

SB

240



Official Business

Alaska State Senate

Senate Finance Committee

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Juneau, Alaska 99801-1182

SPONSOR STATEMENT

SB 240: An Act Repealing Coin Operated Devices Tax Program

As part of a continuing effort to reduce the size and cost of government, Senate Bill 240 will repeal the outdated Coin Operated Devices and Punchboards Tax Program. The program began in 1941 as a tax on amusement machines such as billiard tables, jukebox machines and pinball games, serving the purpose to raise revenues and track the number of amusement games. Repeal of the program would lessen the burden on 250 businesses in the state and free up 500 hours of Department of Revenue (DOR) staff time for higher priority work. The amount of revenue lost from repealing the program will be offset by money collected from increasing compliance of larger tax programs.

Currently 250 businesses must annually file a return and pay the appropriate amount of tax. The current annual tax rate is \$48 per device; the rate has remained virtually unchanged since 1947. The current program collects \$90,000, shares \$32,000 back to local governments and costs \$15,000 to operate. Thus the net general fund revenue is \$43,000. Department of Revenue officials have discussed the program repeal with several local government officials and the Alaska Municipal League. All concurred that they could not afford to administer the program locally for the small amount of revenue received.

Repealing the lowest priority state programs is an important component of the majority's goal to downsize government. In addition to reducing the budget we must reduce the paperwork and regulatory requirements placed on businesses and government. Repealing the Coin Operated Device Tax Program makes both good business sense and public policy.

Alaska Department of Revenue
Income and Excise Audit Division

PROPOSAL

Repeal the Coin-Operated Device Tax Program (AS 43.35).

OVERVIEW

The coin-operated devices tax program began in 1941 as a tax on amusement machines such as billiards, jukeboxes and pinball machines. Technology has changed the type of games in play, and the most common amusement machine in play today is the video game machine.

Repeal of the program would lessen the burden on 250 businesses in the state and free up 500 hours of DOR staff time for higher priority work. The current program collects \$90,000, shares \$32,000 back to local governments and costs \$15,000 to operate. Thus the net general fund revenue is \$43,000. In discussions with several local government officials they concurred with DOR that the program no longer serves a viable purpose.

PROGRAM STATISTICS

Smallest tax program. The coin-operated devices tax program is the smallest revenue program administered by the division. In FY 97 253 businesses filed 315 tax returns. The current annual tax rate is \$48 per machine (the same that was in place in 1947).

Shared Taxes. In FY 97 \$32,000 was shared back between 35 communities. Anchorage received \$12,000, Juneau received \$1,600 and Cordova received \$18. In discussions with several local governments and the Alaska Municipal League they concurred the program has out lived it's usefulness and local governments would spend more than they take in to administer the program in-house.

Program unique to Alaska. No other state in the union has a tax program similar to our coin-operated devices tax program.

CONCLUSION

Repeal of the coin-operated devices tax program will help both businesses and department employees reduce workloads. The paperwork required from businesses and the effort used in processing tax returns is not productive. Repeal of the program would free up time and resources to focus on increasing revenue in other tax programs and address higher priority issues.

**Table 3
Program Revenue and Cost Detail**

	Returns	Revenue	Program		Per FTE ²	
			Cost ¹	FTE ²	Revenue	Cost
Tax Program						
Corporation	14,887	\$317,881,916	\$2,406,035	38.6	\$8,235,283	\$62,333
Motor Fuel	1,910	35,317,981	282,671	4.7	7,514,464	60,143
Fisheries Business	710	30,967,567	182,955	3.2	9,677,365	57,173
Tobacco	567	16,150,312	39,865	0.8	***	***
Alcoholic Beverages	224	11,553,183	66,159	1.0	11,553,183	66,159
Fishery Resource Landing	99	8,278,994	35,803	0.7	***	***
APUC Regulatory Cost Charges	371	4,301,051	20,099	0.4	***	***
Salmon Enhancement	673	4,189,791	43,626	0.8	***	***
Salmon Marketing	800	3,522,739	43,542	0.8	***	***
Seafood Marketing Assessments	315	3,099,230	26,833	0.5	***	***
Estate	73	1,717,986	3,856	0.1	***	***
Electric Cooperative	18	1,436,660	1,834	<.1	***	***
Telephone Cooperative	7	1,302,139	860	<.1	***	***
Mining License	324	387,036	41,686	0.8	***	***
Coin-Operated Device	315	90,165	17,503	0.4	***	***
Total Tax Programs	21,293	440,196,750	3,213,327	52.9		
	(Reports)					
Unclaimed Property Program	1,848	2,352,401	226,515	4.1		
Total All Programs	23,141	\$442,549,151	\$3,439,842	57.0 *		

Tax Programs	
Total Revenue per FTE	\$8,321,300
Total Cost per FTE	\$60,739

Unclaimed Property Program	
Total Revenue per FTE	\$573,756
Total Cost per FTE	\$55,248

¹ Includes total operating costs of the division.

² Full-time equivalent staff position.

* \$6 (full time and 2 seasonal (1 FTE))

*** Combined revenues and costs for these programs are \$44,476,103 and \$275,507, respectively. These programs require 5.4 FTE positions. Combined revenue and cost per FTE are \$8,236,315 and \$51,020.

**Table 5
Coin-Operated Devices Tax**

	<i>FY 96</i>	<i>FY 95</i>	<i>FY 94</i>	<i>FY 93</i>	<i>FY 92</i>	<i>Total All Years</i>
Municipality						
Anchorage	\$12,492	\$22,965	\$23,042	\$23,275	\$25,996	\$107,770
Juneau	1,601	1,840	1,958	2,032	1,896	9,327
Sitka	1,148	1,588	1,136	768	936	5,576
Total Municipalities	15,241	26,393	26,136	26,075	28,828	122,673
Borough						
Bristol Bay	0	0	0	288	0	288
Denali	219	96	0	171	0	486
Fairbanks North Star	1,549	1,206	1,703	2,588	1,214	8,260
Haines	0	0	0	24	27	51
Kenai Peninsula	1,477	1,080	1,680	1,368	1,140	6,745
Ketchikan Gateway	0	0	0	24	24	48
Kodiak Island	128	144	192	240	528	1,232
Matanuska-Susitna	857	692	1,432	1,028	922	4,931
Yakutat	60	24	96	120	80	380
Total Boroughs	4,290	3,242	5,103	5,851	3,935	22,420
City						
Anderson	97	72	48	144	144	505
Cold Bay	109	0	0	192	192	493
Cordova	18	24	72	144	144	402
Craig	0	24	48	196	308	576
Delta Junction	18	40	24	90	0	172
Dillingham	0	120	96	120	184	520
Fairbanks	3,939	4,502	4,650	4,474	5,578	23,143
Gambell	0	0	70	0	0	70

**Table 5
Coin-Operated Devices Tax**

City	FY 96	FY 95	FY 94	FY 93	FY 92	Total All Years
Haines	36	48	72	0	0	156
Homer	1,158	1,684	1,120	624	720	5,306
Hoonah	73	72	144	100	120	509
Huslia	0	0	0	24	48	72
Kachemak	36	0	0	0	0	36
Kallag	0	0	0	0	76	76
Kenai	1,057	1,953	1,661	1,642	1,800	8,113
Ketchikan	1,546	2,390	889	1,720	1,432	7,977
Kobuk	0	0	0	0	72	72
Kodiak	620	1,344	1,368	1,368	2,784	7,484
Lower Kalskag	0	0	0	0	24	24
Mekoryuk	73	0	120	168	0	361
Nenana	118	120	72	170	192	672
Nome	456	336	374	240	288	1,694
Noorvik	0	0	0	0	384	384
North Pole	346	240	468	312	0	1,366
Palmer	201	356	288	456	364	1,665
Pelican	55	15	72	72	72	286
Petersburg	346	600	456	552	528	2,482
Quinhagak	0	56	0	0	0	56
Scammon Bay	0	0	0	24	12	36
Seldovia	0	0	54	150	96	300
Seward	401	360	408	504	624	2,297
Shishmaref	0	0	0	120	168	288
Soldotna	966	1,800	1,152	1,176	1,340	6,434

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Coin-Operated Devices Tax**

City	FY 96	FY 95	FY 94	FY 93	FY 92	Total All Years
Unalaska	237	168	360	0	216	981
Valdez	345	432	864	544	336	2,521
Wasilla	273	384	684	702	584	2,627
Wrangell	164	240	288	336	288	1,316
Total Cities	12,688	17,380	15,922	16,364	19,118	81,472
GRAND TOTAL ¹	<u>\$32,219</u>	<u>\$47,015</u>	<u>\$47,161</u>	<u>\$48,289</u>	<u>\$51,881</u>	<u>\$226,564</u>
Cost of Collection	\$10,200	N/A	N/A	N/A	N/A	\$10,200
Number of Communities Shared With	34	34	35	40	40	55

¹ Net of cost of collection.

N/A - Not Applicable. AS 43.35.050 authorizes that the amount determined to have been spent by the state in collection of taxes shall be excluded from the share payments made to municipalities. The department began deducting collection costs from sharable amounts for FY 96.