

HB

253

DATE: 4/23/93

FINANCE

DATE TURNED INTO OFFICE: 4-29-93

CRA Committee considered HOUSE BILL NO. 253

"An Act amending the basis for determining refunds to local governments under the program of shared fisheries taxes; and providing for an effective date."

and recommends:

replace with SCS HB 253 (CRA)
or adopt previous CS ()
 attaches amendment(s)

same title
 new title
 technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

Submitted SCH #8

fiscal note forthcoming

NEW FISCAL NOTES

Department	Date	Zero	Fiscal
Dept of Revenue	4/29/93		✓
(Forthcoming)			

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal
Dept of Revenue	4/29/93	21,000	✓

Appropriation No Fiscal Note

DO PASS:

OTHER RECOMMENDATIONS:

WJ Adams - No Rec
Robert A. Roman NR
Paul V. Zbyszko No Rec

Ross E. Cook *No Rec*

Chair, Signature and Recommendation

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. SCSHB 253 (CRA)

Revision Date: <u>4/29/93</u>	Dept. Affected: <u>Revenue</u>
Title: <u>Fisheries Business Taxes</u>	BRU: <u>Shared Taxes</u>
	Component: <u>Fish Tax</u>
Sponsor: <u>House Finance</u>	
Requestor: <u>Senate CRA</u>	COMPONENT SERIAL NO. <u>107/113</u>

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	30.0	30.0	30.0	30.0	30.0	30.0
TRAVEL	15.0	15.0	15.0	15.0	15.0	15.0
CONTRACTUAL	1,115.0	1,115.0	1,115.0	1,115.0	1,115.0	1,115.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)
TOTAL OPERATING	160.0	160.0	160.0	160.0	160.0	160.0

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	160.0	160.0	160.0	160.0	160.0	160.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	160.0	160.0	160.0	160.0	160.0	160.0

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ 0

ANALYSIS: (Attach a separate page if necessary)

(See Attached)

Prepared by: <u>Larry E. Meyers, Director</u>	Phone: <u>465-2320</u>
Division: <u>Income and Excise Audit Division</u>	Date: <u>April 29, 1993</u>
Approved by Commissioner: <u>Darrel J. Rexwinkel</u>	Date: <u>April 29, 1993</u>
Agency: <u>Department of Revenue</u>	

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Analysis

This bill decreases the percentage amount used as the basis for sharing fisheries business taxes to municipalities under AS 43.75 for purposes of defraying the costs to the state of enforcement and administration of the shared tax program. Under this bill, 95% of revenues collected would be subject to sharing rather than the entire amount. Since the state shares 50% of fisheries business tax revenue, municipalities would receive 47.5% (50% x 95%) of fisheries business taxes collected within the municipality rather than current 50%. Municipalities would effectively receive 2.5% less revenues.

FY 92 fisheries business taxes are estimated to be \$40 million. Assuming that fisheries business tax revenues maintain the same level through FY 99, the state will withhold an estimated \$1 million (\$40 million x 2.5%) each fiscal year to cover the costs of administering the fisheries business tax program. The estimated total amount shared to municipalities per year would be \$19 million rather than \$20 million.

Section 5 of this bill provides for allowing municipalities to act as the Department of Revenue's agent, at the discretion of the commissioner, for collecting fisheries business license fees and taxes. This section also provides that the commissioner may pay for the collection services of the municipal officials.

The department shared fisheries business taxes to 61 municipalities last year. Assuming that those municipalities which received over \$25,000 in shared taxes last year would be willing and capable of collecting fees and taxes, the department would enter in agreements with 37 municipalities to act as collection agents for the department. Assuming further that the department would pay each municipality an average of \$30,000 per year for their collection services, this would allow each municipality to hire a part-time collection agent. The total annual cost to the state for having municipalities collect taxes would be \$1,110,000 (37 x \$30,000). This would be in addition to the shared tax amount.

The Department of Revenue will be required to train municipal officials regarding the procedures for collecting fisheries license fees and taxes and coordinating accounting and communications between the state and municipalities. Also, the department will incur additional personal services costs to account for the fisheries business taxes and review returns. The additional personal services costs is estimated to be \$30,000 to fund a Accounting Technician II at a range 14A located in Juneau.

Additional travel funds will be required to audit the increased number of returns and municipal records. The department estimates that 10 field trips at \$1,500 per trip will be required. Total travel costs will be \$15,000.

In order to maintain uniformity, the state will maintain application and return forms and bear the costs of publication, distribution and final audit of the returns. The state will be required to increase the number of applications and returns printed because the department will be required to provide a stock of forms to each municipality. Additionally, processors will be required to file more forms because they will be filing with individual municipalities rather than filing one return which consolidates their processing activity as currently provided. The department estimates that its costs for printing and distributing fisheries business tax forms will increase by \$5,000.

Summary of Additional Costs

Personal Services		
Accounting Technician II	\$30.0	\$30.0
Travel		
10 Field Trips @ \$1,500/Trip	15.0	15.0
Contractual		
Payments to Municipalities	1,110.0	
Forms	<u>5.0</u>	
Total Contractual		1,115.0
Total Additional Costs		<u>\$1,160.0</u>

FISCAL NOTE

No. 1 CORRECTED (BRU #)

STATE OF ALASKA
1993 LEGISLATIVE SESSION

Bill Version: HB 253

(H) Publish Date: 4/21/93

Revision Date: <u>4/20/93</u>	Dept. Affected: <u>Revenue</u>
Title: <u>Fisheries Business Taxes</u>	BRU: <u>Shared Taxes</u>
	Component: <u>Fish Tax</u>
Sponsor: <u>House Finance</u>	
Requestor: <u>House Rules</u>	COMPONENT SERIAL NO. <u>107</u>

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)
TOTAL OPERATING	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ 0

ANALYSIS: (Attach a separate page if necessary)

(See Attached)

Prepared by:	Larry E. Meyers, Director <i>[Signature]</i>	Phone: <u>465-2320</u>
Division:	Income and Excise Audit Division	Date: <u>April 20, 1993</u>
Approved by Commissioner:	Darrel J. Rexwinkel <i>[Signature]</i>	Date: <u>April 20, 1993</u>
Agency:	Department of Revenue <i>[Signature]</i>	

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COMMITTEE COPY

Analysis

This bill decreases the percentage amount used as the basis for sharing fisheries business taxes to municipalities under AS 43.75 for purposes of defraying the costs to the state of enforcement and administration of the shared tax program. Under this bill, 95% of revenues collected would be subject to sharing rather than the entire amount. Since the state shares 50% of fisheries business tax revenues, municipalities would receive 47.5% (50% x 95%) of fisheries business taxes collected within the municipality rather than current 50%. Municipalities would effectively receive 2.5% less revenues.

FY 92 fisheries business taxes are estimated to be \$40 million. Assuming that fisheries business tax revenues maintain the same level through FY 99, the state will withhold an estimated \$1 million ($\$40 \text{ million} \times 2.5\%$) each fiscal year to cover the costs of administering the fisheries business tax program. The estimated total amount shared to municipalities per year would be \$19 million rather than \$20 million.

HB 253

Proposed Amendment - Communities Collect Tax

Following are some concerns of the Department of Revenue with the concept of communities collecting fisheries business taxes for the state and subsequently remitting 50% to the state.

Loss of Revenues

The state may ultimately lose revenues from processors who neglect to file and pay taxes with local communities. Our experience from working with communities is that they have encountered problems with processors complying with local fish tax laws. The department currently works with communities on a regular basis to share processor information so that communities can follow up with processors to collect revenues not previously paid. Since local communities are limited in their enforcement powers, there may be a tendency for higher delinquency rates which in turn decreases revenues to both the state and local communities.

Additional Burden on Fisheries Businesses

Fisheries businesses will be required to file additional returns. Currently each processor files one return with the department regardless of the number of locations in which processing or custom processing took place. Floating processors frequently process at several different locations during the year and many processors contract with others to custom process fish which will take place in another location. If a floating processor processes in ten communities, the processor will have to file ten returns instead of one as they currently do with the department.

Additionally, processors will have to file two returns for each location when processing took place in a community located within a borough (one return to the community and one to the borough). Statutes currently require that we share 25% of taxes to municipalities and 25% to boroughs attributable to processing which took place in a community also within a borough. For example, taxes generated from processing in the City of Kenai are shared 25% to the city and 25% to the Kenai Peninsula Borough.

Returns Still be Required by the Department

Fisheries business will still be required to file returns with the department for those cases in which they process in the unorganized borough. The state will still be required to collect fisheries taxes for processing which took place in the unorganized borough outside of a recognized community.

All processors will still be required to file returns with the department to report and pay their Alaska Seafood Marketing Institute (ASMI) assessments which is currently part of the department's fisheries business tax return.

Administrative Costs Higher

The overall cost to administer the fisheries business tax return program would increase statewide because each individual community would need to increase resources to collect and account for taxes, audit tax returns and pay the state its 50% share of revenues.

HB 253

Proposed Amendment - Communities Collect Tax

Administrative Costs Higher (Continued)

The state would save by utilizing the economies of scale in the Department of Revenue and the current centralized tax program. The department already has a program in place as well as audit and technical staff on board to effectively administer the fisheries business tax program.

The Department of Revenue would still be required to account and share taxes attributable to the unorganized borough and follow up with communities with sharing problems.

Enforcement Powers Diminished

Local enforcement powers are less powerful than those granted to the department through statutes. Additionally, communities would not have access to taxpayer information relating to other tax types currently administered by the department which would have bearing on the taxpayers ability to pay their taxes.

Confusion Amongst Taxpayers

Taxpayers will become confused when filing state and local returns to communities because of different tax structures and requirements of local fish tax laws.

Processors may not only have to file more returns but may have to file different returns specified by the respective community. Returns will not be uniform and communities may have different payment requirements.

Taxpayers will be required to be knowledgeable in the nuances of revenue sharing. For example, for those boroughs incorporated after June 16, 1987 there is a five year phase-in program for sharing fish tax revenues. For processing which took place in a community in the newly formed borough, the borough share starts at 5% (community receives 45%) the first year and increase 5% per year until it reaches 25%. For example, a processor processes fisheries resources in Chignik (located in the Lake and Peninsula Borough). Since the Lake and Peninsula Borough was formed in 1989 they are in year 4 of the phase-in and will receive 20% of revenues collected (Chignik will receive 30%). Under this program, processors would have to report and remit 60% of revenues to Chignik and 40% to the Lake and Peninsula Borough so that the phase-in formula remains intact.

For these reasons, the Department of Revenue opposes the proposed amendment.

A M E N D M E N T

OFFERED IN THE SENATE

TO: HB 253

Page 1, line 1, after "Act":

Insert "relating to the administration of fisheries business licenses and the fisheries business tax, and"

Page 1, line 4, after "purpose of":

Insert "secs. 2 - 4 of"

Page 3, following line 9:

Insert a new bill section to read:

** Sec. 5. AS 43.75 is amended by adding a new section to article 4 to read:

Sec. 43.75.280. MUNICIPALITY AS TAX COLLECTION AGENT. (a) If a municipality indicates a willingness to act as the department's agent for purpose of collection of the license fee and tax imposed by this chapter and the commissioner believes the municipality is capable of making and accounting for those collections, the commissioner shall appoint one or more employees of that municipality to assist in the collection of revenue owed under the license fee and tax levied by this chapter.

(b) The commissioner may pay for the services of the municipal officials appointed to serve as collection agents under (a) of this section by

(1) entering into contingent fee agreements the commissioner considers reasonable; or

(2) the payment of amounts out of the proper appropriation for the department the commissioner considers reasonable."

Page 3, line 10:

Delete "* Sec. 5."

Insert "* Sec. 6."

HOUSE BILL NO. 253

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Introduced: 3/26/93

Referred: Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act amending the basis for determining refunds to local governments under
2 the program of shared fisheries taxes; and providing for an effective date."

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

4 * Section 1. PURPOSE. The purpose of this Act is to withhold from distribution to
5 municipalities under the program of shared fisheries taxes a sum not to exceed five percent
6 of the revenue obtained from the fisheries business tax imposed by AS 43.75 to defray the
7 costs to the state of enforcement of that tax and administration of the shared tax program.

8 * Sec. 2. AS 43.75.130(d) is amended to read:

9 (d) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of this section, the
10 commissioner shall pay

11 (1) to each city that is located in a borough incorporated after June 16,
12 1987 the following percentages of the tax revenue collected in the city from taxes
13 levied under this chapter:

14 (A) 45 percent of the tax revenue [TAXES] collected during

1 the calendar year in which the borough is incorporated;

2 (B) 40 percent of the tax revenue [TAXES] collected during
3 the first calendar year after the calendar year in which the borough is
4 incorporated;

5 (C) 35 percent of the tax revenue [TAXES] collected during
6 the second calendar year after the calendar year in which the borough is
7 incorporated; and

8 (D) 30 percent of the tax revenue [TAXES] collected during
9 the third calendar year after the calendar year in which the borough is
10 incorporated; and,

11 (2) to each borough that is incorporated after June 16, 1987, the
12 following percentages of the tax revenue collected in the cities located within the
13 borough from taxes levied under this chapter:

14 (A) 5 percent of the tax revenue [TAXES] collected during the
15 calendar year in which the borough is incorporated;

16 (B) 10 percent of the tax revenue [TAXES] collected during
17 the first calendar year after the calendar year in which the borough is
18 incorporated;

19 (C) 15 percent of the tax revenue [TAXES] collected during
20 the second calendar year after the calendar year in which the borough is
21 incorporated; and

22 (D) 20 percent of the tax revenue [TAXES] collected during
23 the third calendar year after the calendar year in which the borough is
24 incorporated.

25 * Sec. 3. AS 43.75.130(f) is amended to read:

26 (f) In this section, "tax revenue collected"

27 (A) means 95 percent of the revenue received from the tax
28 that is levied and collected by the state under this chapter;

29 (B) includes the amount credited against taxes under
30 AS 43.75.018.

31 * Sec. 4. AS 43.75.137 is amended to read:

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Sec. 43.75.137. ADDITIONAL REFUND. To the extent that appropriations are available for the purpose, and notwithstanding the requirement of AS 37.07.080(e) that approval of the office of management and budget is required, an amount equal to 50 percent of the tax revenue [THAT IS] collected, as the phrase is defined in AS 43.75.130(f), [UNDER THIS CHAPTER] from fisheries businesses and is not subject to division with a municipality under AS 43.75.130 shall be transmitted each fiscal year, without the approval of the office of management and budget, by the department to the Department of Community and Regional Affairs for disbursement to eligible municipalities under AS 29.60.450.

* Sec. 5. This Act takes effect July 1, 1993.