

**HB**

**88**

<TARGET><BILL>HB 88</BILL><SUBJECT>HB  
88</SUBJECT><COMM>HFIN29</COMM></TARGET>



# Fiscal Note

State of Alaska  
2015 Legislative Session

Bill Version: HB 88  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB88-DOR-TAX-1-16-15  
Title: FEES FOR TIRES  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: House 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)

	FY2016	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2016 Request	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>OPERATING EXPENDITURES</b>	<b>FY 2016</b>	<b>FY 2016</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>

**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>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>	(35.3)						
---------------------------	--------	--	--	--	--	--	--

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

**Estimated CAPITAL (FY2016) 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If yes, by what date are the regulations to be adopted, amended or repealed? **12/31/15**

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

This version provides a more accurate loss of revenue than the initial version.

Prepared By: Anna Kim  
Division: Tax  
Approved By: Jerry Burnett, Deputy Commissioner  
Agency: Department of Revenue

Phone: (907)465-4773  
Date: 03/12/2015 02:00 PM  
Date: 03/12/15

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2015 LEGISLATIVE SESSION

BILL NO. HB 88

### Analysis

The tire fee return and payments are currently due 30 days following the last day of the calendar quarter. For three calendar quarters, the return and payment are due prior to the last day of the month. This has caused confusion for taxpayers and caused them to file and pay late. Filing and paying late has resulted in a loss of the timely payment credit and the assessment of penalties and interest.

This bill would align the due date of the return and payment with other tax types that have the due date as the last day of the month and would eliminate confusion regarding the due date.

This legislation will not require additional positions or resources.

#### Fiscal impact:

We estimate \$5.0 loss of GF revenue from a decrease in tax, penalty and interest as a result of filing and paying on time:

- Timely pay credit loss-\$2.5
- Penalty-\$2.5
- Interest-less than \$50 dollars

**CS FOR HOUSE BILL NO. 88(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to remittance of tire fees; and providing for an effective date."**

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

3 \* **Section 1.** AS 43.98.025(d) is amended to read:

4 (d) A seller shall collect the fees from the purchaser. A seller shall file a return  
5 on a form prescribed by the department and remit the fees collected to the department  
6 not later than **the last day of the calendar month** [30 DAYS] following the last day  
7 of the calendar quarter of the sale or installation. **The department may only, on a**  
8 **form required under this subsection, require a seller to provide information on**  
9 **tires subject to the tax under this section.**

10 \* **Sec. 2.** AS 43.98.025(e) is amended to read:

11 (e) A seller remitting the fees collected under this section to the department **in**  
12 **accordance with (d) of this section** [WITHIN 30 DAYS AFTER THE LAST DAY  
13 OF THE PRECEDING CALENDAR QUARTER] may retain five percent of the  
14 amount collected, not to exceed **\$600** [\$900] a quarter, to cover expenses associated  
15 with collecting and remitting the fees.

1 \* **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to  
2 read:

3 APPLICABILITY. AS 43.98.025(d) and (e), as amended by secs. 1 and 2 of this Act,  
4 apply to tire fee returns due after the end of the first calendar quarter occurring after the  
5 effective date of this Act.

6 \* **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).

*Adopted  
4/8/15*

29-GH1044\W  
Nauman  
4/6/15

**CS FOR HOUSE BILL NO. 88(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to remittance of tire fees; and providing for an effective date."**

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

3 \* **Section 1.** AS 43.98.025(d) is amended to read:

4 (d) A seller shall collect the fees from the purchaser. A seller shall file a return  
5 on a form prescribed by the department and remit the fees collected to the department  
6 not later than the last day of the calendar month [30 DAYS] following the last day  
7 of the calendar quarter of the sale or installation. The department may only, on a  
8 form required under this subsection, require a seller to provide information on  
9 tires subject to the tax under this section.

10 \* **Sec. 2.** AS 43.98.025(e) is amended to read:

11 (e) A seller remitting the fees collected under this section to the department in  
12 accordance with (d) of this section [WITHIN 30 DAYS AFTER THE LAST DAY  
13 OF THE PRECEDING CALENDAR QUARTER] may retain five percent of the  
14 amount collected, not to exceed \$600 [\$900] a quarter, to cover expenses associated  
15 with collecting and remitting the fees.

1     \* **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to  
2 read:

3             APPLICABILITY. AS 43.98.025(d) and (e), as amended by secs. 1 and 2 of this Act,  
4 apply to tire fee returns due after the end of the first calendar quarter occurring after the  
5 effective date of this Act.

6     \* **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

Department of Revenue

TAX DIVISION  
Anchorage Office  
550 W 7th Ave Ste 500  
Anchorage AK 99501-3555  
Main: 907.269.6620

[www.tax.alaska.gov](http://www.tax.alaska.gov)

March 23, 2015

**Sent via electronic mail to:**

Representative Mark Neuman  
Alaska House Representative  
State Capitol, Room 513  
Juneau, AK 99801-1182

Dear Representative Neuman,

Darrell Breese from your office called me with several questions regarding the Tax Division's (Division) Form 200—Tire Fees Quarterly Return. I've responded to the questions below; questions in bold, with response in italics.

**Why does the Division ask for line 1 on page 1?**

*What we're asking for on line 1 is the total sale of tires—subject to the tire fee—sold in Alaska during the quarter. Tires not subject to the tax are any tires not designed for use on a highway (e.g., tractor tires and all-terrain vehicle tires). I can see that taxpayers may be confused by the wording on line 1 and assume we are asking for all tire sales, including tires not subject to the tire fee. However, in our audits of tire fee taxpayers, we have rarely found that they include any tires in line 1 which are not subject to the tax. However this has happened in the past and we will therefore make a change to our future form and form instructions as well as an immediate change to our electronic form to clarify what we're asking for.*

**Why does the Division ask for lines 6 and 7 to be broken out when what you really need is line 9?**

*We ask for them separately since these are really two separate fees—a fee on a sale and a fee on a service. We are often asked for fiscal impacts of various tax changes. By asking for the two lines of information we are able to report on the information separately. If, for example, there was a future bill to exempt stud installations from the fee, we would be able to report on the revenue impact. We have found that taxpayers' systems record and report these two types of transactions separately since one is a sale and the other is a service and have not had any complaints about it being a burden.*

**Why does the Division require a tire inventory (page 2) be submitted with a tax return?**

*I've investigated why we require an inventory be filed with a return and have not found a satisfactory answer. We will remove the tire inventory (page 2) from future forms and will remove the electronic schedule for e-filing.*

**How many people work on imputing the information from tire fee returns and how many hours of work do you estimate it takes?**

*Paper tax returns are data captured in our Juneau office and we have 5 employees who work to enter data from all 24 return types received by the Tax Division. Our data entry process has changed since we went live with our new system (April 2014); we are now using different data entry software. Since we went live we have data entered 194 tire fee returns. We estimate that each return takes 10 minutes to data enter. Along with our new system, we now also have an easy e-file option for taxpayers and we have been pushing online filing.*

Hopefully, this letter has addressed all of the concerns. If you have any other questions, please give me a call at (907) 269-6736 or you can reach me at my email address:  
brandon.spanos@alaska.gov.

Sincerely yours,

Brandon Spanos  
Deputy Director  
Department of Revenue  
Tax Division

# Alaska Tire Fees Quarterly Return



200

Due Date: 30th of the month following the end of the calendar quarter

<input type="checkbox"/> FEIN	AK Business License #		Calendar Quarter Ending	<input type="checkbox"/> Check if amended return and attach explanation
<input type="checkbox"/> SSN				
Name		Telephone Number		Fax Number
Mailing Address		<input type="checkbox"/> Check if new address	Contact Person	Title
City	State	Zip Code	Contact Telephone Number	Email Address

Fee Calculation - All New Tires Including All New Studded Tires				
1.	Total number of new tires sold (including all new studded tires)	1		
2.	Number of new tires sold to exempt persons and resellers (from Column D, Supporting Schedule of Exempt Sales)	2		
3.	Number of taxable new tires sold (subtract line 2 from line 1)	3		
4.	Tire fee rate per tire	4		2.50
5.	Total tire fees on new tires (multiply line 3 by line 4)	5		

Fee Calculation - New Studded Tires and Installation of Studs				
6.	Total number of new studded tires sold	6		
7.	Total number of stud installations performed	7		
8.	Number of studded tires sold & installations performed for exempt persons & resellers (from Column E, Supporting Schedule of Exempt Sales)	8		
9.	Number of taxable studded tires sold & stud installations performed (add lines 6 and 7, subtract line 8)	9		
10.	Studded tire fee rate per tire	10		5.00
11.	Total tire fees on studded tires and stud installations (multiply line 9 by line 10)	11		
12.	Total tire fees and studded tire fees (add lines 5 and 11)	12		
13.	Timely payment credit: 5% of line 12, not to exceed \$900	13		
14.	Total tire fees due this quarter (subtract line 13 from line 12)	14		
15.	<b>AMENDED RETURNS ONLY</b> - Tire Fees previously paid for this calendar quarter	15		
16.	<b>Amount Due (overpayment) (subtract line 15 from line 14)</b>	16		

## Electronic Payment Information

Note: If your liability exceeds \$ 100,000, you must pay online at <a href="http://www.online.tax.alaska.gov">www.online.tax.alaska.gov</a> or by wire transfer.		
I declare under penalty of perjury that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete.		
Signature	Printed Name & Title	Date

File and Pay online at [www.online.tax.alaska.gov](http://www.online.tax.alaska.gov)

200

# Alaska Tire Fees Quarterly Return

200

## Schedule A - Tire Inventory

<input type="checkbox"/> FEIN	AK Business License #
<input type="checkbox"/> SSN	
Name	Calendar Quarter Ending

Attach this schedule to your Tire Fees Quarterly Return.

**Column A** (new unstudded tires subject to the tire fee) This includes all new tires manufactured for vehicles designed for highway use. This does not include new studded tires (see Column B) or off-road tires, used tires, or tires upon which the fee has already been paid.

**Column B** (new studded tires subject to the tire fee) This includes all new studded tires manufactured for vehicles designed for highway use. This does not include used studded tires or studded tires upon which the fee has already been paid.

**Column C** (total new tires subject to the tire fee) This should equal column A plus column B.

	New unstudded tires subject to the tire fee (A)	New studded tires subject to the tire fee (B)	Total new tires subject to the tire fee (C)
1. Inventory on the first day of the quarter (this should equal the inventory from the last day of the previous quarter)			
2. Add: Tires purchased, produced, or otherwise received during the quarter			
3. Less: Tires sold or transferred during the quarter (this includes sales to exempt purchasers)			
4. Adjustments (attach an explanation)			
5. Inventory on the last day of the quarter			

### Explanation



STATE CAPITOL  
P.O. Box 110001  
Juneau, AK 99811-0001  
907-465-3500  
fax: 907-465-3532



Governor Bill Walker  
STATE OF ALASKA

550 West Seventh Avenue, Suite 1700  
Anchorage, AK 99501  
907-269-7450  
fax 907-269-7461  
[www.Gov.Alaska.Gov](http://www.Gov.Alaska.Gov)  
[Governor@Alaska.Gov](mailto:Governor@Alaska.Gov)

January 28, 2015

The Honorable Mike Chenault  
Speaker of the House  
Alaska State Legislature  
State Capitol, Room 208  
Juneau, AK 99801-1182

Dear Speaker Chenault:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to the deadline for tire fees to be submitted to the State of Alaska by tire vendors.

Under Alaska law, vendors who sell tires are required to collect a fee for each tire sold and submit the fees to the State on a quarterly basis. The bill would change the deadline for vendors to report and pay collected tire fees. The current statutory language has caused confusion because some months have 31 days, and some vendors are late in submitting the collected fees. Therefore, the bill would amend AS 43.98.025 to make it clear to vendors that they have until the end of the month (regardless of the number of days in the month) to submit the fees. The bill would reduce administrative costs to the State of Alaska and benefit vendors by lessening the chance for accidental late filings.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script that reads "Bill Walker".

Bill Walker  
Governor

Enclosure