

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5 -- JUNEAU 99911

February 26, 1976

The Honorable Jalmar Kerttula
Chairman
Senate Finance Committee
Alaska State Legislature
State Capitol Building
Juneau, Alaska

Re: Senate Bill No. 642

Dear Senator Kerttula:

Senate Bill No. 642, an Act relating to the Alaska Business License Act was introduced in the Senate on February 13, 1976 and was referred to the Senate Commerce and Finance Committees.

For the consideration of the Senate Commerce Committee, I am enclosing a copy of a Fiscal Note and accompanying memorandum prepared by Darrell D. Knox, Deputy Director, Audit Division for Gary L. Jenkins, Director, Audit Division, Department of Revenue concerning estimated loss of tax and shared revenues and reduced cost of administration and some suggested technical changes.

If you or any of the members of the Senate Commerce Committee have any questions on the material submitted, please telephone the writer at 465-2397 and I will contact Mr. Knox for further information or testimony at a hearing.

Very truly yours,

R. D. Stevenson
Special Assistant

Enclosure

cc: The Honorable Bill Ray
Chairman
Senate Finance Committee

The Honorable Jalmar Kerttula

-2-

February 26, 1976

The Honorable Joe Orsini
Sponsor - Senate Bill No. 642

Darrell D. Knox
Deputy Director, Audit Division
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE
 Second Session - Ninth Legislature

I. REQUEST

Bill No. Senate Bill 642
 Title: Act relating to the Alaska Business License Act; and providing for eff. date.
 Requested by: Senate Comm. on Commerce & Finance Date: February 14, 1976
 Return Date Requested: February 26, 1976
 Agency: Revenue Program: Audit

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Administrative Services Div., Dept. of Revenue

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES				(19.2)	(42.3)	(46.5)
200 TRAVEL						
300 CONTRACTUAL				(6.5)	(7.2)	(7.9)
400 COMMODITIES				(.3)	(.3)	(.3)
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL				(26.0)	(49.8)	(54.7)

B. FUNDING: (Thousands of dollars)

GENERAL FUND				(26.0)	(49.8)	(54.7)
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	1 / 0	2 / 0	2 / 0
<small>MONTHS (D / M)</small>	/	/	/	12 / 0	24 / 0	24 / 0

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST

Bill No. Senate Bill 642

Title: Act relating to the Alaska Business License Act; and providing for eff. date.

Requested by: Senate Comm. on Commerce & Finance Date: February 14, 1976

Return Date Requested: February 26, 1976

Agency: Revenue Program: Audit

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Administrative Services Div., Dept. of Revenue

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES				(19.2)	(42.3)	(46.5)
200 TRAVEL						
300 CONTRACTUAL				(6.5)	(7.2)	(7.9)
400 COMMODITIES				(.3)	(.3)	(.3)
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL				(26.0)	(49.8)	(54.7)

B. FUNDING: (Thousands of dollars)

GENERAL FUND				(26.0)	(49.8)	(54.7)
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	1 / 0	2 / 0	2 / 0
MAN MONTHS (P./T.)	/	/	/	12 / 0	24 / 0	24 / 0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

N/A

IV. ATTACHMENTS

See attached memorandum dated February 26, 1976.

V. DATE: 2-26-76

PREPARED BY *for* Danell D Knorr Gary L. Jenkins, Director, Audit Division

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

MEMORANDUM

State of Alaska

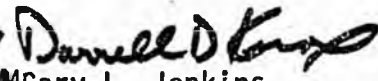
TOR. D. Stevenson
Assistant to the Commissioner
Department of Revenue

DATE: February 26, 1976

FILE NO:

TELEPHONE NO:

SUBJECT: Senate Bill 642

for 
Gary L. Jenkins
Director
Audit Division

This bill would eliminate the taxing divisions of the Alaska Business License Act on all businesses except banks and other financial institutions. The bill would retain the requirement for every business to obtain a \$25 business license.

It is anticipated that this tax would generate approximately 21.5 million dollars in fiscal year 79. Of that total, based on our current sharing percentages, 11.6 million would be shared back with the various communities, while the State would retain 9.9 million. The State obviously will have to concern itself with finding another source for not only its share of the revenue, but more critically, the amount shared with the local communities. It should be noted that the total gross is up in anticipation of the gross receipts tax being collectible on the oil pipeline. We anticipate that the pipeline would generate approximately 5 million dollars per year.

If this legislation is to be enacted by the Legislature, I would suggest that additional changes to the law be made. I would suggest that Section 43.70.030(d) be re-written as follows:

"(d) The initial fee of \$25 [applies to all of the provisions of this section, and] shall accompany the application. [The balance is due and payable on December 31st of each year and shall be paid before the first day of March following, except that the department may extend the time until the 30th of the following April upon application showing that the extension is necessary to enable the applicant to ascertain the amount of license money due.] To enable accurate determination of the balance of the tax due at the end of each year, each person to whom this chapter applies shall keep records, give statements under oath, and make returns which the department requires. Returns are made under penalty of perjury."

These changes are suggested to clarify the law as it will be applicable only to banks and financial institutions, and their filing dates of returns are already specified in Section 43.70.030(b) in the law.

In the proposed re-draft of Section 43.70.040(a) and (b) the phrase "under section 30(b) of this chapter" is included as a possible insert. This addition would appear to be unnecessary since the only tax payable under Chapter 70 will be the tax specified in Section 30(b). Further, there are many references relating to the tax throughout the chapter which do not have this modifying phrase on it. From an enforcement point of view, we would have no difficulty in enforcing the law without a phrase being inserted.

R. D. Stevenson
Senate Bill 642
Page Two
February 26, 1976

I would further suggest that the revenue sharing provisions in Section 43.70.080 be deleted from this law as the amount of revenue which will now be collected will be about 5 percent of what is collected under the current law and it would seem to be hardly worth the effort to share approximately one half of that with the communities when it is anticipated that a whole new sharing program will be established to replace the monies that will be lost as a result of this law change.

I would suggest one final change in Section 43.70.110(1). In defining "business" this reads in part "but excluding fisheries businesses, fishermen, liquor licenses, insurance businesses, mining and ...". I would suggest the wording be changed to read as follows, "but excluding businesses required to obtain a fish processors license, commercial fishermen, businesses required to obtain a liquor license, insurance businesses, mining and ...".

GLJ/bjm

Attachment



Introduced: 2/13/76
Referred: Commerce and
Finance

1 IN THE SENATE

BY ORSINI

2 SENATE BILL NO. 642

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Business License Act;
7 and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 43.70.010 is repealed.

10 * Sec. 2. AS 43.70.030(a) is amended to read:

11 (a) The license fee for each business is \$25 [PLUS A SUM EQUAL TO
12 ONEHALF OF ONE PER CENT OF THE GROSS RECEIPTS IN EXCESS OF \$20,000 FROM
13 THE BUSINESS DURING THE YEAR FOR WHICH THE LICENSE IS ISSUED, EXCEPT
14 THAT ALL GROSS VOLUME IN EXCESS OF \$100,000 A YEAR IS TAXED AT THE RATE
15 OF ONE-QUARTER OF ONE PER CENT. THE ANNUAL LICENSE FEE PAID BY A PRO-
16 FESSIONAL PERSON TO HIS PROFESSIONAL BOARD SHALL BE CREDITED AGAINST THE
17 INITIAL FEE REQUIRED UNDER THIS CHAPTER].

18 * Sec. 3. AS 43.70.030(c) is amended to read:

19 (c) The license for the privilege of taking orders through use of
20 catalogs and by mail order offices in the state is the same as set out
21 in this chapter for business generally [AND GROSS VOLUME OF BUSINESS OF
22 THOSE OFFICES INCLUDES ALL ORDERS TAKEN AT THEM WHETHER DELIVERY OF THE
23 MERCHANDISE IS MADE THROUGH THE OFFICES OR NOT].

24 * Sec. 4. AS 43.70.040(a) is amended to read:

25 (a) As soon as practicable after the final payment of the tax
26 under sec. 30(b) of this chapter, the department shall examine the
27 return and determine the correct amount of the tax and, if an error is
28 found, shall notify the taxpayer of the error and examine the taxpayer's
29 records as authorized in AS 43.05.040, and take other proper steps to

determine the amount due.

* Sec. 5. AS 43.70.040(b) is amended to read:

(b) If an agreement cannot be reached with the taxpayer as to the amount of a license tax due under sec. 30(b) of this chapter, the department may set a time and place of hearing on the question, upon at least 60 days' notice of the hearing by mail to the taxpayer. At the hearing a person may be required to appear and testify and produce records and other papers as provided in AS 43.05.040.

* Sec. 6. AS 43.70.110(2) is repealed.

* Sec. 7. This Act takes effect January 1, 1979.