

HB

193

<TARGET><BILL>HB 193</BILL><SUBJECT>HB
193</SUBJECT><COMM>SFIN28</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/11/13

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 193(FIN)

HB 193 MUNICIPAL TAXATION OF TOBACCO PRODUCTS

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

and recommends:

be replaced with SCS CSHB 193 (FIN) [] Same Title [] Technical Title Change
[] New Title/SCR No. _____

[] adopt previous SCS _____ (_____) [] Same Title [] Technical Title Change
[] New Title/SCR No. _____

[] attached amendment(s)

[] adopt _____ Letter of Intent

[] further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
REV	✓			
CED			✓	

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[] APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	NO REC	AMEND
<i>Anna Fairclough</i>	FAIRCLOUGH	✓			
<i>Michael J. ...</i>	DONLEAVY	✓			
<i>John ...</i>	HOFFMAN	✓			
CO-CHAIR: <i>K. Meyer</i>	Meyer	✓			
CO-CHAIR:					

Fiscal Note

State of Alaska
2014 Legislative Session

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

Identifier: HB193CS(FIN)-DOR-TAX-02-07-14
Title: MUNICIPAL TAXATION OF TOBACCO
PRODUCTS
Sponsor: PRUITT
Requester: (S) 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)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES								
Personal Services	82.0		82.0	82.0	82.0	82.0	82.0	82.0
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								
Total Operating	136.7	0.0	136.7	136.7	136.7	136.7	136.7	136.7

Fund Source (Operating Only)

1108 Stat Desig	136.7		136.7	136.7	136.7	136.7	136.7	136.7
Total	136.7	0.0	136.7	136.7	136.7	136.7	136.7	136.7

Positions

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

Change in Revenues							

Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

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? **12/31/14**

Why this fiscal note differs from previous version:

Revised fiscal note reflects that the Department may be reimbursed by a municipality the costs incurred by the Department for administering the municipality's cigarette tax stamp program if the Department enters into an agreement with a municipality for that service.

Prepared By:	Johanna Bales, Deputy Director	Phone:	(907)269-6628
Division:	Tax	Date:	02/08/2014 10:30 PM
Approved By:	Angela M. Rodell, Commissioner	Date:	02/08/14
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSHB 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 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 \$82,000 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.

Regulations:

The department would adopt regulations to identify the circumstances under which confidential taxpayer information could be shared with a municipality and to outline the procedures for entering into an agreement with a municipality for joint cigarette tax enforcement and sales of cigarette tax stamps. Regulations should be effective by December 31, 2014.

Fiscal Note

State of Alaska
2014 Legislative Session

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

Identifier: HB193CS(FIN)-DCCED-DCRA-02-07-14
Title: MUNICIPAL TAXATION OF TOBACCO
PRODUCTS
Sponsor: PRUITT
Requester: Senate Finance

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)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

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:

The CS for this bill does not alter the fiscal note. This fiscal note is updated for second session of Legislature.

Prepared By: <u>Scott Ruby, Director</u>	Phone: <u>(907)269-4569</u>
Division: <u>Community and Regional Affairs</u>	Date: <u>02/07/2014 05:00 PM</u>
Approved By: <u>Jeanne Mungle, Director</u>	Date: <u>02/07/14</u>
Agency: <u>Administrative Services</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSHB 193(FIN)

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.

28-LS1436A
Bullock
2/10/14

**SENATE CONCURRENT RESOLUTION NO.
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - SECOND SESSION**

BY THE SENATE FINANCE COMMITTEE

**Introduced:
Referred:**

A RESOLUTION

1 **Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State**
2 **Legislature, concerning House Bill No. 193, relating to the joint administration of**
3 **tobacco taxes by the state and a municipality.**

4 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 **That under Rule 54, Uniform Rules of the Alaska State Legislature, the provisions of**
6 **Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, regarding**
7 **changes to the title of a bill, are suspended in consideration of House Bill No. 193, relating to**
8 **the joint administration of tobacco taxes by the state and a municipality.**

Adopted 2/11/14

28-LS0714P
Bullock
2/10/14

**SENATE CS FOR CS FOR HOUSE BILL NO. 193(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - SECOND SESSION**

BY THE SENATE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES PRUITT, Drummond

**A BILL
FOR AN ACT ENTITLED**

1 "An Act relating to the joint administration of tobacco taxes by the state and a
2 municipality; and authorizing the Department of Revenue to furnish to a municipality
3 returns or reports related to the vehicle rental tax."

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

5 * Section 1. AS 43.50.150 is amended by adding new subsections to read:

6 (c) The department may enter into an agreement with a municipality that
7 imposes a tax on cigarettes or other tobacco products for the purpose of jointly
8 auditing a person liable for a tax under AS 43.50.010 - 43.50.390 and the municipal
9 tax on cigarettes or other tobacco products.

10 (d) The department may enter into an agreement with a municipality that
11 collects a tax on cigarettes through the use of a stamp similar to that used by the
12 department under AS 43.50.500 to distribute and collect money for the stamps issued
13 by the municipality on behalf of the municipality in conjunction with the distribution
14 and sale of stamps under AS 43.50.500 - 43.50.700. An agreement under this

1 subsection must provide for the municipality to reimburse the department for the cost
2 of distributing the municipality's stamps and collecting the money for those stamps.

3 (e) Notwithstanding AS 40.25.100(a) and AS 43.05.230(a), the department
4 may furnish the proper officer or representative of a municipality the tax returns or
5 reports filed with the department under this chapter if the municipality grants
6 substantially similar privileges to the department, provides adequate safeguards for the
7 confidentiality of the returns and reports, and uses the returns and reports only for tax
8 purposes.

9 * Sec. 2. AS 43.52.080 is amended by adding a new subsection to read:

10 (d) Notwithstanding AS 40.25.100(a) and AS 43.05.230(a), the department
11 may furnish the proper officer or representative of a municipality the tax returns or
12 reports filed with the department under AS 43.52.010 - 43.52.099 if the municipality
13 grants substantially similar privileges to the department, provides adequate safeguards
14 for the confidentiality of the returns and reports, and uses the returns and reports only
15 for tax purposes.

Alaska State Legislature

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Representative Lance Pruitt
House Majority Leader

Sponsor Statement

CSHB 193(FIN)

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

Passage of CSHB 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 CSHB 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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Representative Lance Pruitt
House Majority Leader

Summary of Changes to HB 193 (28-LS0714\A) in CS HB 193(FIN) (28-LS0714\N)

Section 2 Subsection (d) was added to CSHB 193(FIN) version N 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.

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Representative Lance Pruitt
House Majority Leader

CSHB 193(FIN) 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. Subsection (c) allows municipalities and the state to jointly collect both state and municipal tobacco taxes. It also allows for joint auditing and distribution of stamps and collection of money on stamps. Subsection (d) allows 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.

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



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February 10, 2014

Honorable Pete Kelly and Honorable Kevin Meyer
State Capitol Building
Senate Finance, Room 532
Juneau, Alaska 99801

RE: HB193

Dear Senator Kelly and Senator Meyer,

On behalf of the Alaska Municipal League, I would like to offer our support of HB193.

We at the Alaska Municipal League believe that the passage of HB193 will benefit municipalities by helping with more effective oversight, enforcement and collection of commonly legally due taxes. This bill will promote greater cooperation and mutual information sharing between State and municipalities in Alaska, resulting in less occurrence of tax evasion by businesses and individuals.

HB193, if passed, will cause overall revenue realization by State and municipalities and more coordination of administration and enforcement of commonly assessed taxes. This will serve to notably reduce tax evasion which will promote a more competitive business environment and decrease tax subsidies caused by tax evaders.

The Alaska Municipal League strongly encourages passage of HB193.

Sincerely,

Kathie Wasserman

Kathie Wasserman
Executive Director