

HB

155

<TARGET><BILL>HB 155</BILL><SUBJECT>HB
155</SUBJECT><COMM>SFIN29</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/6/16

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 155(FIN)

HB 155-FEES; WAIVERS; CREDITS; DEDUCTIONS; TAXES

"An Act repealing an exploration incentive credit; amending the calculation of adjusted gross income for purposes of the tax on gambling activities aboard large passenger vessels; repealing the amount that may be deducted from the motor fuel tax to cover the expense of accounting and filing for the monthly tax return; repealing a provision allowing an investigation expense under the Alaska Small Loans Act to be in place of a fee required under the Alaska Business License Act; repealing the amount that may be deducted from the tobacco excise tax to cover the expense of accounting and filing for the monthly tax return; repealing the discount on cigarette tax stamps provided as compensation for affixing the stamps to packages; and providing for an effective date."

and recommends:

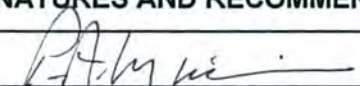
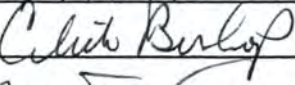
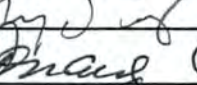
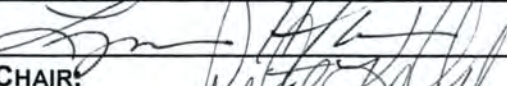
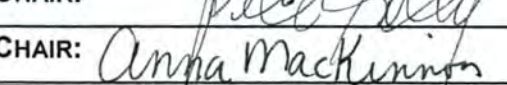
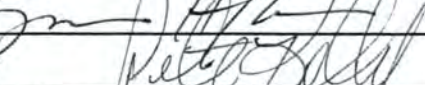
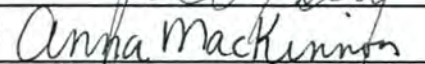
- [] be replaced with SCS _____ (_____) [] Same Title [] Technical Title Change
[] New Title/SCR No. _____
- [✓] adopt previous SCS CS HB 155 (L & C) [] Same Title [✓] Technical Title Change
[] New Title/SCR No. _____
- [] attached amendment(s)
- [] adopt _____ Letter of Intent
- [] further referral to _____ Committee

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

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

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
	MICCHE			✓	
	Bishop	✓			
	DUNLEAVY			✓	
	OLSON			✓	
	Hoffman			✓	
CO-CHAIR: 	Kelly			✓	
CO-CHAIR: 	Mackinnon	✓			

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version: HB 155
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB155SCS(L&C)-DOR-TAX-04-06-16
Title: FEES; WAIVERS; CREDITS;
DEDUCTIONS; TAXES
Sponsor: THOMPSON
Requester: Senate 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)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates					
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES								
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	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues	***		***	***	***	***	***	***
---------------------------	-----	--	-----	-----	-----	-----	-----	-----

Estimated SUPPLEMENTAL (FY2016) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) 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? **12/31/16**

Why this fiscal note differs from previous version:

Incorporates changes made in the Senate Resources Committee Substitute. Also incorporates Spring 2016 revenue forecast estimates in narrative.

Prepared By: <u>Ken Alper, Director</u>	Phone: <u>(907)465-8221</u>
Division: <u>Tax Division</u>	Date: <u>04/06/2016 09:00 PM</u>
Approved By: <u>Jerry Burnett, Deputy Commissioner</u>	Date: <u>04/12/16</u>
Agency: <u>Department of Revenue</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

BILL NO. HB155

Analysis

Bill Overview and Revenue Impact

This bill would make changes to several indirect expenditures in the State of Alaska across multiple departments. The revenue impact of this bill for the Tax Division is indeterminate because the Department of Revenue does not collect information needed to estimate the impact of one of the provisions of the bill. However for the provisions we can estimate, this bill is estimated to increase revenue by approximately \$314,000 in FY 2017 decreasing to approximately \$285,300 in FY 2022, based on the Spring 2016 revenue forecast. Of those additional revenues, the unrestricted General Fund would receive about \$203,300 in FY 2017 decreasing to approximately \$192,300 in FY 2022.

Following are the specific changes that would impact the Tax Division, and their estimated revenue impacts based on the Spring 2016 revenue forecast:

1. Repeals the deduction for accounting and filing expenses for the Tobacco Products Tax under AS 43.50.330(b). This deduction is four-tenths of one percent of the tax due. The revenue impact of this deduction was \$54,049 in FY 2015, and is estimated to be \$59,600 in FY 2017 rising to \$71,600 in FY 2022 based on the forecasted increase in tobacco products wholesale value.

2. Repeals deduction for expenses of affixing stamps to packs for the Cigarette Tax under AS 43.50.540(c). This deduction allows for a discount of 3% of the first \$1,000,000 and 2% of the second \$1,000,000 in tax stamps purchased, up to a maximum deduction of \$50,000 per taxpayer. The revenue impact of this deduction was \$360,326 in FY 2015, and is estimated to be \$254,400 in FY 2017, falling to \$213,700 in FY 2022 based on declines in cigarette consumption.

Cigarette Tax revenue is deposited into the School Fund and the General Fund, with a portion of the General Fund money directed to the Tobacco Use Education and Cessation sub-fund. Of the \$254,400 Cigarette Tax Stamp Discount impact estimated in FY 2017, \$96,700 would be deposited in the School Fund, \$14,000 in the Tobacco Use Education and Cessation sub-fund, and \$143,700 in the unrestricted General Fund. It is estimated in FY 2022 that there would be about \$81,200 deposited into the School Fund, around \$11,800 into the Tobacco Use Education and Cessation sub-fund, and \$120,700 to the General Fund.

3. Repeals the deduction for federal taxes paid for the Large Passenger Vessel Gambling Tax under AS 43.35.210. This deduction allows federal taxes to be deducted in arriving at "adjusted gross income" for purposes of calculating the tax liability. The fiscal impact of this provision is indeterminate because the Department of Revenue does not collect this information.

This bill would also make changes to indirect expenditures administered by other Departments. We do not include these other provisions in our fiscal note.

Expenditures

The department can implement the provisions of this bill using existing resources.

Regulations

The department anticipates that it will need to repeal, amend, and adopt regulations for the tax types impacted by repealed credits and deductions. Regulations should be effective by December 31, 2016.

ALASKA STATE LEGISLATURE

Session:
State Capitol Building
Room 511
Juneau, Alaska 99801-2186
Phone (907) 465-3004
Toll Free: (877) 465-3004



Interim:
1292 Sadler Way, Ste. 308
Fairbanks, Alaska 99701
Phone: (907) 452-1088
Toll Free: (877) 465-3004

REPRESENTATIVE STEVE THOMPSON

DISTRICT 2

House Bill 155

Fees; Waivers; Credits; Deductions; Taxes

House Bill 155 repeals the following indirect expenditures:

- Small Loan Company Business License Exemption
- Exploration Incentive Credit
- Tobacco Product Tax Deduction for Timely Filing
- Cigarette Tax Stamp Discount
- Large Passenger Vessel Gambling Tax Deduction

The indirect expenditures repealed in HB 155 were selected for repeal for one or more of the following reasons. The expenditures did not meet legislative intent, had limited benefit or usage, and were obsolete due to inactivity or replacement by electronic filing. By eliminating these kinds of indirect expenditures, the state can recoup revenue that had previously gone uncollected. The repeals were based off of the recommendations found in the [2015 Indirect Expenditure Report](#).

E-mail Representative_Steve_Thompson@akleg.gov

ALASKA STATE LEGISLATURE

Session:
State Capitol Building
Room 511
Juneau, Alaska 99801-2186
Phone (907) 465-3004
Toll Free: (877) 465-3004



Interim:
1292 Sadler Way, Ste. 308
Fairbanks, Alaska 99701
Phone: (907) 452-1088
Toll Free: (877) 465-3004

REPRESENTATIVE STEVE THOMPSON DISTRICT 2

Changes between HB155 29-LS0715\N to \I

<u>Title -</u>	Title change removing indirect expenditures no longer referenced in the bill
<u>(N version) Section 3</u>	Deleted old section, removing referenced section AS 43.20.043(g) which was repealed effective January 1, 2016
<u>(N version) Section 5</u>	Deleted old section, removing referenced section AS 43.40.010(c) which was repealed in previous legislation that passed last legislative session – 37 ch 24 SLA 2015
<u>Section 4-11</u>	Reflects renumbered sections

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101


State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

April 9, 2016

SUBJECT: Sectional Summary of SCS CSHB 155(L&C)
(Work Order No. 29-LS0715\I)

TO: Representative Steve Thompson
Attn: Brodie Anderson

FROM: Emily Nauman 
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1 removes references to AS 38.05.180(i) from AS 41.09.010(a) to conform to the repeal of AS 38.05.180(i) by sec. 8 of the Act.

Section 2 removes a reference to AS 38.05.180(i) from AS 41.09.010(b) to conform to the repeal of AS 38.05.180(i) by sec. 8 of the Act.

Section 3 amends AS 43.55.210 to disallow a deduction for federal taxes for the purposes of calculating the state tax on gambling activities aboard large passenger vessels.

Section 4 removes references to AS 43.50.540 from AS 43.50.590(a) to conform to the repeal of AS 43.50.540(c) by sec. 8 of the Act.

Section 5 removes references to AS 38.05.180(i) from AS 43.55.011(m) to conform to the repeal of AS 38.05.180(i) by sec. 8 of the Act.

Section 6 removes a reference to AS 38.05.180(i) from AS 43.55.023(a) to conform to the repeal of AS 38.05.180(i) by sec. 8 of the Act.

Section 7 removes a reference to AS 38.05.180(i) from AS 43.55.023(l) to conform to the repeal of AS 38.05.180(i) by sec. 8 of the Act.

Section 8 repeals AS 06.20.030(c) (stating that payment of the small loans licensing fee waives the Alaska business license fee), AS 38.05.180(i) (exploration incentive credit), AS 41.09.030 (relating to the relationship between AS 41.09 and AS 38.05.180(i)),

Representative Steve Thompson

April 9, 2016

Page 2

conforming to the repeal of AS 38.05.180(i)), AS 43.50.330(b) (allowing a deduction from the tobacco excise tax to cover the expense of filing the monthly return), AS 43.50.540(c) (discount for affixing cigarette stamps to packages), and AS 43.50.540(h) (providing a definition for purposes of the cigarette stamp discount, conforming to the repeal of AS 43.50.540(c)).

Section 9 provides transition language related to the repeal of AS 38.05.180(i).

Section 10 gives sec. 3, related to the tax on gambling activities aboard large passenger vessels, a January 1, 2017, effective date.

Section 11 gives the bill, except as provided in sec. 10, a July 1, 2016, effective date.

ELN:dla
16-442.dla

Commerce, Community and Economic Development

Applicable Program

Banking

Indirect Expenditure Name

Small loan company exemption

Department of Revenue Submission per AS 43.05.095

(1) Description of Provision

Exempts licensed small loan companies from the requirement of a business license.

(2) Authorizing Statute Regulation or Other Authority

AS 06.20.030

(3) Year Enacted

1978

(4) Sunset or Repeal Date

N/A

(5) Legislative Intent

Alleviate regulatory burden by not requiring two licenses.

(6) Public Purpose

Reduce regulatory burden on small loan companies.

(7) Estimated Revenue Impact

FY 2009 - \$50

FY 2010 - \$50

FY 2011 - \$50

FY 2012 - \$50

FY 2013 - \$50

(8) Cost to Administer

N/A

(9) Number of Beneficiaries

One business.

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State

\$50

(2) Estimate of Annual Benefit to Recipients

\$50

(3) Legislative Intent Met?

No – the burden theoretically addressed does not appear to be significant.

(4) Should it be Continued, Modified or Terminated?

Recommend termination. This exemption appears to be obsolete/ineffective. One business is utilizing the exemption for a benefit of \$50.

Revenue

Applicable Program

Oil and Gas Production Tax, State Royalty

Indirect Expenditure Name

Exploration Incentive Credit

Department of Revenue Submission per AS 43.05.095**(1) Description of Provision**

A non-transferrable credit for the cost of drilling or seismic work performed under a limited time period established by the Commissioner of the Department of Natural Resources. Credit may be granted for up to 50% of the cost of drilling or seismic work, not to exceed 50% of the tax liability to which it is being applied. See also p. 58.

(2) Authorizing Statute Regulation or Other Authority

AS 38.05.180 (i)

(3) Year Enacted

1978

(4) Sunset or Repeal Date

None

(5) Legislative Intent

The Legislature intended the credit to encourage geophysical work on state lands, so the state can manage their lands more effectively.

(6) Public Purpose

To increase oil and gas exploration.

(7) Estimated Revenue Impact

FY 2009 - \$0

FY 2010 - \$0

FY 2011 - \$0

FY 2012 - \$0

FY 2013 - \$0

(8) Cost to Administer**(9) Number of Beneficiaries**

0. This credit has not been used in over a decade.

Legislative Finance Analysis per AS 24.20.235**(1) Estimate of Annual Revenue Foregone by the State**

\$0

(2) Estimate of Annual Benefit to Recipients

\$0

(3) Legislative Intent Met?

No--the credit has not been used in over a decade.

(4) Should it be Continued, Modified or Terminated?

Recommend termination. The credit appears obsolete and ineffective given that it hasn't been used in over a decade. The Alternative Credit for Exploration (AS 43.55.025 (a)(1-4)) appears to be a more attractive incentive.

Revenue

Applicable Program
Tobacco Products Tax

Indirect Expenditure Name
Commission

Department of Revenue Submission per AS 43.05.095

(1) Description of Provision

Gives a four-tenths of one percent deduction to cover the expense of accounting and filing the return for the tobacco tax.

(2) Authorizing Statute Regulation or Other Authority

AS 43.50.330 (b)

(3) Year Enacted

1988, amended 1997

(4) Sunset or Repeal Date

None

(5) Legislative Intent

The discount was intended to cover the cost of filing the return. The percentage was decreased in 1997 to reflect a higher tax rate than in the original statute.

(6) Public Purpose

To encourage timely filing of tax returns.

(7) Estimated Revenue Impact

FY 2009 - \$40,767

FY 2010 - \$41,500

FY 2011 - \$46,852

FY 2012 - \$48,182

FY 2013 - \$50,056

(8) Cost to Administer

(9) Number of Beneficiaries

26-35

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State

\$50,056

(2) Estimate of Annual Benefit to Recipients

\$1,430 to \$1,925

(3) Legislative Intent Met?

Unclear

(4) Should it be Continued, Modified or Terminated?

Recommend termination. Other state tax payers do not receive a discount to cover the cost of filing taxes. Online tax filing provides an efficient and cost effective method - the rate reduction may be obsolete.

Revenue

Applicable Program

Cigarette Tax

Indirect Expenditure Name

Tax stamp discount

Department of Revenue Submission per AS 43.05.095**(1) Description of Provision**

Gives a discount of up to \$50,000 as compensation for affixing stamps to packs of cigarettes.

(2) Authorizing Statute Regulation or Other Authority

AS 43.50.540 (c)

(3) Year Enacted

2003

(4) Sunset or Repeal Date

None

(5) Legislative Intent

To provide a discount to compensate taxpayers for the cost of affixing stamps to each pack.

(6) Public Purpose

To compensate taxpayers for the cost of affixing stamps to packs of cigarettes.

(7) Estimated Revenue Impact

FY 2009 - \$346,341

FY 2010 - \$322,403

FY 2011 - \$320,918

FY 2012 - \$307,838

FY 2013 - \$313,192

(8) Cost to Administer**(9) Number of Beneficiaries**

10-13

Legislative Finance Analysis per AS 24.20.235**(1) Estimate of Annual Revenue Foregone by the State**

\$313,192

(2) Estimate of Annual Benefit to Recipients

\$24,092

(3) Legislative Intent Met?

Yes

(4) Should it be Continued, Modified or Terminated?

Recommend termination. The cost of affixing stamps to packs of cigarettes should be considered a cost of selling cigarettes in Alaska.

Revenue

Applicable Program
Commercial Passenger Vessel Taxes

Indirect Expenditure Name
Large Passenger Vessel Gambling Tax
Deduction

Department of Revenue Submission per AS 43.05.095

(1) Description of Provision

Allows a deduction of federal and municipal taxes paid from gambling gross income.

(2) Authorizing Statute Regulation or Other Authority

AS 43.35.210

(3) Year Enacted

2006

(4) Sunset or Repeal Date

None

(5) Legislative Intent

This provision was part of a ballot measure and therefore has no legislative history.

(6) Public Purpose

To prevent double taxation.

(7) Estimated Revenue Impact

FY 2009 - Unknown. There is no reporting requirement for federal and municipal taxes paid.

FY 2010 - Unknown. There is no reporting requirement for federal and municipal taxes paid.

FY 2011 - Unknown. There is no reporting requirement for federal and municipal taxes paid.

FY 2012 - Unknown. There is no reporting requirement for federal and municipal taxes paid.

FY 2013 - Unknown. There is no reporting requirement for federal and municipal taxes paid.

(8) Cost to Administer

(9) Number of Beneficiaries

Unknown

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State

Indeterminate

(2) Estimate of Annual Benefit to Recipients

Indeterminate

(3) Legislative Intent Met?

Indeterminate - This was part of the initial ballot measure and not addressed in 2010 during the tax revision.

(4) Should it be Continued, Modified or Terminated?

Recommend termination. This provision allows federal tax liability to be deducted from state taxes. Typically, state taxes are deductible at the federal level.