reporting at the incorrect time and being penalized. He said that the department had reviewed some internal processes and that this particular issue had risen to the forefront.

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Representative Kawasaki thought the change should be made in regulation, not statute.

Mr. Burnett replied that there was a specific date set in statute, which could not be changed by regulation.

Representative Kawasaki wondered whether it was the department's intention to include language that changed the date to a specific day of the month.

Mr. Burnett replied that the date would be the last day of the calendar month.

Representative Kawasaki understood that a previous months tire receipts were due 15 days into the following month.

Mr. Spanos clarified that it was currently 30 days after the end of the calendar quarter. He explained that the change would be to the end of month following the end of the calendar quarter.

Representative Kawasaki queried how many Alaskans filed the tire tax.

Mr. Spanos replied that the data was available in the division's annual report. He believed it was approximately 100 filers.

Representative Kawasaki asked for the title of the division's report.

Mr. Spanos answered that it was the department's tax division's annual report.

Representative Kawasaki wondered if the report was provided to the legislature in paper form.

Mr. Burnett replied no. He shared that the report could be found online.

Representative Guttenberg understood that the bill had been crafted as a result of complaints from tire tax filers. He wondered how many filers were repeat offenders and what the average penalty was.

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Mr. Spanos responded was not sure about repeat offenders. He said that when filers appealed they had claimed that the date had confused them and should be clarified.

Representative Guttenberg asked how the businesses filed for the tax.

Mr. Spanos answered that the process included a new online filing option. Previously filing had been only in paper form; filers now had both options.

Representative Guttenberg asked about any feedback given on the integration of the two options.

Mr. Spanos replied that there had been hiccups, but feedback had primarily been positive.

Representative Guttenberg whether the date change would be problematic for the computerized filing process.

Mr. Spanos replied no; it involved in simply changing the field on the computerized spreadsheet.

Representative Gara stated that the bill was to protect businesses who had been caught in the glitch in the law. He thought that the bill offered a simple fix that would save the state money. He expressed confusion at individual committee member's opposition to the legislation.

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Vice-Chair Saddler believed that the bill would provide simplicity and consistency.

Representative Gattis recommended that the inventory forms for businesses be reviewed and changed.

Representative Pruitt wondered why this tax item had been chosen as a priority. He probed whether there were other opportunities within the tax division for change that could be included in the bill.

Mr. Burnett answered that the bill had come up through the tax division to the commissioner's office in the time needed to get a bill introduced at the beginning of the current legislative session. He believed there would be additional items in the future.

Representative Pruitt wondered whether the possible other items would be introduced in multiple small bills.

Co-Chair Thompson replied in the negative.

HB 88 was HEARD and HELD in committee for further consideration.

#hb68

HOUSE BILL NO. 68

"An Act relating to the preparation, electronic distribution, and posting of reports by state agencies."

[2:02:08 PM](#)

REPRESENTATIVE JONATHAN KREISS-TOMKINS, SPONSOR, communicated that the bill sought to digitize annual reports and other printed public records. He felt that this could save the state \$.5 million per year in printing and production costs. He relayed that the bill had a negative fiscal note.

Co-Chair Thompson appreciated the negative fiscal note, which reflected a savings to the state of approximately \$400,000 per year.

Representative Kreiss-Tomkins said that additional figures from the Department of Transportation and Public Works reflected a possible savings of \$580,000 per year.

Co-Chair Thompson understood there were some reports that were required to be printed.

Representative Kreiss-Tomkins replied in the affirmative. He elaborated that the printing of the reports was at the discretion of commissioners. He anticipated that documents with wide public circulation would need to be printed. He shared that publishing of certain reports could cost up to \$20 per copy.

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Representative Gara relayed that one of the money savers related to contracting out for graphic design. He gave former Representative Kyle Johannsen credit for work on a similar bill in the past.

Co-Chair Thompson noted that there were people in the audience available for invited testimony.

Representative Edgmon spoke in support of the legislation. He believed the bill reflected that the state was becoming more connected by broadband. He wondered if the sponsor had received any pushback due to a lack of broadband capability in areas of the state.

Representative Kreiss-Tomkins replied in the negative. He shared that he had consulted with libraries statewide and learned that libraries would send physical reports to residents statewide.

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Vice-Chair Saddler felt that the bill presumed that the public interest in state government could be satisfied online. He wondered whether the benefit of the estimated savings would outweigh the benefit of offering the fullest possible access to public information.

Representative Kreiss-Tomkins did not believe that bill would jeopardize the public's access to information. He countered that a large number of the reports that would be affected by the legislation were not in circulation, in hard copy, for the general public.

Vice-Chair Saddler asked about confidence in the \$530,000 savings to the state.

Representative Kreiss-Tomkins believed there was variability around the number. He believed that there would

be a savings to the state, but that it could not be precisely projected how much.

Co-Chair Thompson remarked that glossy cardstock used in printing increased the cost.

Vice-Chair Saddler thought that any savings could go to expanded broadband in the state.

Representative Kawasaki queried the types of reports covered in the bill.

Representative Kreiss-Tomkins answered that the bill would apply to all state publications. He stated that there were publications that the departments would choose to print. He said that many of the documents that had inspired the bill were the ones read by legislators and their staff.

Representative Kawasaki wondered if the legislature would have less access to publications. He referred several reports that he would have missed in an email link.

Representative Kreiss-Tomkins replied that legislators might need to scrutinize their email more closely or search for reports online. He thought that the legislation would require legislators to be more proactive in seeking out information.

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Representative Kawasaki wondered whether there would be an opt-out element to the program.

Representative Munoz spoke in support of the bill. She wondered about agencies that provided publications that were key to their mission. She provided examples such as the Alaska Marine Highway System (AMHS) and tourism.

Representative Kreiss-Tomkins answered that language in the bill that would preempt the problem was located on page 3, lines 14-15; exceptions would be allowed for agencies to print necessary reports for the public.

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Representative Guttenberg asserted that the assumption that residents statewide had internet access was inaccurate. He

strongly advocated for broadband expansion across the state. He spoke to Section 3 of the bill. He worried that the documents would be difficult to locate, and queried whether the documents would be easily found in a specific place online. He wondered if libraries would be charged with the responsibility of tracking the documents.

Representative Kreiss-Tomkins spoke to the universality of internet access in Alaska. He opined that there were areas in his district that had poor internet access. He felt that public access to information was relative; the bill would not manifestly impair access to public information. He offered that operations like the Alaska Housing Finance Corporation, for instance, did not currently send a copy of their annual report to every resident of Alaska. He explained that the Alaska Online Public Notice System would be the repository for documents and the State Library would keep 5 hard copies on file in perpetuity; the archival would be dual, digital and analog. He suggested that the public notice system would need to be assessed for user friendliness.

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Representative Guttenberg reiterated his concerns.

Vice-Chair Saddler cautioned that savings due to the bill in paper and trees would not be reflected in all of Alaska's natural resources. He expounded that graphite, petroleum, gold and other resources would be used. He warned that radical technological changes had unforeseen consequences. He worried that the files might be inaccessible in 15 - 100 years. He encouraged libraries to employ archival storage techniques when handling hard copies. He wondered if the sponsor would consider an amendment to allow for a transition period from analog to digital and that there be public notice when a document was no longer going to be physically available.

Representative Kreiss-Tomkins replied that the spirit of the amendment was well received. He wondered that if the transition could be eased by agencies opting to alert the public in advance of expiring documents.

Representative Gara directed the committee's attention to Page 3, line 20:

Sec. 44.99.260. Print copy requests.

A person may obtain, at no charge, up to five print copies of reports from the state library distribution and data access center under AS 14.56.170 each day. A person may obtain additional print copies of reports from the state library distribution and data access center for a reasonable fee under AS 14.56.170.

He highlighted Page 2, line 3:

Except as provided in AS 44.99.260, reasonable
[REASONABLE] fees for reproduction or printing costs and for mailing and distribution of materials may be charged by the center.

He wondered about the difference between the two passages.

Representative Kreiss-Tomkins replied that the state library fee referenced in the bill was \$0.10 per copy. He said that the first 5 copies would be free, beyond that there would be a minimal user fee.

Representative Gara concluded that physical copies would be available to the public. He thought that the public could be easily alerted to hard copies expiring with a one page document. He said that the public would always want Department of Fish and Game documents available in print and the bill would make that possible. He referred to publications from the executive branch and wondered how the sending of documents would be approved by that branch.

Representative Gattis remarked that the documents in the Capitol Building alone required a large amount of paper. She spoke in support of the legislation. She believed the issue was timely.

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Representative Kawasaki wondered whether the bill included the legislative and judicial branches under the "agencies" language.

Representative Kreiss-Tomkins replied that he would investigate the issue further.

HB 68 was HEARD and HELD in committee for further consideration.

Co-Chair Thompson discussed housekeeping.

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ADJOURNMENT

[2:38:45 PM](#)

The meeting was adjourned at 2:38 p.m.