

**HB**

**193**

<TARGET><BILL>HB 193</BILL><SUBJECT>HB  
193</SUBJECT><COMM>HFIN28</COMM></TARGET>

# HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 4, 2013

FURTHER REFERRALS:

Date of Committee Action: 4/7/13

The FINANCE 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 HB 193 (FIN)  
 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

| <b>NEW FISCAL NOTES</b>                  |                  |        |        |      |
|--|------------------|--------|--------|------|
| *FN# is assigned by Chief Clerk's Office |                  |        |        |      |
| *FN#                                     | List by Dept(s): | Fiscal | Indet. | Zero |
|  | REV              | ✓      |        |      |
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| <b>PREVIOUS FISCAL NOTES</b> |                  |        |        |      |
|------------------------------|------------------|--------|--------|------|
| FN#                          | List by Dept(s): | Fiscal | Indet. | Zero |
| 1                            | CED              |        |        | ✓    |
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| <b>Signing with recommendations</b> | Printed Last Name  | DP | DNP | NR | AM           |
|-------------------------------------|--------------------|----|-----|----|--------------|
| <del>_____</del> (alternate)        | <del>Knutson</del> |    |     |    | <del>✗</del> |
| <del>_____</del>                    | Holmes             | X  |     |    |              |
| Calvin Murray                       | Murray             |    |     | ✓  |              |
| Mark No...                          | NEUM...            | ↓  |     |    |              |
| Steve M. Thompson                   | Thompson           | X  |     |    |              |
| Boye Edgmon                         | Edgmon             |    |     | ✓  |              |
| Jammie Wilson                       | T. Wilson          | ✓  |     |    |              |
| _____                               | Gore               | ✓  |     |    |              |
| _____                               | COSTELLO           | ✓  |     |    |              |
| Chair: _____                        | Stolze             |    |     | X  |              |
| Chair: _____                        | AUSTERMANN         | X  |     |    |              |

# Fiscal Note

State of Alaska  
2013 Legislative Session

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

Identifier: HB193CS(FIN)-DOR-TAX-04-07-13  
Title: MUNICIPAL TAXATION OF TOBACCO  
PRODUCTS  
Sponsor: PRUITT  
Requester: (H) Finance

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<br>Appropriation<br>Requested | Included in<br>Governor's<br>FY2014<br>Request | Out-Year Cost Estimates |              |              |              |              |              |
|-------------------------------|--------------------------------------|--|-------------------------|--------------|--------------|--------------|--------------|--------------|
|                               |                                      |  | 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         | 80.4         |
| Travel                        |                                      |  |                         |              |              |              |              |              |
| Services                      | 4.7                                  |  | 4.7                     | 4.7          | 4.7          | 4.7          | 4.7          | 4.7          |
| Commodities                   | 50.0                                 |  | 50.0                    | 50.0         | 50.0         | 50.0         | 50.0         | 50.0         |
| 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> | <b>135.1</b> |

**Fund Source (Operating Only)**

|                 |              |            |              |              |              |              |              |
|-----------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|
| 1108 Stat Desig | 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 |     |  |     |     |     |     |     |

|                           |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|
| <b>Change in Revenues</b> |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|

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:**

Revised fiscal note changes the fund source from GF to SDPR to reflect that the Department may be reimbursed by a municipality the costs incurred by the Department for administering the municipality's cigarette tax stamp. SDPR limits the use of payments by municipalities to the costs of providing state services.

Prepared By: Co-Chair Representative Austerman Phone: (907)465-6258  
House Finance Committee Date: 04/07/2013  
Co-Chair Representative Stoltze  
House Finance Committee

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. CSHB 193 (FIN)

### 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 also to enter into agreements whereby the department could sell cigarette tax stamps and collect cigarette tax revenue on behalf of a municipality if the municipality adopts a cigarette tax stamp as the mechanism for collecting cigarette taxes. This bill will allow the department to be reimbursed by a municipality for the costs associated with selling a municipality's tax stamp and collecting the municipality's cigarette tax revenue.

**Revenues:**

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

**Expenditures:**

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. These costs can be recouped from the municipalities. Therefore, total additional expense to the state as a result of this legislation would be zero.

# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: HB 193  
Fiscal Note Number: 1  
(H) Publish Date: 4/4/13

Identifier: HB193-DCCED-DCRA-04-03-13  
Title: MUNICIPAL TAXATION OF TOBACCO PRODUCTS  
Sponsor: PRUITT  
Requester: House Community and Regional Affairs

Department: Department of Commerce, Community and Economic Development  
Appropriation: Community and Regional Affairs  
Allocation: Community and Regional Affairs  
OMB Component Number: 2879

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

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

**Fund Source (Operating Only)**

|              |            |            |            |            |            |            |            |            |
|--------------|------------|------------|------------|------------|------------|------------|------------|------------|
| None         |            |            |            |            |            |            |            |            |
| <b>Total</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

**Positions**

|           |  |  |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |  |  |

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| <b>Change in Revenues</b> |  |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|--|

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? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Not applicable, initial version.

Prepared By: Scott Ruby, Director  
Division: Community and Regional Affairs  
Approved By: JoEllen Hanrahan, Director  
Administrative Services

Phone: (907)269-4569  
Date: 04/03/2013 03:00 PM  
Date: 04/03/13

FISCAL NOTE ANALYSIS #1

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. HB 193

**Analysis**

This bill would allow for a municipality to inspect tax returns or reports filed with the State. It would also allow municipalities to enter into agreements with the state to jointly share administration of auditing and collection of a tax on cigarettes.

There is no anticipated fiscal impact to the Division of Community and Regional Affairs from this bill.

*Adopted  
4/7/13*

28-LS0714\U  
Bullock  
4/5/13

*Amended  
on  
pg 2  
4/7/13*

**CS FOR HOUSE BILL NO. 193(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-EIGHTH LEGISLATURE - FIRST SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): REPRESENTATIVE PRUITT**

**A BILL**

**FOR AN ACT ENTITLED**

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

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

4 **\* Section 1.** AS 43.05.230(c) is amended to read:

5 (c) The department may permit the proper officer of the United States, [OR  
6 OF] a state, territory or possession of the United States, [OR OF] Canada, [OR OF] a  
7 province or territory of Canada, a political subdivision of the state, or the officer's  
8 authorized representative, to inspect tax returns or reports filed with the department, or  
9 may furnish to the officer or representative a copy of the tax return, if the other  
10 jurisdiction grants substantially similar privileges to the department or its  
11 representative, or to counsel for the state, and if the department determines that the  
12 other jurisdiction provides adequate safeguards for the confidentiality of the returns  
13 and reports, and that the returns and reports will be used for tax purposes only. The  
14 department may also permit the employment security division of the state Department

1 of Labor and Workforce Development to inspect tax returns or reports filed with the  
2 department or may furnish a copy of the tax returns for tax purposes only.

3 \* Sec. 2. AS 43.50.150 is amended by adding new subsections to read:

4 (c) The department may enter into an agreement with a municipality that  
5 imposes a tax on cigarettes for the purpose of jointly auditing a person liable for the  
6 tax under AS 43.50.010 - 43.50.200 and the municipal tax on cigarettes.

7 (d) The department may enter into an agreement with a municipality that  
8 collects a tax on cigarettes through the use of a stamp similar to that used by the  
9 department under AS 43.50.500 to distribute and collect money for the stamps issued  
10 by the municipality on behalf of the municipality in conjunction with the distribution  
11 and sale of stamps under AS 43.50.500 - 43.50.700. An agreement under this  
12 subsection may provide for the municipality to reimburse the department for the cost  
13 of distributing the municipality's stamps and collecting the money for those stamps.

✓  
amend  
to "shall"

# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: HB 193  
Fiscal Note Number: 2  
(H) Publish Date: 4/4/13

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<br>Appropriation<br>Requested | Included in<br>Governor's<br>FY2014<br>Request | Out-Year Cost Estimates |              |              |              |              |              |
|-------------------------------|--------------------------------------|--|-------------------------|--------------|--------------|--------------|--------------|--------------|
|                               |                                      |  | 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         | 80.4         |
| Travel                        |                                      |  |                         |              |              |              |              |              |
| Services                      | 54.7                                 |  | 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> | <b>135.1</b> |

**Fund Source (Operating Only)**

|               |              |            |              |              |              |              |              |              |
|---------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1004 Gen Fund | 135.1        |            | 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> | <b>135.1</b> |

**Positions**

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

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| <b>Change in Revenues</b> |  |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|--|

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   | Phone: | (907)269-6628       |
| Division     | Tax                              | Date:  | 04/02/2013 07:30 PM |
| Approved By: | Alicia Egan, Legislative Liaison | Date:  | 04/03/13            |
|              | Department of Revenue            |        |                     |

FISCAL NOTE ANALYSIS #2

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.

# Alaska State Legislature

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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  
Fax: (907) 269-0105

**Representative Lance Pruitt**  
House Majority Leader

## **CSHB 193 Summary of Changes**

A new subsection (d) was added to Section 2 to allow the Dept. of Revenue to distribute and collect money on behalf of a municipality as well as enter an agreement where the department is reimbursed for any expenses incurred.

# Alaska State Legislature

Session:  
State Capitol Rm. 204  
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**Representative Lance Pruitt**  
House Majority Leader

## 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.

# Alaska State Legislature

*Session:*  
State Capitol Rm. 204  
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Fax: (907) 269-0105

**Representative Lance Pruitt**  
House Majority Leader

## **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.

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House Community & Regional Affairs Committee Hearing  
April 4, 2013

Good morning. My name is Daniel Moore and I am the City Treasurer for the Municipality of Anchorage. Thank you for this opportunity to testify in support of HB 193 allowing reciprocal information sharing between the State and local jurisdictions and promoting coordinated administration and enforcement of commonly assessed taxes. This bill specifically speaks to 2 current tax types that both the State and a number of local jurisdictions collect – that being tobacco tax and rental vehicle tax.

HB 193 is beneficial to both the State and local jurisdictions because it strengthens the effectiveness and efficiency of tax enforcement. The amount of lost revenue due to willful tax evasion by businesses or individuals can be quite significant to a local jurisdiction and to the State. Speaking from the Municipality's viewpoint, a 5% leakage in tobacco tax, as an example, would equate to \$1 million of lost revenue each year. And to illustrate potential loss exposure from non-coordinated rental vehicle tax, we are aware of a State effort in just the past couple years whereby the State assessed a single Anchorage-based rental vehicle operator over \$600,000 in unpaid State rental vehicle taxes – the State's tax assessment did not include any unpaid municipal rental vehicle tax and they could not under the Statute share or coordinate the details of their audit findings as they were proceeding through this matter of a major tax evading entity.

With both tobacco tax and rental vehicle tax, current State statute does not allow the State Department of Revenue to share information gathered -- through discovery and audits -- with local jurisdictions and willful tax evaders are therefore not being fully assessed for the taxes owed. The public policy behind information sharing is widely accepted around the country, with many other state jurisdictions having statutes that authorize sharing of information with local jurisdictions.\*

Section 2 of HB 193 further promotes coordinated administration and enforcement of tobacco tax in particular, by authorizing the Department of Revenue to enter into an agreement with a local jurisdiction, if at some future date, a local jurisdiction desires to implement a joint tobacco tax stamp. Under the proposed legislation the Department would be designated as central administrator of any joint tobacco tax stamp program meeting their economy of scale criteria. This central designation of the Department as chief administrator of a joint tobacco stamp program would serve to minimize impact on private sector stamp purchasers. Program administration by the Department would include collection of tobacco stamp revenues on behalf of a local jurisdiction. A participating local jurisdiction would be then be responsible for reimbursing the Department for any direct, incremental cost increases resulting from a joint tobacco tax program, as these cost reimbursement terms would be formally detailed in an agreement which HB 193 requires to be in place. There are a number of jurisdictions, particularly in largely populated city and county areas, which have multi-jurisdictional tobacco stamps in place, supported by economies of scale and the need to unify tax enforcement.\*\*

States, upon written request by the head of such agency or office, when required in the course of duty or when there is reasonable cause to believe that any federal law is being violated, provided no such agency or office shall disclose such returns or return information, other than in a judicial or administrative proceeding to which such agency or office is a party pertaining to the enforcement of state or federal law, as the case may be, in a form which can be associated with, or otherwise identify, directly or indirectly, a particular taxpayer except that the names and addresses of jurors or potential jurors and the fact that the names were derived from the list of taxpayers pursuant to chapter 884 may be disclosed by the Judicial Branch; (2) returns or return information to the Auditors of Public Accounts, when required in the course of duty under chapter 23; (3) returns or return information to tax officers of another state or of a Canadian province or of a political subdivision of such other state or province or of the District of Columbia or to any officer of the United States Treasury Department or the United States Department of Health and Human Services, authorized for such purpose in accordance with an agreement between this state and such other state, province, political subdivision, the District of Columbia or department, respectively, when required in the administration of taxes imposed under the laws of such other state, province, political subdivision, the District of Columbia or the United States, respectively, and when a reciprocal arrangement exists;

\*\*\*Several Other City/County/State examples of a Joint Stamp (or multi-jurisdictional stamp)

#### **Supplemental Background / Profile information**

- Which Alaskan communities have their own Tobacco excise tax?  
Municipality of Anchorage  
Barrow  
Bethel (effective Mar 1, 2013)  
Fairbanks North Star Borough  
Fairbanks  
City and Borough of Juneau  
Matanuska-Susitna Borough  
City and Borough of Sitka

Source: "Alaska Taxable 2011" published by State of Alaska Department of Commerce, Community, and Economic Development, Table 2. ("Alaska Taxable 2012" is not yet available) for all except Bethel. Bethel: city code available at <http://www.cityofbethel.org/>.

- Which Alaskan communities have their own Rental Vehicle tax?  
Municipality of Anchorage  
Cordova

Yakutat

Source: "Alaska Taxable 2011" published by State of Alaska, Department of Commerce, Community, and Economic Development, Table 2. ("Alaska Taxable 2012" is not yet available).

- What is the current MOA tobacco tax per pack? Per carton?

Municipal 2013 tax rates

115.3 mills  
11.53 cents per cigarette  
\$2.306 per pack of twenty cigarettes  
\$23.06 per carton of ten packs

Source: Muni Web Site

- What is the current SOA tobacco tax per pack? Per carton?

State 2013 tax rates

100 mills  
10 cents per cigarette  
\$2.00 per pack of twenty cigarettes  
\$20.00 per carton of ten packs

Source: State of Alaska, Department of Revenue, Tax Division, "2012 Annual Report."

- How much revenue did the SOA generate in tobacco tax, per the most recent and available published data?

FY 2012 State of Alaska Tobacco Tax Collections

|  |                            |
|--|----------------------------|
| Cigarettes                               | \$59,630,927               |
| Tobacco Products                         | 12,035,633                 |
| Penalties & Interest                     | 87,812                     |
| License Fee Collections                  | 4,975                      |
| Accounting Expense & Tax Stamp Deduction | <u>(353,722)</u>           |
| <b>Total Collections by Product</b>      | <b><u>\$71,405,625</u></b> |

Source: State of Alaska, Department of Revenue, Tax Division, "2012 Annual Report."

Note: MOA collected approximately \$22M in tobacco tax revenue in calendar year 2012 – this is the MOA's 3<sup>rd</sup> largest revenue source in support of city services.

- Is it accurate to say that in recent years the overall tobacco tax paid within MOA ranks in the Top 10 of cities nationwide?

Yes, as of Dec 2012, Anchorage was still in the top ten. See the PDF file attached below for a listing of the cities with the highest tax rates.

This listing was published on Dec 12, 2012, and does not include the new 2013 tax rates for Anchorage. After including the new tax 2013 rate, Anchorage would have a combined state and local tax rate of \$4.306 per pack and move ahead of Bethel to position number 8 in the top ten ranking.



Ranking of Cities  
with highest...

- What volume of cigarettes were imported into MOA in 2012?

Total number of cigarettes acquired in 2012 = 435,922,644

Source: Treasury ACCESS tobacco tax return database

- What volume of MOA-imported cigarettes were sold exempt by MOA Distributors in 2012? What % do exempt sales make of the total cigarette imports into MOA in 2012?

|                           | Number of Cigarettes<br>imported in 2012 | Percent of Total |
|---------------------------|--|------------------|
| Total Cigarettes Acquired | 435,922,644                              | 100.0%           |
| Cigarette Exempt Sales    | 265,652,535                              | 60.9%            |
| Taxable Cigarettes        | 169,968,949                              | 39.0%            |
| Cigarette Other Credits   | 301,160                                  | 0.1%             |

Source: Treasury ACCESS tobacco tax return database

- How much revenue did the SOA generate in Rental Vehicle tax, per the most recent and available published data?

FY 2012 State of Alaska Rental Vehicle Tax Revenues

|                              |                           |
|------------------------------|---------------------------|
| Passenger vehicle rental     | \$8,132,668               |
| Recreational vehicle rental  | 359,002                   |
| Penalties & interest         | <u>37,963</u>             |
| <b>Total Tax Collections</b> | <b><u>\$8,529,633</u></b> |

Source: State of Alaska, Department of Revenue, Tax Division, "2012 Annual Report."

Note: MOA collected approximately \$4.8M in rental vehicle tax revenue in calendar year 2012.

# MUNICIPALITY OF ANCHORAGE



Office of the Mayor

Phone: 907-343-7100

FAX: 907-343-7180

*Mayor Dan Sullivan*

April 2, 2013

The Honorable Gabrielle LeDoux, Co-Chair  
The Honorable Benjamin Negeak, Co-Chair  
House Community & Regional Affairs Committee  
Alaska State Capitol  
Juneau, Alaska 99801-1182

Dear Representative LeDoux & Representative Negeak,

The Municipality strongly supports passage of HB 193 which benefits municipalities in Alaska by promoting greater cooperation and reciprocal information sharing between State and local jurisdictions concerning administration and enforcement of commonly assessed, legally due taxes. The primary concept behind this legislation is consistent with joint information sharing practices cited in many other state statutes.

HB 193, if passed, will result in more efficient and effective oversight, enforcement and collection of taxes assessed by both the State of Alaska and municipalities (i.e., enforcement of tobacco tax and rental vehicle tax). Overall revenue realization by the State and municipalities is likely to be strengthened through shared results of discovery actions and audits. And more coordinated administration and enforcement of these commonly assessed taxes will serve to notably reduce tax evasion, thereby: (1) promoting a more competitive business environment for Alaskan businesses; and (2) decreasing the tax subsidization caused by willful tax evaders who otherwise shift tax burden to law abiding citizens.

In summary, HB 193 is sound legislation that encourages greater intergovernmental efficiency and effectiveness in fulfilling tax collections mandated by law at both the State and local level. This bill levels the playing field for law abiding businesses and citizens by helping to reduce the number of willful tax evaders not paying their fair share of legally due taxes. I encourage support of HB 193 and passage during this legislative session.

Sincerely,

Dan Sullivan  
Mayor

Cc: House Community & Regional Affairs Committee Members