

Fiscal Note

State of Alaska
2019 Legislative Session

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| Bill Version: | CSHB 41(FIN) |
| Fiscal Note Number: | 4 |
| (H) Publish Date: | 4/29/2019 |

Identifier: HB041-DOR-TAX-4-26-19
 Title: SHELLFISH ENHANCE. PROJECTS;
 HATCHERIES
 Sponsor: ORTIZ
 Requester: House 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)

| | FY2020 Appropriation Requested | Included in Governor's FY2020 Request | Out-Year Cost Estimates | | | | |
|-------------------------------|--------------------------------------|--|-------------------------|----------------|----------------|----------------|----------------|
| | | | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
| OPERATING EXPENDITURES | FY 2020 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
| 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 |

Fund Source (Operating Only)

| | | | | | | | |
|--------------|------------|------------|------------|------------|------------|------------|------------|
| None | | | | | | | |
| Total | 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 |

Estimated SUPPLEMENTAL (FY2019) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2020) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? No
 (Supplemental/Capital/New Fund - 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 If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/19

Why this fiscal note differs from previous version/comments:

This revised fiscal note removes the \$50.0 supplemental request from the previous fiscal note for updates to the Tax Revenue Management System (TRMS) and Revenue Online (ROL). The committee does not anticipate that updates to the tax system will be necessary within the next five years as new cost-recovery fisheries (commercial common property fisheries) associated with this legislation are not likely to be viable within this time-frame. It is the committee's intent that any DOR programming costs be absorbed by the requesting agency.

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 House Finance Committee

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 Date: 04/26/2019

**REPORTED OUT OF
 HFC 04/27/2019**
 Control Code: jzcee

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2019 LEGISLATIVE SESSION

Analysis

Background Tax Division

This bill provides for a common property shellfish fishery classification in a special harvest area, and fisherman participating in this fishery would be subject to the payment of an assessment either on the projected value of the shellfish or on the pounds of shellfish harvested.

Cost recovery, when implemented under the common property fishery, imposes an assessment on all commercial fishermen participating in the common property fishery. The assessment is to be collected by the Department of Revenue (DOR) Tax Division and deposited into the general fund for appropriation back to the hatchery permit holder.

The fishery would be subject to current common property statutes. AS 16.10.455(d) provides that DOR may, by March 1 of each year, set the assessment rate by regulation and in consultation with the Department of Commerce, Community, and Economic Development (DCCED), the permit holder, and the affected commercial fishermen. Statute directs that the assessment shall cover debt service, operating expenses, and a reserve fund.

In accordance with statute, it is anticipated that in setting a common property fishery assessment DOR will annually:

- Analyze financial data to establish or verify historical operating costs;
- Review forecasted hatchery returns (pounds) and price information for the upcoming season from various sources to determine market trends;
- Promulgate annual regulations for the assessment; and
- Provide for filing instructions, filing, and payment of the Common Property Fishery through Revenue Online.

Revenue/Expenditure Impact

Previously DOR has established a common property fishery assessment for one fishery in the years 2012 – 2016. Based on the projection by the Department of Fish and Game of 2-3 applications per year, the revenue impact is expected to be minimal.

Expenditures to set assessments will include staff time, Department of Law review for annual regulations, Revenue Online maintenance for the common property reporting, and other miscellaneous costs when applicable.

Implementation Cost

This legislation would require the DOR 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 committee does not anticipate that updates to the tax system will be necessary within the next five years as new cost-recovery fisheries (commercial common property fisheries) associated with this legislation are not likely to be viable within this timeframe.

This legislation would require the DOR 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. DOR would also need to update the current tax return forms. The House Finance Committee does not anticipate that updates to the tax system will be necessary within the next five years as new cost-recovery fisheries (commercial common property fisheries) associated with this legislation are not likely to be viable within this timeframe. However, the DOR estimates that necessary changes to the TRMS and ROL will cost approximately \$50.0 and a three-month lead time to implement the necessary changes before any returns could be filed or payments could be accepted. The \$50.0 will be provided to the DOR through an interagency transfer by the licensing agency.