

**SB**

**106**

**HFIN**

**FILE**



# FISCAL NOTE

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: CSSB 106(FIN)  
(S) Publish Date: 4/9/03

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title Tire fee; studded tire fee BRU Revenue Operations  
Component Tax Division  
Sponsor Rules Committee  
Requester Senate Finance Committee Component No. 2476

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	47.7	47.7	47.7	47.7	47.7	47.7
Travel	5.0	2.0	2.0	2.0	2.0	2.0
Contractual	15.0	3.0	3.0	3.0	3.0	3.0
Supplies	2.0	1.0	1.0	1.0	1.0	1.0
Equipment	2.5					
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>72.2</b>	<b>53.7</b>	<b>53.7</b>	<b>53.7</b>	<b>53.7</b>	<b>53.7</b>

CAPITAL EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
<b>CHANGE IN REVENUES ( )</b>	<b>2,350.0</b>	<b>3,325.0</b>	<b>3,325.0</b>	<b>3,325.0</b>	<b>3,325.0</b>	<b>3,325.0</b>

**FUND SOURCE** (Thousands of Dollars)

FUND SOURCE	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
1002 Federal Receipts						
1003 GF Match						
1004 GF	72.2	53.7	53.7	53.7	53.7	53.7
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>72.2</b>	<b>53.7</b>	<b>53.7</b>	<b>53.7</b>	<b>53.7</b>	<b>53.7</b>

Estimate of any current year (FY2003) cost: 0.0  
Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

POSITIONS	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Full-time	1	1	1	1	1	1
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This legislation would impose a \$2.50 fee per tire on all new tires sold in Alaska for motor vehicles, effective July 1, 2003. This legislation also would impose an additional \$5 fee per tire on all new tires with heavy studs, effective July 1, 2004. The fee would be imposed at the retail level, with the tire seller to collect the fee from the buyer and remit the money to the state.

The fee would be imposed on all tires sold for highway use.

Businesses would be required to file quarterly reports and remit payments to the Department of Revenue. Businesses would be allowed to retain 5% of the amount collected, not to exceed \$900 a quarter, to cover expenses in collecting and remitting the fee.

Based on projections from the Department of Transportation and Public Facilities, the fee would be collected on 1.25 million new motor vehicle tires sold each year in Alaska and an estimated 40,000 new tires sold each year with heavy studs. The first-year revenue would be for three fiscal quarters of tax collections.

The operating expense includes one Tax Technician III (Range 14) to administer and collect the fees. The Department expects several hundred businesses statewide will be included in this new program. The first-year costs include funding for an outreach effort to educate businesses.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469  
Division Department of Revenue Date/Time 4/9/03 11:09 AM  
Approved by: Larry Persily, Deputy Commissioner Date 4/9/2003  
Agency Department of Revenue

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March 5, 2003

The Honorable Gene Therriault  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 107  
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of art. III, sec 18, of the Alaska Constitution, I am transmitting a bill that would impose a fee on the purchase and use of studded tires in Alaska.

According to a 1996 report by the Alaska Department of Transportation and Public Facilities, the use of studded tires in Alaska causes approximately \$5 million damage to our roads per year. Most of this damage occurs in our high traffic urban centers in the form of rutting. It is a particular problem in our urban centers where rutting is often severe and causes unsafe driving conditions.

The worst of this damage is repaired by the department. Due to limited maintenance funding, much of it is added to the State's deferred maintenance backlog. This bill would impose a fee of \$10 for each studded tire sold, resulting in \$2 million in increased revenues. This proposal represents a modest, user-pays approach to paying for studded tire damage.

New tire technology has been developed in the last ten years to create studless winter tires. These tires use softer rubber compounds and specific tread patterns to improve their performance in snow and ice conditions. This technology has continued to improve and is widely available as an alternative to studded winter tires.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank H. Murkowski".

Frank H. Murkowski  
Governor

passed (9-0)

23-GS1127\WA.1  
Crawford/Kurtz  
5/14/03

AMENDMENT \

OFFERED IN THE HOUSE

BY REPRESENTATIVE STOLTZE

TO: CSSB 106(FIN)(efd fld)

1 Page 2, line 4, following "studs":

2       Insert "That portion of the total price of the tire or service consisting of the fees  
3 imposed by this section is not subject to a sales tax or a use tax imposed by the state or a  
4 subdivision of the state."

Failed (1-9)

AMENDMENT 2

TO BE OFFERED IN THE HOUSE FINANCE COMMITTEE

BY REPRESENTATIVE KERTTULA

TO: CSSB 106 (FIN)(efd fld)

Page 2, after line 24:

Add a new section to read:

“Sec 3. This act takes effect upon 1) the repeal of the prohibition on dedicated funds; 2) a fund is created to receive the proceeds of the tire fees and dedicated to road and highway maintenance.”

replaced  
By #2

# FISCAL NOTE

ALASKA  
LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: SB 106  
(S) Publish Date: 3/6/03

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title: Studded tire surcharge BRU: Revenue Operations  
Component: Tax Division  
Sponsor: Rules Committee  
Requester: Governor Component No.: 2476

## Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	43.9	43.9	43.9	43.9	43.9	43.9
Travel	5.0	2.0	2.0	2.0	2.0	2.0
Contractual	8.0	3.0	3.0	3.0	3.0	3.0
Supplies	2.0	1.0	1.0	1.0	1.0	1.0
Equipment	2.5					
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>61.4</b>	<b>49.9</b>	<b>49.9</b>	<b>49.9</b>	<b>49.9</b>	<b>49.9</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )	1,950.0	1,950.0	1,950.0	1,950.0	1,950.0	1,950.0
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## FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
1002 Federal Receipts						
1003 GF Match						
1004 GF	61.4	49.9	49.9	49.9	49.9	49.9
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
<b>TOTAL</b>	<b>61.4</b>	<b>49.9</b>	<b>49.9</b>	<b>49.9</b>	<b>49.9</b>	<b>49.9</b>

Estimate of any current year (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

## POSITIONS

Position Type	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Full-time	1	1	1	1	1	1
Part-time						
Temporary						

## ANALYSIS: (Attach a separate page if necessary)

This legislation would impose a \$10 per tire surcharge on all studded tires sold in Alaska, effective July 1, 2003. Businesses would be required to file monthly reports and remit payments to the Department of Revenue. The surcharge would be collected by the seller of the studded tire, such as tire dealers, service stations, garages, etc. Businesses would be allowed to retain 5% of the amount collected, not to exceed \$1,000 in any calendar quarter, to cover expenses in collecting and remitting the surcharge.

Based on projections from the Department of Transportation and Public Facilities, the surcharge would raise an estimated \$2 million a year -- minus the 5% commission. This is based on the assumption that about 40% of all passenger vehicles and pickup trucks in the state use studded tires on all four wheels, and that vehicle owners replace their studded tires every five years.

The operations cost includes one Tax Technician II (Range 12) to administer and collect the surcharge. The Department expects several hundred businesses statewide will be included in this new program.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469  
Division: Department of Revenue Date/Time 3/3/03 4:03 PM  
Approved by: Larry Persily, Deputy Commissioner Date 3/3/2003  
Agency: Department of Revenue