

**02 / 10 / 15**

**INDIRECT**

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**REPORT**

<TARGET><BILL></BILL><SUBJECT>02-10-15 INDIRECT  
EXPENDITURE REPORT</SUBJECT><COMM>HFIN29</COMM></TARGET>



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

**Department of Revenue**

COMMISSIONER'S OFFICE

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February 11, 2015

Representative Steve Thompson, CoChair  
House Finance Committee  
State Capitol  
Juneau, Alaska 99801

Dear Representative Thompson,

At yesterday's hearing on indirect expenditures I was asked what staff the Department of Revenue uses to administer the various tax credits

Tax Division positions administering tax credits by type:

Oil and Gas Production :

- 5 auditors and 1 FTE tax technician
  - Exploration Incentive
  - Qualified Capital Expenditure
  - Well Lease Expenditure
  - Carried-Forward Annual Loss
  - New Area Development
  - Small Producer
  - Alternative Credit for Exploration
  - Transitional Investment Expenditure
  - Cook Inlet Jack-Up Rig
  - Frontier Basin
  - Per-Taxable-Barrel Credit for Non-GVR-Eligible Production
  - Per-Taxable-Barrel Credit for GVR-Eligible Production
- A Small fraction 7 auditors and 2 audit masters time (maybe 2 hours per large audit)
  - Education
  - Qualified Capital Expenditure
  - Well Lease Expenditure

Property Tax:

- A fraction of 1 appraiser's time
  - Intangible Drilling Expenses Excluded
  - Exploration Expenses Excluded

Film Tax Credit:

- 1 supervisor (Executive Director) 1 auditor and 1 accounting technician

- Film Production (the credit is audited only once by the film office but can be claimed against various tax types)

Corporate Income:

- A small fraction of 8 auditors time (maybe 5 hours of a 600 hour audit) reviewing all credits which can be claimed against corporate income tax (listed in the Indirect Expenditures Report).

Motor Fuel:

- One half of 1 tax technician's time processing claims for refund. Motor Fuel is taxed "at the rack" which means that most fuel sales already have the tax paid and the customer is purchasing the fuel "tax on." Customers may file a claim for refund to get the tax back when the fuel is used for a non-taxable purpose.
  - Foreign Flight Exemption
  - Charitable Institution Exemption
  - Government Exemption
  - Stationary Power Plant Exemption for Home Heating
  - Heating Fuel Exemption (although many of these sales are made "tax off")
  - Small Generator Exemption
  - Off-Highway Use
- A small fraction of 1 auditors time
  - All other motor fuel credits

Excise:

- A small fraction of 6 auditors time (maybe 2 hours per large audit) reviewing credits for the following tax types:
  - Tobacco
  - Alcoholic Beverages
  - Mining
  - Commercial Passenger Vessel
  - Large Passenger Vessel Gambling
  - Tire Fee
  - Vehicle Rental

Fish:

- One half of 1 auditor's time
  - Salmon/Herring Product Development

Economics Research:

- 1 economist-various credits
- 1 economist –indirect expenditure report

If you have any additional questions please contact me.



Jerry Burnett  
Deputy Commissioner  
Department of Revenue

TRANSACTION REPORT

P. 01

FEB-10-2015 TUE 02:48 PM

FOR: house finance

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DATE	START	RECEIVER	TX TIME	PAGES	TYPE	NOTE	M#	DP
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February 9, 2015

Jodie McDonnell

# of 1

<p>SHORT TITLE</p> <p>INDIRECT EXPENDITURE REPORT DISCUSSION Related to CHAPTER 61, SLA 14</p>	<p>ACTION TAKEN ON LEGISLATION</p> <p>Moved _____ ( ) Out of Committee</p> <p>Heard and Held _____</p> <p>Bill Postponed to _____</p> <p>Scheduled but not Heard _____</p> <p>Failed to Move Out of Committee _____</p> <p style="text-align: right; border: 1px solid black; border-radius: 50%; padding: 5px;">N/A</p>
<p>SHORT TITLE</p>	<p>ACTION TAKEN ON LEGISLATION</p> <p>Moved _____ ( ) Out of Committee</p> <p>Heard and Held _____</p> <p>Bill Postponed to _____</p> <p>Scheduled but not Heard _____</p> <p>Failed to Move Out of Committee _____</p>
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ALASKA STATE LEGISLATURE  
HOUSE FINANCE COMMITTEE

State Capitol, Room 519

Rep. Mark Neuman, Co-Chair

Rep. Steve Thompson, Co-Chair

Tuesday, February 10, 2015

1:30 PM

Agenda:

Indirect Expenditure Report Discussion

Related to Chapter 61 Session Law of Alaska 2014

Chaired by Co-Chair Steve Thompson.

Testifying in person:

BA Brodie Anderson, Staff, Co-Chair Steve Thompson

DT David Teal, Director, Legislative Finance Division

Presentation by Department of Revenue

Presenting in person:

STI Dan Stickel, Assistant Chief Economist, Tax Division, Department of Revenue

MEK Mackenzie Merrill, Economist 1, Tax-Economic Research Group, Department of Revenue

Jerry Burnett, DOR

INDIRECT EXPENDITURE REPORT SUMMARY

Page	Department	Expenditure Name	Statutory, AAC	Annual Revenue Forgone	Comment
p.3	Commerce	Banking – Small Loan company extension – One Business	06.20.030	\$50.00	Recommend Termination, obsolete and ineffective
p.4	Commerce	Securities – Discount for securities registrants and notice filers	3 AAC 08.92-(3),(4) & (5); 45.55.110; 45.55.139; 45.55.950; 45.55.980	\$285,500	Modify – two-year filing option to reduce administrative burden
p.5	Commerce	Bulk Fuel Loan Program – Interest reduction	AS 42.45.280, AAC 3 161.045	\$21,000	No Recommendation – Recent Activity
p. 7	Commerce	Assessor – Senior Citizen, Disabled Veteran Tax Exemption	AS 29.45.030 (e)-(g)	\$1,897 per applicant (loss revenue to municipalities)	Reconsideration – Appears as an unfunded mandate to municipalities established 40 years ago. State funds have not appropriated since 1997 to reimburse municipalities.
p.9	Commerce	Assessor – Property Tax Equivalency Payment	29.45.040	\$0	Termination – not funded since 2000, so there are no beneficiaries
p.11	Commerce	Business Licensing – Discount for Senior citizens	43.70.030(a)(1-2); 12 AAC 12.010(a)(1-2)	\$62,000	Reconsideration – value of exemption may be insignificant to beneficiaries and may not justify administrative burden
p. 13 – 15	Commerce	Corporations; (1) Discounts for AK Corporations, (2) LLCs, (3) LLPs on biennial report	(1) AS 10.06.845(a); (2) 3 AAC 16.065; AS 10.50.850; AS 10.50.900; (3) 3 AAC 16.055(c); AS 32.05.750; AS 32.06.970	(1) \$ 692,200 (2) \$1,163,300 (3) \$2,000	Reconsideration – Legislature may want to review the entire corporate fee structure for effectiveness and determine whether Alaska’s fee structure is competitive with other states
p.16 – 18	Commerce	Corporations; (1) Discounts for Alaskan Corporations, (2) LLCs, (3) LLPs on creation	(1) AS 10.06.845(a); (2) 3 AAC 16.065; AS 10.50.850; AS 10.50.900; (3) 3AAC 16.055(c); AS 32.05.750; AS 32.06.970	(1) \$50,800 (2) \$392,200 (3) \$1,000	Reconsideration - Legislature may want to review the entire corporate fee structure for effectiveness and determine whether Alaska’s fee structure is competitive with other states

INDIRECT EXPENDITURE REPORT SUMMARY

p. 19	Commerce	Professional Licensing: Pro rate renewal license	AS 08.01.065, AS 08.01.080, AS 08.01.100, AAC 12 02.030,	Unknown	Recommend removal as an Indirect Expenditure
p.20	Commerce	Professional Licensing: Big Game Commercial Services Board – Discount for Alaskan Guides	AS 08.54.770	\$340,000 if fees were the same as non-residents	Reconsideration – Many professional licensing programs are not adhering to AS 08.01.065, which requires fees collected be set at the cost of regulating the occupation. FY14 carryforward deficit of \$839,480. Discount should be set with AS 08.01.065 in mind, also that legislature does not directly set fees.
p.22	Commerce	Professional Licensing Collection Agency– Discount for residence license-holders	AS 08.24.370	\$5,000 if same fee for nonresidents	Reconsideration – Discount is small relative to business operating costs. Consider AS 08.01.065 with any change to discount
p.24	Commerce	Commercial Fishing Revolving Loan Fund – Pay on Time Program	3 AAC 80.055(p); AS 16.10.310	\$386,451	Reconsideration, but eliminating the discount may be the only way to determine if working. Fee for late payment
p. 25	Commerce	Insurance – Premium Deductions	AS 21.09.210(b)	\$976,932	Recommend removal as an Indirect Expenditure
p.27	Commerce	Insurance: all programs – Deduction on claims paid	AS 21.09.021(b)(2)	\$9,393,147	Alaska’s tax structure was put together 50 years ago. May want to compare how other states tax medical services insurers
p. 29	Commerce	Insurance: all programs, Wet Marine and Transportation tax	AS 21.09.210(d)	\$146,024	Reconsideration – Review and compare to other states. May be obsolete since established 50-years ago.
p.31-36	Commerce	Insurance: all programs, Lower tax rate	AS 21.09.210(m)	\$0	Cont. program, may want to reconsider tax rate. Higher rate might increase revenue
p.37	Commerce	Insurance: all programs, Alaska Fire Standards Council Tax Credit	AS 21.96.075	\$0	Reconsideration- terminate if ineffective
p.39	Commerce	Surplus Lines Tax	AS 21.34.180	\$137,786	Not really an indirect expenditure, however, may want to review and compare how other states tax insurance companies
p. 40	Commerce	Surplus Lines Tax – Tax Exemptions	AS 21.34.180(i)	\$761,745	Recommend continue – concept is sound
p. 42	Commerce	Insurance: all programs, ACHIA Tax Credit	AS 21.55.022(f)	\$6,000,116	May want to reconsider the size of the tax credit, last reviewed 2012.

INDIRECT EXPENDITURE REPORT SUMMARY

p. 44	Commerce	Insurance – Education Tax Credit	AS 21.96.070	\$250,000	No Recommendation – Recent Activity
p. 47	F&G	Commercial Fisheries Entry Commission – Nonresident fee differential	AS 16.43.160, AAC 20 05.245(a)(7)		Recommend removal as an Indirect Expenditure
p. 48	F&G	Commercial Fisheries Entry Commission, Reduced permit fees (low Income)	20 AAC 05.245(c) – (e) AS 16.43.160(d)	\$17,921	Review re: 1975 enactment date. Legislature may want to review all Commercial Fisheries Entry Commission (CFEC) fees. Annual revenue collection exceeds CFEC operational budget.
p. 49	F&G	Commercial Fisheries Entry Commission – Permit fee waived (fishery closures)	AS 16.43.100, AS 16.43.110, AS 16.43.220, AAC 20 05.425	\$88,501	No direct recommendation – recommendation on all CFEC fees but currently revenue collected exceeds the annual CFEC operating budget
p. 50 - 52	F&G	Commercial Fisheries Entry Commission, (1) Reduced application fee for low income nonresidents; (2) Reduced permit fees (low Income); (3) Permit fees waived (fishery closures)	20 AAC 05.250(b) AS 16.43.100 AS 16.43.110; 20 AAC 05.425(e)(1) AS 16.43.100 As 16.43.110 AS 16.43.220; 20 AAC 05.1910(h) AS 16.43.100 AS 16.43.110	\$0 \$160 \$75	(1), (2), & (3) Termination based on low usage and small benefit.
p. 53 - 69	F&G	Sports Fishing, Hunting and trapping license, (1) Resident Senior, (2) Low income (3) Blind sports Fish, (4) Disabled Veterans, (5)Yukon Sports Fish, (6) Yukon King Stamp, (7) Res Military ANG/Reserves, (8) Non res Military Fish, (9) Non res Military Hunt, (10) Non res Military Hunt/Fish, (11) NR Military King Stamp, (12) NR Military Bear Tag, (13) NR Military Goat Tag, (14) NR Military Sheep Tag, (15) Complimentary fishing & hunting licenses	(1) AS 16.05.400 (2) AS 16.05.340 (3) AS 16.05.340 (4) AS 16.05.341 (4) AS 16.05.340 (5) AS 16.05.340 (6) AS 16.05.340 (7) AS 16.05.341 (8) AS 16.05.340 (9) AS 16.05.340 (10) AS 16.05.340 (11) AS 16.05.340 (12) AS 16.05.340	(1) unknown but less than \$6 mm estimated by department (2) \$160 (3) \$1,991 (4)\$348,138 (5) \$139,440 (6) \$64,890 (7) \$75,936 (8) \$618,431 (9) \$42,090 (10) \$287,560	Recommend review of all F&G license fees. F&G funds are insufficient to cover the Department of F&G’s annual operating and capital costs, requiring UGF to support programs. 1993 was the last time fishing and hunting fees were increased.

INDIRECT EXPENDITURE REPORT SUMMARY

			(13) AS 16.05.340 (14) AS 16.05.340 (15) AS 16.05.335	(11) \$118,400 (12) \$14,250 (13) \$300 (14) \$1,700 (15) \$7,855	
p. 73	HSS	Alaska Pioneer Homes – Payment Assistance Program	AS 47.55.010, AS 47.55.020, AS 47.55.030, AAC 7 74.045	\$6,318,976	Recommend continue – narrow focus recommendation on expenditure
p. 75	HSS	SHARP II	AS 18.29, AAC 7 24	\$603,000	No Recommendation – Recent Activity
p.76	HSS	Public Health Nursing, Reasonable fees, collection, non-denial of services	7 AAC 80.010-060 AS 44.29.022	\$1,300,000	Reconsideration. Although this is an established program, the legislature last addressed this program in 1986. Perhaps require that insurance is billed, if available.
p. 78	HSS	Vital Stats – Death Certs Fees	AS 18.50.320	\$40,900	No Recommendation – Recent Activity
p. 79	HSS	Women, Children, & Family Health Pediatric Specialty Clinics – fees for service	AS 37.10.050(c)		Recommend Continue
p. 81	HSS	Vaccine – fees for vaccines	CH 24 SLA 2012, AS 18.09	\$4,496,000	No Recommendation – Recent Activity
p. 85	DOL	Workers’ Compensation, Workers’ Comp Uninsured Penalties	AS 23.30.080(f) 8 AAC 45.176	\$503,000	Reconsideration. Affected by lawsuit. The revenue from these civil penalties partially funds the Workers’ Compensation Benefits Guaranty Fund (AS 23.30.082), which covers expenses for injured employees of uninsured employers.
p. 87	DOL	Workers’ Compensation – Workers’ Compensation Appeals Fees	AS 23.30.128, AAC 8 57.090	\$2,400	Recommend continuation
p. 88	DOL	Workers’ Compensation – Workers; Compensation Late Filing Penalties	AS 23.30.155(c) and (m) 8 AAC 45.136	\$117,100	Reconsideration – the program was last modified more than 15 years ago. According to the Department, the way the program works is that more penalties are waived in years where most filers are timely. This was true in both FY10 and FY13, when the percentage of filings that were late were 2.6%

INDIRECT EXPENDITURE REPORT SUMMARY

					and 2.0% respectively. In FY11 and FY12, the percentage of late filings were higher (7.3% and 5.8%, respectively); so fewer filers met the threshold to have their penalties forgiven.
p. 90	DOL	Alaska Vocational Technical Center, AVTEC Tuition Waiver	AS 44.31.020	\$13,200	Reconsideration – The program was established 15 years ago. Not all the waivers have been used each year for two reasons (1) not all seven districts represented by the Alaska School Counseling Association (AKSCA) identify students for the tuition waivers, and (2) the students identified do not necessarily attend AVTEC.
p.92	DOL	Occupational Safety and Health, Penalty reduction for late reporting	AS 18.60.095 8 AAC 61.155	\$54,300	Reconsideration. In theory, this approach allows quicker resolution and faster hazard abatement
p. 97	Revenue	Oil & Gas production Tax, State Royalty – Exploration	AS 38.05.180(i)	\$0	Termination – Credit appears obsolete and ineffective given that it has not been used in over a decade. Alternative Credit for exploration (AS 43.55.025(a)(1-4)) appears to be a more attractive.
p. 98	Revenue	Oil & Gas Production Tax, Qualified Capital Expenditure Credit	AS 43.55.023(a)	\$772 million	No recommendation - SB21 put a sunset provision on this credit for the North Slope. In another attempt to incentivize new production, two new credits were created, the 20% Gross Value Reduction (GVR) credit, and a per barrel sliding scale credit for new production.
p. 100	Revenue	Oil & Gas Production Tax, Well Lease Expenditure Credit	AS 43.55.023(l)	\$ unknown	Credit should be reviewed in executive session due to confidential information
p. 101	Revenue	Oil & Gas Production Tax, State Royalty – Carried Forward Annual Loss Credit	AS 43.55.023 (b)	Unknown	No Recommendation – Recent Activity
p. 103	Revenue	Oil & Gas Production Tax – New Area Development Credit	AS 43.55.024 (a)	\$0	Recommend no action – Credit will sunset 12/31/2015
p. 104	Revenue	Oil & Gas Production Tax, Small Producer Credit	AS 43.55.024(c)	\$58 million	Review of costs and benefits. While the credit appears to have been successful in bringing in

INDIRECT EXPENDITURE REPORT SUMMARY

					“small” producers, the cost may outweigh the benefit to the state. These small producers may in fact be large multi-national corporations with limited production in Alaska.
p. 106	Revenue	Oil & Gas Production Tax – Alternative Credit for Exploration	AS 43.55.025 (a)(1-4)	\$8 million	No Recommendation – Recent Activity
p. 107	Revenue	Oil & Gas Production Tax – Transitional Investment Expenditure Credit	AS 43.55.023 (i)	Indeterminate	Recommend no action – Credit sunset on 12/31/13
p. 108	Revenue	Oil & Gas Production Tax – Cook Inlet Jack-up Rig Credit	AS 43.55.025 (a)(5)	\$0	Recommend continue – Credit will sunset in 2016
p. 109	Revenue	Oil & Gas Production Tax – Frontier Basin Credit	AS 43.55.025 (a) (6-7)	\$0	No Recommendation – Recent Activity, credit will sunset in 2016
p.110	Revenue	Oil & Gas Production Tax – Per Barrel Credit Non GVR eligible production	AS 43.55.024 (j)	Unknown	No Recommendation – Recent Activity
p. 112	Revenue	Oil & Gas Production Tax – Per Barrel Credit GVR eligible production	AS 43.55.024 (i)	Unknown	No Recommendation – Recent Activity
p. 113	Revenue	Property Tax – Exclusion from tax value of drilling and exploration expenses	AS 43.56.060 (f)	Indeterminate	Recommend Continue
p.114	Revenue	Corporate Income Tax – Oil & Gas Service Industry Expenditures Credit	AS 43.20.049	\$0	No Recommendation – Recent Activity
p.115	Revenue	Corporate Income Tax – Gas exploration & Development Credit	AS 43.20.043	Indeterminate	No Recommendation due to lack of information provided since it confidential
p.116	Revenue	Corporate Income Tax – In-state Refinery Tax Credit	AS 43.20.053	\$0	No Recommendation – Recent Activity
p. 117	Revenue	Corporation Income Tax, Foreign Royalty Exclusion	AS 43.20.145(b)	\$ unknown	Termination – Provision does not appear to be closely related to the legislative intent, and could be seen as a loophole because it allows taxpayers to reduce liability by shifting assets to offshore subsidiaries. Minnesota recently repealed a similar provision and significantly increased corporate income tax revenue.
p. 118	Revenue	Corporate Income Tax, Utilities Exempted from Water’s Edge Combination Reporting	AS 43.19.010, Art. IV, Section 2	\$ unknown	Recommend Termination. Provision does not appear to be closely related to the legislative intent, and could be seen as a loophole

INDIRECT EXPENDITURE REPORT SUMMARY

					because it allows taxpayers to reduce liability by shifting costs between subsidiaries.
p. 119	Revenue	Corporate Income Tax – Small Business Exemption	AS 43.20.012	Unknown	No Recommendation – Recent Activity
p. 120	Revenue	Corporate Income Tax – Exclude income from certain vessels	AS 43.20.021 (h)	Unknown	Recommend Continue
p. 121	Revenue	Corporate Income Tax, Exempt corporations from tax that are participants in contract under Stranded Gas Act.	AS 43.20.145 (g)	\$ none	Termination because the SGDA is unlikely to be used in the future, rendering the exemption obsolete.
p. 122	Revenue	Corporation Income Tax, “S” Corporation exclusion	AS 43.20.021	\$ unknown – approximately 7,500 beneficiaries	Termination, “S” corporations are exempt from the federal corporate income tax because income from these corporations is taxed under the personal income tax. Without a state personal income tax, these corporations receive the legal benefits of incorporation without any state tax liability. The only other state with a corporate income tax and no personal income tax, Florida, does tax “S” corporations.
p. 124	Revenue	Corporate Income Tax, Reduced tax rate on capital gains.	AS 43.20.021(c)	\$ unknown	Termination – This provision was adopted for conformity with federal corporate income tax, which at the time had a lower rate for capital gains than other income. The federal tax code no longer treats capital gains differently from other income, so this provision is no longer necessary for conformity (it actually puts Alaska out of conformity).
p. 126	Revenue	Corporate Income Tax, Federal Tax Credits	AS 43.20.021	\$ unknown	Termination – This rational for this provision is conformity with the federal tax code, but this conformity is not necessary for efficient administration of the corporate income tax. No other state adopted all federal tax credits by reference into its own tax code. Doing so results in the state of Alaska giving tax credits

INDIRECT EXPENDITURE REPORT SUMMARY

					for activity both within and outside of the state of Alaska, for purposes determined by the federal government rather than the state.
p. 128	Revenue	Corporate Income Tax, Gas storage Facility Credit	AS 43.20.046	\$ unknown, 4 recipients	Sunset 12/31/2015 should be reviewed in the 2015 session
p. 129	Revenue	Corporate Income Tax – LNG Storage Facility Credit	AS 43.20.047	\$0	No Recommendation – Recent Activity
p. 130	Revenue	Corporate Income Tax – Veterans Tax Credit	AS 43.20.048	\$0	No Recommendation – Recent Activity
p. 131	Revenue	Multiple Tax Programs – Film Production Credit	AS 43.98.030, AS 44.25.100-190	\$6,011,541	No Recommendation – Recent Activity
p. 133	Revenue	Multiple Tax Programs – Education Credit	AS 21.20.014, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, AS 43.77.045	\$7,188,502	No Recommendation – Recent Activity
p. 134	Revenue	Corporate Income Tax, Mining License Tax, Mineral Production Royalty, Minerals Exploration Credit	AS 27.30.030 AS 43.20.044	\$5,975,341	Reconsideration of the mining licenses tax structure in its entirety. Credit was established 20 years ago and should be reexamined as to the effectiveness and benefits to the state and mining industry. This credit rewards the industry once production has started instead of directly reducing the cost of exploration. In contrast, oil and gas tax credits incentivize exploration by offsetting upfront costs.
p. 135	Revenue	Cigarette Tax – personal exemption from cigarette tax	AS 43.50.090 (d), AS 43.50.150 (c)	Indeterminate	Recommend Continue
p. 136	Revenue	Cigarette Tax – Uniformed Services Exemption	AS 43.50.090 (c)	Indeterminate	Recommend Continue
p. 137	Revenue	Cigarette Tax – Indian reservation Exemption	AS 43.50.090 AS 43.50.150	\$309,220	Recommend Continue

INDIRECT EXPENDITURE REPORT SUMMARY

p. 138	Revenue	Tobacco Products Tax – Personal exemption	AS 43.40.300	Indeterminate	Recommend Continue
p. 139	Revenue	Tobacco Products Tax – Uniformed services exemption	AS 43.40.310 (a)	Indeterminate	Recommend Continue
p. 140	Revenue	Tobacco Products Tax – Indian Reservation exemption	AS 43.40310 (b)	Indeterminate	Recommend Continue
p. 141	Revenue	Tobacco Products Tax, Commission	AS 43.50.330(b)	\$ 50,056	Termination – Other state tax payers do not receive a discount to cover the costs of filing taxes. Online tax filing provides an efficient and cost effective method – the rate reduction may be obsolete.
p. 142	Revenue	Cigarette Tax, Tax Stamp Discount	AS 43.50.540(c)	\$313,192	Termination – The costs of affixing stamps to packs of cigarettes should be considered a cost of selling cigarettes in Alaska.
p. 143	Revenue	Motor Fuel Tax, Timely filing discount	AS 43.40.010(c)	\$66,738	Termination – Instead of a break for timely filing, recommend a penalty for late filing. Other state tax payers do not receive a discount for timely filing.
p. 144	Revenue	Motor Fuel Tax – Foreign Fuel exemption	AS 43.40.100 (2) (a)	\$4,162,190	Recommend Continue
p. 145	Revenue	Motor Fuel Tax – Foreign Flight Exemption	AS 43.40.100 (2)(b)	\$5,970,327	Recommend reconsideration – Some form of tax revenue may be justified to compensate for wear and tear on airport facilities.
p. 146 - 147	Revenue	Motor Fuel Tax – Stationary Plant & Nonprofit Power Association Exemption	AS 43.40.100 (2) (c-d)	\$455,894 \$2,490,056	Recommend continue – motor fuel tax are intended to be used on fuels used for motor travel
p. 148	Revenue	Motor Fuel Tax – Charitable Institution Exemption	AS 43.40.100(2)(e)	\$59,690	Recommend Continue
p. 149	Revenue	Motor Fuel Tax – Dealer Exemption	AS 43.40.100 (2) (f)	Indeterminate	Recommend Continue
p. 150	Revenue	Motor Fuel Tax – Government Exemption	AS 43.40.100 (2)(g)	Indeterminate	Recommend Continue
p. 151 - 154	Revenue	Motor Fuel Tax – Stationary Power Plant exemption for home heating, heating fuel exemption, small generator exemption, Bunker fuel exemption	AS 43.40.100 (2)(h-l)	\$9,179,682	Recommend continue – motor fuel tax are intended to be used on fuels used for motor travel

INDIRECT EXPENDITURE REPORT SUMMARY

p. 155	Revenue	Motor Fuel Tax - Off-Highway Use reduced rate	AS 43.40.030 (a)	\$2,276,484	Recommend continue
p. 156	Revenue	Motor Fuel Tax, Reduced rate for Aviation gas	AS 43.40.010(a)(1)	\$330,876	Reconsideration of tax rates for all motor fuels. National average is 24 cents, Alaska is 8 cents or 4.7 cents for Aviation fuel. A tripling of the base motor fuel tax rate would not be unjustified given Alaska's immense size and commensurately high cost of maintenance and construction. Reduced rates for Av Gas, Jet Fuel and Marine Fuel could then be adjusted to a level deemed appropriate for those transportation models.
p. 157	Revenue	Motor Fuel Tax, Reduced rate for Marine Fuel	AS 43.40.010(a)(2)	\$3,384,044	Reconsideration of tax rates for all motor fuels. National average is 24 cents, Alaska is 8 cents or 5 cents per gallon for Marine fuel. A tripling of the base motor fuel tax rate would not be unjustified given Alaska's immense size and commensurately high cost of maintenance and construction. Reduced rates for Av Gas, Jet Fuel and Marine Fuel could then be adjusted to a level deemed appropriate for those transportation models.
p. 159	Revenue	Motor Fuel tax, Reduced Rate for Jet Fuel 3.2 cents per gal.	AS 43.40.010(a)(3)	\$6,206,054	Reconsideration of tax rates for all motor fuels. National average is 24 cents, Alaska is 8 cents or 3.2 cents for Jet fuel. A tripling of the base motor fuel tax rate would not be unjustified given Alaska's immense size and commensurately high cost of maintenance and construction. Reduced rates for Av Gas, Jet Fuel and Marine Fuel could then be adjusted to a level deemed appropriate for those transportation models.
p. 160	Revenue	Commercial Passenger Vessel Tax – Small Passenger Vessel Exemption	AS 43.52.295 (1)(a)	Indeterminate	Recommend continue

INDIRECT EXPENDITURE REPORT SUMMARY

p. 161	Revenue	Commercial Passenger Vessel Taxes, 72 Hour Threshold Voyage Exemption	AS 43.52.295(4)	\$ Indeterminate	Reconsideration – This exemption defines a voyage in Alaska. However, it has altered commercial passenger vessel behavior and created a loophole that reduces potential revenue to the state and municipalities.
p. 162	Revenue	Commercial Passenger Vessel Taxes, Tax Deduction for Local Levies	AS 43.35.255	\$13,559,558	Reconsideration – Allowing Juneau and Ketchikan to retain local tax proceeds and receive the \$5 port of call payment leaves the state with as little as \$4.50 per passenger to spread among other ports of call. If this “grandfathered” tax reduction is retained, Juneau’s and Ketchikan’s eligibility for port of call payments should be reconsidered. If the deduction is eliminated, Juneau and Ketchikan would be on the same basis as other communities – they would have to determine if the market will bear additional taxation.
p. 163	Revenue	Commercial Passenger Vessel Taxes, Large Passenger Vessel Gambling Tax Deduction	AS 43.35.210	\$ Indeterminate	Termination – Provision allows federal tax liability to be deducted from state taxes. Typically state taxes are deducted from federal taxes.
p. 164	Revenue	Tire Fee – Studded Tire Light studs exemption	AS 43.98.025 (b)	Indeterminate	Recommend continue
p. 165	Revenue	Tire Fee – Government Exemption	AS 43.98.025 (g)(1)	\$173,110	Recommend continue
p. 166	Revenue	Tire Fee – Resale exemption	AS 43.98.025 (g)(2)	Indeterminate	Recommend continue
p. 167	Revenue	Tire Fee, Timely filing Credit	AS 43.98.025(d)	\$65,684	Termination – Instead of a break for timely filing. Charge a penalty for late filing.
p. 168	Revenue	Vehicle Rental Tax, Reduced rate for RVs	AS 43.52.040	\$841,825	Reconsideration – Justification should be provided to support the need for a reduced rate in the RV market.
p. 169-171	Revenue	Vehicle Rental Tax – Taxicab, Moving truck, Warranty Work Exemptions	AS 43.52.030 AS 43.52.099 (2)(f-g)	Indeterminate	Recommend continue – tax intended for personal vehicle rentals
p. 172	Revenue	Vehicle Rental Tax – Motorcycle exemption	AS 43.52.099 (2)(h)	\$33,844	Recommend continue– Recent Activity

INDIRECT EXPENDITURE REPORT SUMMARY

p. 173	Revenue	Alcoholic Beverage Tax, Small Brewery Reduced rate	AS 43.60.010(c)	\$2,602,999 (39 beneficiaries)	Rate could be revisited - 35 cents per gallon vs. full rate of \$1.07 per gal.
p. 174	Revenue	Mining License Tax – Sand & Gravel exemption	AS 43.65.060(2)	Indeterminate	Recommend continue– Recent Activity
p. 175 – 177	Revenue	Mining License Tax, (1) Small Miner Exemption, (2) 3.5 year exemption, (3) Depletion Exemption	(1) 43.65.010(c) (2) 43.65.010(a) (3) 43.65.010 (e)	(1) \$33,815 (2) Indeterminate (3) Indeterminate	Recommend reconsideration of the mining license tax structure in its entirety. Established pre-statehood, the effectiveness of the tax and exemptions may be obsolete. Considering inflation, the \$40,000 threshold may no longer be the appropriate level.
p. 178	Revenue	Fisheries Resource Landing Tax – CDQ Credit	AS 43.77.040	\$490,371	Recommend Review – establish metric and reporting requirement to legislature. Sunset in 2020
p. 180	Revenue	Fisheries Business Tax, Fishery Resource Landing Tax – Winn Brindle Scholarship Contribution Credit	AS 43.75.032, AS 43.77.035	\$238,749	Action required – Sunsets on 12/31/16 29 <sup>th</sup> Legislature will have to act if credit is to continue
p. 181	Revenue	Fisheries Business Tax – Salmon & Herring Product Development Credit	AS 43.75.035	\$1,832,081	No recommend– Recent Activity
p. 182	Revenue	Fisheries Business Tax, Reduced rate for small fish processors	AS 43.75.015(d) AS 43.75.020(c)	\$72,503	Revisit the reduced rate to evaluate its effectiveness at supporting small processors. Metrics should be established and reported to the legislature to determine the effectiveness of this credit
p. 183 - 184	Revenue	Fisheries Business Tax, (1) Reduced Fisheries Business Tax rate or Developing fisheries, (2) Reduced Fishery Resource Landing Tax Rate or Developing Fisheries	(1) AS 43.75.015(b) (2) AS 43.77.010(1)	(1) \$102,010 (2) \$351,339	Reconsideration of the reduced rate to evaluate its effectiveness at developing new fisheries. Metrics should be established and reported to the legislature to determine the effectiveness of this credit.



# Alaska Department of Revenue

## Alaska Indirect Expenditure Report

Preliminary Report for FY 2009-FY 2013

Alaska Department of Revenue  
July 6, 2010



Overview of DOR's *Indirect Expenditure Report*,  
*Preliminary Report for FY 2009-FY 2013*

Presentation to House Finance Committee

February 10, 2015

Dan Stickel, Assistant Chief Economist  
Mackenzie Merrill, Economist  
Alaska Department of Revenue



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## Note

- This presentation focuses on report methodology and substance, not policy issues regarding specific indirect expenditures.

- Indirect Expenditure Report Legislation Overview
  - Bill provisions, DOR requirements, Legislative Finance Division requirements
- Process and methodology for producing the DOR *Indirect Expenditure Report*
- Overview of the DOR *Indirect Expenditure Report*
- Future Plans

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# Indirect Expenditure Report Legislation Overview



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## Indirect Expenditure Report Legislation Overview

- Passed in 2014 and signed on July 7, 2014
- The first DOR *Indirect Expenditure Report* was released the day after the bill was signed, July 8, 2014
- **Requires DOR to submit a report to the Legislature biennially on July 1 detailing indirect expenditures of all agencies in the State (AS 43.05.095)**
- Requires the Legislative Finance Division to provide a report to the Legislature on the indirect expenditures of certain agencies before the start of Legislative Session following the release of DOR's biennial report
- Modifies or implements sunset dates on certain non-oil and gas tax credits

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## Indirect Expenditures Defined

**Indirect expenditure:** Any foregone revenue by the state designed to encourage an activity to benefit the public in the form of a credit, exemption, deduction, deferral, discount, exclusion, or other differential allowance.

**As defined by AS 43.05.095(d):**

- A tax credit or other credit
- An exemption, but does not include federal tax exemptions adopted by reference in AS 43.20.021
- A discount
- A deduction, but does not include costs incurred in the ordinary course of business that are deducted in the calculation of a tax under this title or in the calculation of a royalty or net profit share payment for a lease issued under AS 38
- A differential allowance

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## DOR Indirect Expenditure Report

- Released July 8, 2014 by DOR
- Based in part on the 2013 Legislative Research report, *Indirect Expenditures, Provisions in Alaska Law*
- Provides details on 251 indirect expenditures across 11 departments and agencies, including 78 provisions administered by DOR
- A cooperative effort between the 10 other participating agencies, coordinated by DOR

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## Credit Sunset Dates

- The Indirect Expenditure Report legislation modified sunset dates on certain credits:
  - December 31, 2016 for the Winn Brindle Scholarship tax credit and the salmon utilization tax credit
  - December 31, 2018 for the film production credit and the education credit
  - December 31, 2020 for the salmon product development credit and the Community Development Quote (CDQ) credit

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# Process and Methodology for DOR's *Indirect Expenditure Report*



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## Methodology- Internally

### Internally:

- Work began in April 2014 with a dedicated economist and dedicated time from others, including:
  - Audit supervisors and staff
  - Accounting supervisors and staff
  - DOR IT
  - Other Economic Research Group Staff
  - Department of Law

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## Methodology- Externally

### Externally:

- DOR met with other departments and agencies and sent out a survey for the report
- Each agency examined their operations to identify indirect expenditures and report the required information
- Many departments identified additional indirect expenditures that needed to be added
  - Submissions from other departments and agencies are not independently verified

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## Reported Information

Each department was required to report the following information:

- The name of the indirect expenditure
- A brief description
- The statutory authority
- The repeal date, if applicable
- The intent of the legislature in enacting the statute authorizing the indirect expenditure
- The public purpose served by the indirect expenditure
- The estimated revenue impact of the indirect expenditure for the previous five fiscal years (excluding the fiscal year immediately preceding the date the report is due)
- The estimated cost to administer the indirect expenditure, if applicable
- The number of beneficiaries of the indirect expenditure

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## Review and Coordination

- Before release, DOR methodology and report drafts were reviewed by:
  - Contributing agencies and departments
  - Legislative Finance Division
  - The Office of Management and Budget
  - The Bill Sponsor's staff
- Feedback was incorporated into the report to the extent possible given the compressed time frame

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# Overview of DOR's *Indirect Expenditure Report*



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## Overview of DOR's *Indirect Expenditure Report*

- Introduction, discussing the purpose of the report, what is included in the report, and an explanation of the limitations of the report
  
- The indirect expenditures are organized by:
  - Departments, alphabetically
    - Divisions, alphabetically
      - Grouped by Program Name (if applicable)

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## Limitations of DOR's *Indirect Expenditure Report*

Due to the short time constraints:

- There is some missing or unverified information
  - “Cost to Administer” is limited
  - The “Legislative Intent” section of many indirect expenditures was incomplete
  - In some cases “Number of Beneficiaries” required additional work to ascertain the impact of the indirect expenditure
- More time was needed to carry out in-depth analysis

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# Future Plans



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## Future Plans

- Reaching out to the University of Alaska and the Alaska Railroad for inclusion in future reports
- Reaching out to the Office of Management and Budget, the Legislative Finance Division, and the Bill Sponsor concerning the next *Indirect Expenditure Report* in 2016
- Refining definitions of “Cost of Administration” and “Legislative Intent” by working with stakeholders
- Integrating DOR *Indirect Expenditure Report* reporting with the new Tax Revenue Management System
- Compiling feedback and suggestions which may be incorporated into the next report in Summer 2016

ALASKA STATE LEGISLATURE  
HOUSE FINANCE COMMITTEE

Representative Mark Neuman  
Co-Chairman  
(907) 465-2679  
Rep.Mark.Neuman@akleg.gov



Representative Steve Thompson  
Co-Chairman  
(907) 465-3004  
Rep.Steve.Thompson@akleg.gov

Alaska State Capitol Building- Rm 513

Alaska State Capitol Building- Rm 515

<http://www.tax.alaska.gov/programs/documentviewer/viewer.aspx?1083r>

The link is posted on BASIS and I have sent the link to the House Finance Committee member's staff.

Above is the link to Department of Revenue's:

Alaska Indirect Expenditure Report  
Preliminary Report for FY 2009-FY 2013  
Alaska Department of Revenue  
July 8, 2014



# LAWS OF ALASKA

2014

**Source**

SCS CSHB 306(FIN) am S

**Chapter No.**

\_\_\_\_\_

**AN ACT**

Relating to the review and administration of tax credit programs; requiring the Department of Revenue to report indirect expenditures; relating to the duties of state agencies; requiring the legislative finance division to analyze certain indirect expenditures; relating to lapse dates for appropriations for capital projects; relating to lapse dates for capital budget grants; relating to capital expenditures; relating to unexpended balances of capital projects; repealing the capital projects funds; repealing the insurance tax education credit, the income tax education credit, the oil or gas producer education credit, the property tax education credit, the mining business education credit, the fisheries business education credit, the fisheries business tax credit for scholarship contributions, the fisheries business salmon product development tax credit, the fisheries business salmon utilization tax credit, the fisheries business landing tax credit for scholarship contributions, the fisheries resource landing tax credit for the fisheries resource harvested under the community development quota, the fisheries resource landing tax education credit, and the film production tax credit; providing for an effective date by repealing the effective dates in sec. 7, ch. 57, SLA 2003, the effective date in sec. 57, ch. 92, SLA 2010, and the effective dates in secs. 40 - 42, ch. 51, SLA 2012; and providing for an effective date.

\_\_\_\_\_

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

THE ACT FOLLOWS ON PAGE 1

**AN ACT**

1 Relating to the review and administration of tax credit programs; requiring the Department of  
2 Revenue to report indirect expenditures; relating to the duties of state agencies; requiring the  
3 legislative finance division to analyze certain indirect expenditures; relating to lapse dates for  
4 appropriations for capital projects; relating to lapse dates for capital budget grants; relating to  
5 capital expenditures; relating to unexpended balances of capital projects; repealing the capital  
6 projects funds; repealing the insurance tax education credit, the income tax education credit,  
7 the oil or gas producer education credit, the property tax education credit, the mining business  
8 education credit, the fisheries business education credit, the fisheries business tax credit for  
9 scholarship contributions, the fisheries business salmon product development tax credit, the  
10 fisheries business salmon utilization tax credit, the fisheries business landing tax credit for  
11 scholarship contributions, the fisheries resource landing tax credit for the fisheries resource

1 harvested under the community development quota, the fisheries resource landing tax  
2 education credit, and the film production tax credit; providing for an effective date by  
3 repealing the effective dates in sec. 7, ch. 57, SLA 2003, the effective date in sec. 57, ch. 92,  
4 SLA 2010, and the effective dates in secs. 40 - 42, ch. 51, SLA 2012; and providing for an  
5 effective date.

6  
7 \* **Section 1.** AS 21.06.110 is amended to read:

8 **Sec. 21.06.110. Director's annual report.** As early in each calendar year as is  
9 reasonably possible, the director shall prepare and deliver an annual report to the  
10 commissioner, who shall notify the legislature that the report is available, showing,  
11 with respect to the preceding calendar year,

12 (1) a list of the authorized insurers transacting insurance in this state,  
13 with a summary of their financial statement as the director considers appropriate;

14 (2) the name of each insurer whose certificate of authority was  
15 surrendered, suspended, or revoked during the year and the cause of surrender,  
16 suspension, or revocation;

17 (3) the name of each insurer authorized to do business in this state  
18 against which delinquency or similar proceedings were instituted and, if against an  
19 insurer domiciled in this state, a concise statement of the facts with respect to each  
20 proceeding and its present status;

21 (4) a statement in regard to examination of rating organizations,  
22 advisory organizations, joint underwriters, and joint reinsurers as required by  
23 AS 21.39.120;

24 (5) the receipt and expenses of the division for the year;

25 (6) recommendations of the director as to amendments or  
26 supplementation of laws affecting insurance or the office of director;

27 (7) statistical information regarding health insurance, including the  
28 number of individual and group policies sold or terminated in the state; this paragraph  
29 does not authorize the director to require an insurer to release proprietary information;

1 (8) the annual percentage of health claims paid in the state that meets  
2 the requirements of AS 21.36.495(a) and (d);

3 (9) the total amount of contributions reported and the total amount of  
4 credit claimed under AS 21.96.075 [AS 21.96.070 AND 21.96.075]; and

5 (10) other pertinent information and matters the director considers  
6 proper.

7 \* **Sec. 2.** AS 21.09.210(j) is amended to read:

8 (j) The provisions of AS 21.96.075 [AS 21.96.070 AND 21.96.075] apply to a  
9 taxpayer who is required to pay a tax due under this section.

10 \* **Sec. 3.** AS 24.20.231 is amended to read:

11 **Sec. 24.20.231. Duties.** The legislative finance division shall

12 (1) analyze the budget and appropriation requests of each department,  
13 institution, bureau, board, commission, or other agency of state government;

14 (2) analyze the revenue requirements of the state;

15 (3) provide the finance committees of the legislature with  
16 comprehensive budget review and fiscal analysis services;

17 (4) cooperate with the office of management and budget in establishing  
18 a comprehensive system for state budgeting and financial management as set out in  
19 AS 37.07 (Executive Budget Act);

20 (5) complete studies and prepare reports, memoranda, or other  
21 materials as directed by the Legislative Budget and Audit Committee;

22 (6) with the governor's permission, designate the legislative fiscal  
23 analyst to serve ex officio on the governor's budget review committee; [AND]

24 (7) identify the actual reduction in state expenditures in the first fiscal  
25 year following a review under AS 44.66.040 resulting from that review and inform the  
26 Legislative Budget and Audit Committee of the amount of the reduction; **and**

27 **(8) not later than the first legislative day of each first regular**  
28 **session of each legislature, conduct a review in accordance with AS 24.20.235 of**  
29 **the report provided to the division under AS 43.05.095.**

30 \* **Sec. 4.** AS 24.20 is amended by adding a new section to read:

31 **Sec. 24.20.235. Indirect expenditure report.** (a) Every two years, the

1 legislative finance division shall deliver to the chair of the finance committee in each  
2 house of the legislature a report analyzing the indirect expenditure report created  
3 under AS 43.05.095 for the appropriate agencies listed in this subsection. The first  
4 review shall occur in the calendar year set out after each agency's name, as follows,  
5 and subsequent reviews of each agency shall occur every six years:

6 (1) Department of Commerce, Community, and Economic  
7 Development, 2015;

8 (2) Department of Fish and Game, 2015;

9 (3) Department of Health and Social Services, 2015;

10 (4) Department of Labor and Workforce Development, 2015;

11 (5) Department of Revenue, 2015;

12 (6) Alaska Court System, 2017;

13 (7) Department of Administration, 2017;

14 (8) Department of Education and Early Development, 2017;

15 (9) Department of Environmental Conservation, 2017;

16 (10) Department of Natural Resources, 2017;

17 (11) Department of Transportation and Public Facilities, 2017;

18 (12) all remaining agencies, 2019.

19 (b) The report prepared under this section must provide

20 (1) an estimate of the revenue foregone by the state because of the  
21 indirect expenditure;

22 (2) an estimate of the monetary benefit of the indirect expenditure to  
23 the recipients of the benefit of the indirect expenditure;

24 (3) a determination of whether the legislative intent of the indirect  
25 expenditure is being met and, if necessary, a determination of why the legislative  
26 intent of the indirect expenditure is not being met;

27 (4) a recommendation as to whether each indirect expenditure should  
28 be continued, modified, or terminated, a basis for the recommendation, and the  
29 expected effect on the economy of the state if the recommendation is executed; and

30 (5) an explanation of the methodology and assumptions used in  
31 preparing the report.

1 \* **Sec. 5.** AS 37.05.315(b) is amended to read:

2 (b) An appropriation or allocation for a grant to a municipality [FOR  
3 CONSTRUCTION OF A PUBLIC FACILITY] lapses if substantial, ongoing work on  
4 the project has not begun within five years after the effective date of the appropriation  
5 or allocation.

6 \* **Sec. 6.** AS 37.05.316 is amended by adding a new subsection to read:

7 (c) An appropriation or allocation for a grant to a named recipient that is not a  
8 municipality lapses if substantial, ongoing work on the project has not begun within  
9 five years after the effective date of the appropriation or allocation.

10 \* **Sec. 7.** AS 37.05.317 is amended by adding a new subsection to read:

11 (c) An appropriation or allocation for a grant to an unincorporated community  
12 lapses if substantial, ongoing work on the project has not begun within five years after  
13 the effective date of the appropriation or allocation.

14 \* **Sec. 8.** AS 37.07.062(a) is amended to read:

15 (a) Each appropriation bill authorizing capital expenditures required to be  
16 submitted to the legislature in AS 37.07.020(a) must be accompanied by documents  
17 supporting the expenditures [FOR EACH OF THE CAPITAL PROJECTS FUNDS  
18 (AS 44.42.080)]. The documents must list, for each project, the

19 (1) project identification number;

20 (2) project title;

21 (3) source of funding;

22 (4) amount expended on the project during the preceding fiscal year,  
23 the amount authorized for the current fiscal year, [AND] the amount proposed to be  
24 expended during the succeeding fiscal year, **and the amount proposed to be**  
25 **expended each year until project completion;**

26 (5) estimated start for construction;

27 (6) **cost of each subsequent phase with estimated construction start**  
28 **and completion dates, for projects that will be completed in phases; and**

29 (7) schedule of bond elections pertaining to the appropriation,  
30 including elections previously held. [THE TOTAL APPROPRIATION TO EACH  
31 CAPITAL PROJECTS FUND MUST BE REFLECTED IN THE BALANCE SHEET

1 OF EACH FUND AS OF JUNE 30 OF EACH FISCAL YEAR.]

2 \* **Sec. 9.** AS 37.15.420(a) is amended to read:

3 (a) There is established [A CAPITAL PROJECT FUND KNOWN AS] the  
4 "International Airports Construction Fund," into which shall be paid the proceeds of  
5 the sale of the bonds (except any accrued interest paid on them, which shall be paid  
6 into the bond redemption fund) and grant or other money that is legally provided for  
7 the same purposes for which the bonds are authorized. The money in the construction  
8 fund shall be used to pay the costs of acquiring, equipping, constructing, and installing  
9 additions and improvements to and extensions of and facilities for the airports and  
10 costs incidental thereto, including costs of the authorization, issuance, and sale of the  
11 bonds. To the extent provided in the bond resolution, money in the construction fund  
12 may also be used for the payment of interest on the bonds during the period of actual  
13 construction, and for a further period, not exceeding one year after the period of  
14 construction, that may be provided in the bond resolution. Money in the construction  
15 fund may also be transferred to the bond redemption fund, to the extent provided in  
16 the bond resolution, to establish a reserve for the payment of the principal of and  
17 interest on the bonds.

18 \* **Sec. 10.** AS 37.25.020 is amended to read:

19 **Sec. 37.25.020. Unexpended balances of appropriation for capital projects.**

20 An appropriation made for a capital project is valid for the life of the project, and the  
21 unexpended balance shall be carried forward to subsequent fiscal years **if substantial,**  
22 **ongoing work on the project has begun within five years after the effective date of**  
23 **the appropriation.** Between July 1 and August 31 of each fiscal year, a statement  
24 supporting the amount of the unexpended balance required to complete the projects for  
25 which the initial appropriation was made and the amount that may be lapsed shall be  
26 recorded with the Department of Administration. **The office of management and**  
27 **budget, in coordination with the Department of Administration, shall deliver to**  
28 **the house and senate finance committees a report of unexpended balances of**  
29 **appropriations for capital projects not later than the 15th day of each regular**  
30 **session of the legislature.**

31 \* **Sec. 11.** AS 43.05 is amended by adding a new section to read:

1                   **Sec. 43.05.095. Indirect expenditure report.** (a) The commissioner shall, not  
2 later than July 1 before the first regular session of each legislature, submit a report to  
3 the chair of the finance committee of each house of the legislature and to the  
4 legislative finance division that states, for each indirect expenditure made by the state,

5                   (1) the name of the indirect expenditure;

6                   (2) a brief description of the indirect expenditure;

7                   (3) the statutory authority for the indirect expenditure;

8                   (4) the date the statute authorizing the indirect expenditure is to be  
9 repealed, if applicable;

10                  (5) the intent of the legislature in enacting the statute authorizing the  
11 indirect expenditure;

12                  (6) the public purpose served by the indirect expenditure;

13                  (7) the estimated annual effect on revenue of the indirect expenditure  
14 for the previous five fiscal years, excluding the fiscal year immediately preceding the  
15 date the report is due;

16                  (8) the estimated cost to administer the indirect expenditure, if  
17 applicable;

18                  (9) the number of beneficiaries of the indirect expenditure.

19                  (b) For purposes of (a) of this section, federal tax credits adopted under  
20 AS 43.20.021 shall be reported in the aggregate.

21                  (c) A department, agency, or public corporation of the state shall, upon the  
22 request of the commissioner, provide the records, reports, data analysis, or other  
23 information necessary for the commissioner to complete the report required by this  
24 section. The commissioner may enter into a confidentiality agreement if necessary to  
25 obtain information or a record required to prepare the report under this section.

26                  (d) In this section, "indirect expenditure" means an express provision of state  
27 law that results in foregone revenue for the state by providing

28                   (1) a tax credit or other credit;

29                   (2) an exemption, but does not include federal tax exemptions adopted  
30 by reference in AS 43.20.021;

31                   (3) a discount;

1 (4) a deduction, but does not include costs incurred in the ordinary  
2 course of business that are deducted in the calculation of a tax under this title or in the  
3 calculation of a royalty or net profit share payment for a lease issued under AS 38;

4 (5) a differential allowance.

5 \* **Sec. 12.** AS 43.75.035(e) is amended to read:

6 (e) Qualified investment costs upon which a tax credit is claimed under this  
7 section may not be considered for another tax credit in this title. A tax credit applied  
8 under this section [TOGETHER WITH A TAX CREDIT APPLIED UNDER  
9 AS 43.75.036] may not exceed 50 percent of the taxpayer's tax liability incurred for  
10 the processing of salmon during the tax year.

11 \* **Sec. 13.** AS 43.75.035(h) is amended to read:

12 (h) The amount of a tax credit recaptured under (g)(1) - (3) of this section may  
13 not be included in the determination of the amount of that tax credit that is allowable  
14 under this section [OR AS 43.75.036].

15 \* **Sec. 14.** AS 43.75.130(f) is amended to read:

16 (f) For purposes of this section, tax revenue collected under AS 43.75.015  
17 from a person entitled to a credit under AS 43.75.035 [, 43.75.036,] or AS 43.98.030  
18 shall be calculated as if the person's tax were collected without applying the credit; tax  
19 revenue collected does not include the amount of a tax credit recaptured under  
20 AS 43.75.035(g) [OR 43.75.036(g)].

21 \* **Sec. 15.** AS 43.75.130(f), as amended by sec. 14 of this Act, is amended to read:

22 (f) For purposes of this section, tax revenue collected under AS 43.75.015  
23 from a person entitled to a credit under AS 43.75.035 [OR AS 43.98.030] shall be  
24 calculated as if the person's tax were collected without applying the credit; tax revenue  
25 collected does not include the amount of a tax credit recaptured under  
26 AS 43.75.035(g).

27 \* **Sec. 16.** AS 43.77.050(b) is amended to read:

28 (b) The tax collected under this chapter shall be paid into a separate account in  
29 the general fund. The annual balance in the account may be appropriated by the  
30 legislature for revenue sharing under AS 43.77.060. [THE AMOUNT OF ALL TAX  
31 CREDITS APPROVED BY THE COMMISSIONER UNDER AS 43.77.040(b)

1 SHALL BE DEDUCTED FROM AMOUNTS PAID TO MUNICIPALITIES UNDER  
2 AS 43.77.060(a) - (c).]

3 \* **Sec. 17.** AS 43.77.060(e) is amended to read:

4 (e) For purposes of this section, tax revenue collected under AS 43.77.010  
5 from a person entitled to a credit under AS 43.77.045 [AS 43.77.035, 43.77.045,] or  
6 AS 43.98.030 shall be calculated as if the person's tax had been collected without  
7 applying the credits.

8 \* **Sec. 18.** AS 43.77.060(e), as amended by sec. 17 of this Act, is amended to read:

9 (e) For purposes of this section, tax revenue collected under AS 43.77.010  
10 from a person entitled to a credit under [AS 43.77.045 OR] AS 43.98.030 shall be  
11 calculated as if the person's tax had been collected without applying the credits.

12 \* **Sec. 19.** AS 37.07.062(b), 37.07.062(c), 37.07.062(d); and AS 44.42.080 are repealed.

13 \* **Sec. 20.** AS 43.75.032, 43.75.036, 43.75.130(b); and AS 43.77.035 are repealed.

14 \* **Sec. 21.** AS 21.66.110(b); AS 21.96.070, 21.96.075(c)(2); AS 43.05.010(15);  
15 AS 43.20.014; AS 43.55.019; AS 43.56.018; AS 43.65.018; AS 43.75.018, 43.75.130(g);  
16 AS 43.77.045, and 43.77.060(e) are repealed.

17 \* **Sec. 22.** AS 43.75.035 and 43.75.130(f) are repealed.

18 \* **Sec. 23.** AS 43.77.040 is repealed.

19 \* **Sec. 24.** AS 24.20.271(12); AS 43.98.030; AS 44.25.100, 44.25.105, 44.25.110,  
20 44.25.115, 44.25.120, 44.25.125, 44.25.130, 44.25.135, 44.25.140, 44.25.145, 44.25.150,  
21 44.25.190; and AS 44.33.231(c) are repealed.

22 \* **Sec. 25.** Sections 31, 32, and 33, ch. 51, SLA 2012, are repealed.

23 \* **Sec. 26.** Sections 3, 5, 7, 10, 14, 16, 18, 21, 23, 25, 28, 30, 32, 35, 37, 39, 42, 44, 46, 49,  
24 51, 53, and 55, ch. 92, SLA 2010, sec. 14, ch. 7, FSSLA 2011, and secs. 15, 17, 19, 21, 23,  
25 and 25, ch. 74, SLA 2012, are repealed.

26 \* **Sec. 27.** Section 3, ch. 57, SLA 2003, is repealed.

27 \* **Sec. 28.** The uncodified law of the State of Alaska is amended by adding a new section to  
28 read:

29 TRANSITION. (a) A taxpayer that accrues a credit authorized by a statute repealed by  
30 secs. 19 - 24 of this Act before the effective date of the repeal of the credit under this Act, but  
31 whose tax year ends on or after the effective date of the repeal of the credit under this Act,

1 may take the tax credit in the tax year the taxpayer accrues the credit, or, if the credit may be  
2 carried forward, the credit may be carried forward in accordance with the statute under which  
3 it was accrued.

4 (b) For purposes of AS 43.75.130, tax revenue collected under AS 43.75.015 from a  
5 person entitled to a credit under AS 43.75.035, 43.75.036, or AS 43.98.030 shall be calculated  
6 as if the person's tax were collected without applying the credit; tax revenue collected does  
7 not include the amount of a tax credit recaptured under AS 43.75.035(g) or 43.75.036(g). For  
8 purposes of AS 43.77.060, tax revenue collected under AS 43.77.010 from a person entitled to  
9 a credit under AS 43.77.035, 43.77.045, or AS 43.98.030 shall be calculated as if the person's  
10 tax had been collected without applying the credits.

11 (c) Subject to AS 43.98.030, secs. 24 and 37 of this Act do not prohibit the film office  
12 from determining the qualified expenditures of a film production, awarding a tax credit, or  
13 reviewing a tax credit for a production that has received a notice of qualification under  
14 AS 44.25.120(b) before December 31, 2016, or the Department of Revenue from providing a  
15 transferable film production tax credit to a producer under AS 43.98.030(a), by applying the  
16 provisions repealed by sec. 24 of this Act, the regulations adopted by the Department of  
17 Commerce, Community, and Economic Development under AS 44.25.100 - 44.25.190, and  
18 the regulations adopted by the Department of Revenue under AS 43.98.030.

19 \* **Sec. 29.** The uncodified law of the State of Alaska is amended by adding a new section to  
20 read:

21 CONTINGENT EFFECT. Sections 22, 27, and 32 of this Act take effect only if the  
22 Twenty-Eighth Alaska State Legislature passes a bill that becomes law that further delays the  
23 repeal of AS 43.75.035 under sec. 3, ch. 57, SLA 2003, and sec. 7, ch. 57, SLA 2003, as  
24 amended by sec. 4, ch. 3, SLA 2006, sec. 4, ch. 8, SLA 2008, and sec. 3, ch. 102, SLA 2010,  
25 beyond January 1, 2019.

26 \* **Sec. 30.** Sections 40 - 42, ch. 51, SLA 2012, are repealed.

27 \* **Sec. 31.** Section 57, ch. 92, SLA 2010, as amended by sec. 15, ch. 7, FSSLA 2011, and  
28 sec. 32, ch. 74, SLA 2012, are repealed.

29 \* **Sec. 32.** Section 7, ch. 57, SLA 2003, as amended by sec. 4, ch. 3, SLA 2006, sec. 4, ch. 8,  
30 SLA 2008, and sec. 3, ch. 102, SLA 2010, is repealed.

31 \* **Sec. 33.** Sections 5 - 10 and 19 of this Act take effect July 1, 2014.

1 \* **Sec. 34.** Sections 12 - 14, 17, 20, 25, and 30 of this Act take effect December 31, 2016.

2 \* **Sec. 35.** If secs. 22, 27, and 32 of this Act take effect under sec. 29 of this Act, they take  
3 effect December 31, 2020.

4 \* **Sec. 36.** Sections 16 and 23 of this Act take effect December 31, 2020.

5 \* **Sec. 37.** Sections 1, 2, 15, 18, 21, 24, 26, and 31 of this Act take effect December 31,  
6 2018.

7 \* **Sec. 38.** Except as provided in secs. 33 - 37 of this Act, this Act takes effect immediately  
8 under AS 01.10.070(c).