

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version:	HB 398
Fiscal Note Number:	1
(H) Publish Date:	4/5/2018

Identifier: HB 398-DOR-TAX-3-30-2018
 Title: CORP TAX:PUBLIC UTILITY INCOME
 ALLOCATION
 Sponsor: FINANCE
 Requester: (H) Finance

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)

	FY2019	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2019 Request	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES	FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2024
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	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues

None	***		***	***	***	***	***	***
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) 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? Yes
 If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/19

Why this fiscal note differs from previous version/comments:

Initial Version

Prepared By: Brandon Spanos
 Division: Tax
 Approved By: Mike Barnhill
 Agency: DOR

Phone: (907)269-6736
 Date: 03/30/2018 01:00 PM
 Date: 03/31/18

**REPORTED OUT OF
HFC 04/04/2018**
 Control Code: KhfWp

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION**Analysis**

This bill would require public utilities to apportion income using the same three-factor formula of property, payroll, and sales that is used by all other non-oil and gas corporate income taxpayers in Alaska. Under current statutes public utilities aren't required to file using the three-factor formula, but there is also no other method specified. Within the last 10 years some public utilities have started using their own methods of allocating and apportioning income to Alaska. These methods are less than favorable to Alaska.

Currently there are a small number of public utilities utilizing a method other than the standard three-factor apportionment formula to apportion or allocate income to Alaska. Because of the limited number of impacted taxpayers, including one taxpayer who could generate over 80% of potential revenue, we are unable to provide an estimate of the additional potential revenue due to confidentiality concerns. However, we estimate that there will be a material amount of additional revenue collected, between \$100,000 and \$5,000,000, if this legislation were to pass.

This legislation would not require the Department of Revenue to update its Tax Revenue Management System (TRMS). There would also be no needed changes to forms. The only anticipated change would be to draft transition regulations. We would be able to draft transition language with current resources.