

**HB**

**193**

<TARGET><BILL>HB 193</BILL><SUBJECT>HB  
193</SUBJECT><COMM>HCRA28</COMM></TARGET>

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: April 1, 2013

FURTHER REFERRALS: Finance

Date of Committee Action: 4/4/13

The COMMUNITY AND REGIONAL AFFAIRS Committee considered:

HB 193

HOUSE BILL NO. 193

"An Act relating to the joint administration of tobacco taxes by the state and a municipality."

HB 193 MUNICIPAL TAXATION OF TOBACCO PRODUCTS

Recommends it be replaced with [ ] HCS or [ ] CS for \_\_\_\_\_ ( )
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR \_\_\_\_\_ [ ] Same Title [ ] New Title

- [ ] attach amendments
[ ] add new referral to \_\_\_\_\_ Committee
[ ] Letter of Intent \_\_\_\_\_ Committee

List of Abbrev for

- Depts.: ADM CED COR CRT EED DEC DFG GOV DHS LWF LAW LEG MVA DNR DPS REV DOT UA

Table with columns: \*FN#, List by Dept(s), Fiscal, Indet., Zero. Includes handwritten entries: CED, REV, and checkmarks.

Table with columns: FN#, List by Dept(s), Fiscal, Indet., Zero. Empty table.

Table titled 'Signing with recommendations' with columns: Printed Last Name, DP, DNP, NR, AM. Includes handwritten signatures and names: Foster, HERROW, Reinbold, LeDoux, Nageak.

# Alaska State Legislature

*Session:*  
State Capitol Rm. 204  
Juneau, AK 99801  
Phone: (907) 465-3438  
Fax: (907) 465-4565



*Interim:*  
716 W 4<sup>th</sup> Avenue  
Anchorage, AK 99501-2133  
Phone: (907) 269-0100  
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Representative Lance Pruitt  
House Majority Leader

## MEMORANDUM

To: Rep. LeDoux Co-Chair C&RA  
Rep. Nageak Co-Chair C&RA

From: Representative Lance Pruitt 

Date: April 2<sup>nd</sup>, 2013

Re: HB 193 Hearing Request

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I respectfully request that HB 193 be scheduled for a hearing in House Community & Regional Affairs. Please feel free to contact me, or my aide Dirk Craft, at 465-6617 with any questions. Attached you will find a background packet for HB 193 including a current version of the bill, sponsor statement, sectional analysis and letter of support.

Thank you for your consideration.

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## Sponsor Statement

### HB 193

*An Act relating to the joint administration of taxes common to both the state and a municipality.*

Passage of HB 193 seeks to promote greater cooperation and reciprocal information sharing between State and local jurisdictions in Alaska resulting in more efficient and effective oversight, enforcement and collection of commonly assessed, legally due taxes (e.g., tobacco tax and rental vehicle tax).

The result of information sharing between State and local jurisdictions is that tax evasion by businesses and individuals will be less likely to occur, thereby promoting a more competitive business environment for Alaskan businesses and decreasing tax subsidization caused by willful tax evaders who otherwise shift the tax burden to law abiding citizens. Such joint information sharing between state and local government is a commonly authorized practice in many other state statutes.

The proposed change to state statutes is comprised of two sections. The first section amends existing language to add political subdivisions of the State to the list of entities with which the State can share information. Implementation is expected to be cost neutral and should produce additional revenue through shared results of discovery efforts and audits.

The second section of the HB 193 authorizes the State of Alaska Department of Revenue (Department) to enter into an agreement such as a Memorandum of Understanding (MOU) with a municipality, authorizing the Department to act as central administrator of any potential joint tobacco tax stamp program which meets their economy of scale criteria. The purpose of section two of the bill is to promote efficiency with respect to any potential joint tobacco stamp program, and to minimize impact on private sector stamp purchasers. Program administration by the Department would include central issuance of joint tobacco stamps as well collection of associated tobacco stamp revenues on behalf of a municipality. The cost causer – cost payer principle would be in effect, such that a participating municipality would be responsible for reimbursing the Department for direct, incremental cost increases resulting from a joint tobacco tax program. A number of jurisdictions, particularly in more largely populated city areas around the country, have multi-jurisdictional tobacco stamps in use based on economies of scale.

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## **HB 193 Sectional Analysis**

Section 1. Amends AS 43.05.230(c), the administration of revenue laws. Allows the state to share tax information with municipalities for the purpose of tax collections.

Section 2. Amends AS 43.50.150, the administration of the cigarette tax act. Allows municipalities and the state to jointly collect both state and municipal tobacco taxes. Also allows for joint auditing and distribution of stamps and collection of money on stamps.

# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: HB 193  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB193-DOR-TAX-04-03-13  
Title: MUNICIPAL TAXATION OF TOBACCO  
PRODUCTS  
Sponsor: PRUITT  
Requester: (H) Community & Regional Affairs

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)

	FY2014	Included in	Out-Year Cost Estimates				
	Appropriation	Governor's					
	Requested	FY2014					
	FY 2014	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>OPERATING EXPENDITURES</b>							
Personal Services	80.4		80.4	80.4	80.4	80.4	80.4
Travel							
Services	54.7		54.7	54.7	54.7	54.7	54.7
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>135.1</b>	<b>0.0</b>	<b>135.1</b>	<b>135.1</b>	<b>135.1</b>	<b>135.1</b>	<b>135.1</b>

## Fund Source (Operating Only)

1004 Gen Fund	135.1		135.1	135.1	135.1	135.1	135.1
<b>Total</b>	<b>135.1</b>	<b>0.0</b>	<b>135.1</b>	<b>135.1</b>	<b>135.1</b>	<b>135.1</b>	<b>135.1</b>

## Positions

Full-time	1.0		1.0	1.0	1.0	1.0	1.0
Part-time							
Temporary							

Change in Revenues							

Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

## 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? 12/31/13

## Why this fiscal note differs from previous version:

Initial version.

Prepared By: Johanna Bales, Deputy Director  
Division: Tax  
Approved By: Alicia Egan, Legislative Liaison  
Department of Revenue

Phone: (907)269-6628  
Date: 04/02/2013 07:30 PM  
Date: 04/03/13

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. HB 193

### Analysis

**Bill Language:**

This bill would allow the department to share taxpayer information with local governments, but only if the local government maintains the confidentiality of the information and has similar provisions within their respective codes and ordinances that allow them to share information with the department. The information could only be used for tax purposes. This bill would also allow the department to enter into agreements with municipalities to conduct joint audits of cigarette taxpayers and would further allow a municipality to request that the department collect cigarette taxes on behalf of the municipality if the municipality adopts a cigarette tax stamp as the mechanism for collecting cigarette taxes.

**Revenues:**

There would be no change in Alaska's cigarette tax revenues as a result of this legislation.

**Expenditures:**

It is unclear from the language in this bill if the department may charge a municipality for collecting the municipality's cigarette taxes through the use of a tax stamp. There are currently 9 different local governments within the state that levy a tobacco tax. The department believes that it would need an additional Tax Technician III position at a cost of \$80,400 each year to track the sale of cigarette tax stamps for municipalities that may wish to collect their tax through the use of a tax stamp. The department would also see additional services costs in the amount of \$4,700 each year for support services for the one new position and up to \$50,000 each year in additional costs to purchase cigarette tax stamps. If the department was able to recoup these expenses from the municipalities, these additional costs could be reduced to zero.

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State of Alaska  
2013 Legislative Session

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**Expenditures/Revenues**

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	Appropriation Requested	Governor's FY2014 Request	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>OPERATING EXPENDITURES</b>	<b>FY 2014</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Personal Services	80.4		80.4	80.4	80.4	80.4	80.4
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<b>Change in Revenues</b>							
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