

# Fiscal Note

State of Alaska  
2017 Legislative Session

Bill Version:	SSSB 50
Fiscal Note Number:	1
(S) Publish Date:	3/8/2017

Identifier: SSSB50-DOR-TAX-02-17-17  
Title: INCREASE STUDED TIRE FEE  
Sponsor: GIESSEL  
Requester: Senate Transportation

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>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</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							

## Change in Revenues

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>

**Estimated SUPPLEMENTAL (FY2017) cost:** 50.0 (separate supplemental appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**Estimated CAPITAL (FY2018) 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If yes, by what date are the regulations to be adopted, amended or repealed?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 Division	Date:	02/17/2017 03:30 PM
Approved By:	Jerry Burnett, Deputy Commissioner	Date:	02/17/17
Agency:	Department of Revenue		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2017 LEGISLATIVE SESSION

## Analysis

**Bill Analysis**

In 2003 the Alaska Legislature enacted a tire fee which is imposed on the sale of new tires in Alaska for motor vehicles designed for use on a highway. An additional tire fee is imposed on the sale of tires with metal studs weighing more than 1.1 grams each (heavy studs). The additional tire fee also applies to the installation of heavy studs in new or used tires.

The current rates are \$2.50 per tire for new tires sold and \$5.00 per tire for each studded tire sold or stud installation on a tire.

The primary change in this legislation would be to increase the fee for studded tires sold or stud installations performed. The proposed increase is \$45.00 per tire. The rate would go from \$5.00 to \$50.00 per studded tire. The legislation would also impose the studded tire fee on tires that have "light studs" weighing more than 0.5 grams. In addition, this legislation imposes a use tax on tires purchased online and used primarily in Alaska.

**Revenue Impact**

It is difficult to estimate the revenue impact of the proposed changes. The DOR doesn't track the sale of tires with light studs or their installation. Therefore, it's impossible to estimate revenue from those sales. We also don't know the price elasticity of studded tires, but it's logical to assume that sales would decrease if the fee is increased by 900 percent. Over the past three fiscal years, the state collected the studded tire fee on an average of 71,000 tires per year. If we assume no price elasticity, the projected revenue from the increase would be \$3,195,000 on tires with heavy studs. Therefore, DOR's best estimate is between \$0 and over \$3,195,000 (over because of the tax on light studs).

**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.

The supplemental fiscal note figure of \$50.0 in FY17 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.