

Fiscal Note

State of Alaska
2024 Legislative Session

Bill Version:	HB 378
Fiscal Note Number:	3
(H) Publish Date:	4/15/2024

Identifier: HB378-DOR-TAX-3-8-24
 Title: ORG. RETAIL THEFT/FUND;MKTPLACE SALES
 TAX
 Sponsor: FIELDS
 Requester: (H) Labor and Commerce

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)

	FY2025 Appropriation Requested	Included in Governor's FY2025 Request	Out-Year Cost Estimates				
			FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
OPERATING EXPENDITURES	FY 2025	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Personal Services	***		***	***	***	***	***
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	***	0.0	***	***	***	***	***

Fund Source (Operating Only)

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

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

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

Estimated SUPPLEMENTAL (FY2024) cost: 12,000.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2025) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? Yes
(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 If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/25

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

Prepared By:	Brandon Spanos, Acting Director	Phone:	(907)269-6736
Division:	Tax Division	Date:	03/08/2024
Approved By:	Adam Bryan, Division Operations Manager	Date:	03/08/24
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2024 LEGISLATIVE SESSION

Analysis

Bill Analysis

As it pertains to taxes, this bill would create a two percent sales tax on products sold by marketplace facilitators, if the marketplace facilitator has gross sales in the state of \$100,000 or more, or makes 200 or more separate sales into the state.

Marketplace facilitators would be required for collecting and remitting the tax to the Department of Revenue (Department) on a form or in a format prescribed by the Department and would be required to register with the Department.

A new fund—the organized retail theft fund—would be established in the general fund and the legislature could appropriate the sales tax collected by the Department into the fund.

Revenue Impact

The revenue impact of this bill cannot be determined at this time due to a lack of available data regarding sales by marketplace facilitators in Alaska. A broad-based 2 percent sales tax with limited exemptions and including business-to-business transactions could potentially generate over \$800 million per year. The Department does not have information to be able to estimate the revenue impact of applying a sales tax only to qualifying marketplace facilitators as stipulated in this bill. The Department is also not able to estimate the potential changes in behavior as a result of this bill. A broad-based sales tax applied only to marketplace facilitators would generate less revenue than a sales tax applied to all transactions and sellers, but the Department is not able to estimate by how much.

Implementation Cost

The cost impacts of this bill cannot be determined at this time. The Department will need more time to further study the estimated needs. No other state has a marketplace facilitator only tax to compare to and it will take additional research to estimate the number of positions that would be needed to administer the tax. In the past, the Department has estimated that it would need 74 employees to administer a broad-based sales tax based on what was reported to the Department by other states with a sales tax.

The initial need would be for the Department to seek assistance from a sales tax expert to work with Department leadership on creating an implementation plan including estimates of staffing, space, supply, and equipment needs. The Department would also require expert help in drafting regulations. The Department estimates this cost to be \$500,000.

The Department will also need to engage FAST Enterprises, the Tax Revenue Management Services (TRMS) contractor, to build a sales tax module into TRMS. The needed updates to TRMS would be a multi-year process.

Because of the lack of a specific effective date for the tax, the Department assumes an effective date of 90 days from signature of the bill. TRMS would not be ready in that short of a time. The Department could expedite certain aspects to have a sellers permit and other basic functionality in place sooner, but they may not be ready by the effective date. Even with an expedited timeline, the Department would need 12 to 18 months before it would be ready to accept returns. The TRMS system would require much reconfiguration to add a sales tax return module with associated databases, an examination and audit module, communications, and integration with existing imaging, accounting, and collections modules.

The \$12 million supplemental is for capital and reflects an estimate for the contract with FAST Enterprises to develop a new module for this tax type in the Tax Revenue Management System (TRMS). The breakdown of that cost is an estimated \$8 million for development, and an extra \$4 million for an expedited rollout because of such a short timeline for programming and implementation before the effective date, which may not be possible. This is also the reason for a supplemental as opposed to FY2025, the need to expedite the development. TRMS would also need to be updated for integration of sales tax revenue reporting into the State's accounting system.