

# Fiscal Note

State of Alaska  
2017 Legislative Session

|                     |              |
|---------------------|--------------|
| Bill Version:       | CSHB 91(STA) |
| Fiscal Note Number: | 2            |
| (H) Publish Date:   | 3/6/2017     |

Identifier: HB091-DOR-TAX-2-4-17  
Title: APOC REGISTRATION FEES; LOBBYIST TAX  
Sponsor: KITO  
Requester: (H) STA

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)

|                               | FY2018                  | Included in               | Out-Year Cost Estimates |             |             |             |             |
|-------------------------------|-------------------------|---------------------------|-------------------------|-------------|-------------|-------------|-------------|
|                               | Appropriation Requested | Governor's FY2018 Request | FY 2019                 | FY 2020     | FY 2021     | FY 2022     | FY 2023     |
| <b>OPERATING EXPENDITURES</b> | <b>FY 2018</b>          | <b>FY 2018</b>            |                         |             |             |             |             |
| Personal Services             |                         |                           | 42.0                    | 42.0        | 42.0        | 42.0        | 42.0        |
| Travel                        |                         |                           |                         |             |             |             |             |
| Services                      |                         |                           |                         |             |             |             |             |
| Commodities                   |                         |                           |                         |             |             |             |             |
| Capital Outlay                |                         |                           |                         |             |             |             |             |
| Grants & Benefits             |                         |                           |                         |             |             |             |             |
| Miscellaneous                 |                         |                           |                         |             |             |             |             |
| <b>Total Operating</b>        | <b>0.0</b>              | <b>0.0</b>                | <b>42.0</b>             | <b>42.0</b> | <b>42.0</b> | <b>42.0</b> | <b>42.0</b> |

## Fund Source (Operating Only)

|                     |            |            |             |             |             |             |             |
|---------------------|------------|------------|-------------|-------------|-------------|-------------|-------------|
| 1004 Gen Fund (UGF) |            |            | 42.0        | 42.0        | 42.0        | 42.0        | 42.0        |
| <b>Total</b>        | <b>0.0</b> | <b>0.0</b> | <b>42.0</b> | <b>42.0</b> | <b>42.0</b> | <b>42.0</b> | <b>42.0</b> |

## Positions

|           |  |  |     |     |     |     |     |
|-----------|--|--|-----|-----|-----|-----|-----|
| Full-time |  |  |     |     |     |     |     |
| Part-time |  |  | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Temporary |  |  |     |     |     |     |     |

## Change in Revenues

|                    |            |            |              |              |              |              |              |
|--------------------|------------|------------|--------------|--------------|--------------|--------------|--------------|
| 1250 UGF Rev (UGF) |            |            | 425.0        | 425.0        | 425.0        | 425.0        | 425.0        |
| <b>Total</b>       | <b>0.0</b> | <b>0.0</b> | <b>425.0</b> | <b>425.0</b> | <b>425.0</b> | <b>425.0</b> | <b>425.0</b> |

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

**Estimated CAPITAL (FY2018) cost:** 250.0 (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? yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/18

## Why this fiscal note differs from previous version:

Not applicable; initial version.

|              |                                    |        |                     |
|--------------|------------------------------------|--------|---------------------|
| Prepared By: | Ken Alper, Director                | Phone: | (907)465-8221       |
| Division:    | Tax Division                       | Date:  | 02/04/2017 09:00 AM |
| Approved By: | Jerry Burnett, Deputy Commissioner | Date:  | 02/04/17            |
| Agency:      | Department of Revenue              |        |                     |

## Analysis

### Bill Analysis

The bill adds a \$100 administrative registration fee paid by lobbyists, candidates, and groups to the Alaska Public Office Commission (APOC). It also adds a \$50 annual reporting fee to the existing legislative and public official financial disclosures. APOC currently has budgetary receipt authority in excess of the statutory limits to the fees they can charge.

The bill also establishes a tax of 2.5% of gross revenue paid by registered lobbyists in Alaska. The tax would be administered by the Department of Revenue. The additional funds may be appropriated towards APOC's annual budget, to compensate for recent substantial cuts absorbed by that agency. The analysis in this note is limited to the tax component.

The lobbyist tax would have an annual filing requirement with an April 15 deadline (tied to the IRS income tax deadline) for the prior calendar year. However, it is anticipated that the tax would be paid somewhat earlier each calendar year, as approval of the annual lobbyist registration with APOC appears to be contingent on evidence being provided that the lobbyist has paid the tax.

### Revenue Estimate

The filing reports for calendar year 2016 are incomplete. According to APOC reports, total fees paid to lobbyists in the last three complete years are as follows:

|                |                        |
|----------------|------------------------|
| 2015           | \$16.56 million        |
| 2014           | \$17.28 million        |
| <u>2013</u>    | <u>\$16.94 million</u> |
| <b>Average</b> | <b>\$16.93 million</b> |

A 2.5% tax based on the three year average would result in about \$425,000 in annual revenue.

With an effective date of 1/1/18, the first tax payments will come in early 2019, which is fiscal year 2019.

### Implementation and Administration

Administration of this tax would entail building a new "module" to the Department of Revenue's Tax Revenue Management System (TRMS). This requires a moderate amount of programming, forms development, and testing as an initial one-time cost. We have not yet received an estimate from the contractor who developed and maintains the TRMS infrastructure, so this cost estimate should be viewed as preliminary.

The tax would be administered within the tax division's "excise" group, along with nine of Alaska's other smaller taxes. Staff within this group often work on multiple tax types within a year. We anticipate the audit function to be limited, as the reporting data is overseen by another agency (APOC). However, we are adding the cost of a part time additional tax technician (range 14D) in our Anchorage office to account for the additional taxpayer registration, communication, and report examination as well as routine interaction with APOC.

These estimates may be revised as we obtain additional information.