

HB

96

<TARGET><BILL>HB 96</BILL><SUBJECT>HB
96</SUBJECT><COMM></COMM></TARGET>

ALASKA STATE LEGISLATURE

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



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

REPRESENTATIVE STEVE THOMPSON House District 2

To: Senator Kevin Meyer, Chair, Senate State Affairs Committee

From: Representative Steve Thompson

A handwritten signature in blue ink, appearing to read "SMT", is written over the printed name of Representative Steve Thompson.

Date: March 7, 2018

Re: Hearing Request Memorandum for House Bill 96

Dear Senator Meyer

This office formally requests a hearing on House Bill 96 (HB 96) – *“An Act amending the calculation of adjusted gross income for purposes of the tax on gambling activities aboard large passenger vessels; 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.”*

An electronic version of this request shall be sent to: SenateStateAffairs@akleg.gov

The relevant documents include:

1. This signed hearing request memorandum. Forrest Wolfe is the assigned staff to this legislation.
2. A sponsor statement addressing the current bill version.
3. The most recent version of the bill. The most recent version is 30-LS0121\D.
4. Fiscal Notes.
5. A supporting document from the 2015 Legislative Finance Indirect Expenditure Report.

E-Mail: Representative.Steve.Thompson@akleg.gov
Website: www.akrepublicans.org/thompson/

6. There are no letters of support or opposition at this time. Any received letters will be provided to the committee.
7. There are no witnesses or need for special equipment at this time.

Please contact Forrest Wolfe from my office if you have additional questions. Mr. Wolfe's direct phone line is (907) 465-3004 and can be reached via e-mail at forrest.wolfe@akleg.gov.

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REPRESENTATIVE STEVE THOMPSON House District 2

Sponsor Statement HB 96

“An Act amending the calculation of adjusted gross income for purposes of the tax on gambling activities aboard large passenger vessels; 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.”

House Bill 96 repeals or removes four minor indirect expenditures from state law, all of which should provide more income for the state of Alaska. First, HB 96 removes the deduction of federal taxes from adjusted gross income when calculating the state tax collected on gambling aboard large cruise ships.

Next, HB 96 repeals a provision allowing an investigation expense under the Alaska Small Loans Act to replace a fee required under the Alaska Business License Act.

Finally, HB 96 repeals allowing the costs of accounting and filing monthly tax returns to be deducted from the tobacco excise tax, as well as the \$50 discount on cigarette tax stamps intended to be compensation for affixing the stamps to packages.

CS FOR HOUSE BILL NO. 96(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 2/28/18

Referred: Rules

Sponsor(s): REPRESENTATIVE THOMPSON

*Add to
the pack*

A BILL

FOR AN ACT ENTITLED

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

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

9 * **Section 1.** AS 43.35.210 is amended to read:

10 **Sec. 43.35.210. Tax on gambling activities.** There is imposed on the operator
11 of gaming or gambling activities aboard large passenger vessels in the state a tax of 33
12 percent of the adjusted gross income from those activities. "Adjusted gross income"
13 means gross income less prizes awarded and [FEDERAL AND] municipal taxes paid

*CAN
WE
RAISE
THIS?*

Kevin -

Here are some
ideas from Ken
Alper on that
tax stamp bill.

-Christine

1 or owed on the income. The tax shall be collected and is due and payable to the
 2 Department of Revenue in the manner and at the times required by the Department of
 3 Revenue.

4 * **Sec. 2.** AS 43.50.590(a) is amended to read:

5 (a) The department shall adopt procedures for a refund or credit to a licensee
 6 in the amount of the denominated value [LESS THE DISCOUNT GIVEN UNDER
 7 AS 43.50.540,] for

8 (1) unused or damaged stamps;

9 (2) stamps affixed to cigarette packages that have become unfit for use
 10 or sale, are destroyed, or are returned to the manufacturer for credit or replacement if
 11 the licensee provides proof acceptable to the department that the cigarettes have not
 12 been and will not be consumed in this state; or

13 (3) stamps affixed to cigarette packages that are sold or distributed
 14 outside the state if the licensee provides proof acceptable to the department that the
 15 cigarettes have not been and will not be consumed in this state and the licensee is
 16 properly licensed in the jurisdictions outside the state where the sales or distributions
 17 are made.

18 * **Sec. 3.** AS 06.20.030(c); AS 43.50.330(b), 43.50.540(c), and 43.50.540(h) are repealed.

19 * **Sec. 4.** Section 1 of this Act takes effect January 1, 2019.

20 * **Sec. 5.** Except as provided in sec. 4 of this Act, this Act takes effect July 1, 2018.

Indirect
 - early filing penalty
 - corporate loopholes

Sen. Kevin Meyer

From: Daniel McDonald <Daniel.McDonald@akleg.gov>
Sent: Thursday, April 05, 2018 2:49 PM
Subject: Senate Finance Moves Forward on Early Funding for Education
Attachments: Fact Sheet HB287 S FIN.PDF; Senate Finance Moves Forward on Early Funding for Education.pdf



SENATOR ANNA MACKINNON SENATOR LYMAN HOFFMAN
CO-CHAIRS OF SENATE FINANCE

State Capitol Room 518 Juneau, AK 99801 | 907.465.4453 | Sen.Lyman.Hoffman@akleg.gov
State Capitol Room 516 Juneau, AK 99801 | 907.465.3777 | Sen.Anna.MacKinnon@akleg.gov

For Immediate Release: April 5, 2018

Senate Finance Moves Forward on Early Funding for Education

JUNEAU – Members of the Senate Finance Committee today moved forward on a plan to early fund education.

The committee substitute for [HB 287](#) delivers two years of funding certainty for K-12 education, bolsters the Constitutional Budget Reserve (CBR) and offers a path to compromise between the House and Senate.

“Early funding for education will give Alaska’s education community the certainty it needs,” said Anna MacKinnon (R-Eagle River), co-chair of the Senate Finance Committee. “The Senate wants to end the gridlock and avoid a situation where districts are forced to send out pink slip notices to teachers because they don’t know the funding level from the state.”

The bill directs \$1.25 billion in Fiscal Year 2019 toward K-12 education—fully funding the base student allocation and pupil transportation.

“We can take positive, meaningful action this year to move our state forward—like forward-funding education—if we stabilize Alaska’s revenue,” said Sen. Lyman Hoffman (D-Bethel), co-chair of the Senate Finance Committee. “A responsible draw from the Permanent Fund’s earnings, committing a percentage to government and a percentage to ensure dividends, provides the stabilization we’re looking for.”

On the heels of record Permanent Fund earnings, the bill also adopts a 5.25 percent of market value (POMV) draw for Fiscal Year 2018, which is effectively a 4.21 percent draw due to the five-year average provision. The draw would generate \$1.8 billion for the general fund, leaving the state with a \$300 million deficit and a CBR balance of \$4.2 billion for the current fiscal year. A healthy CBR balance is necessary to provide a cushion for cash flow purposes, so money managers can schedule transfers in the most prudent and responsible manner.

The Permanent Fund Corporation would not have to sell off assets to provide for the draw because instructions have been developed for the Permanent Fund Corporation and Department of Revenue to work together on a schedule of payments from the fund to the state.

Additionally, with the passage of [SB 26](#)—a bill to protect the use of Permanent Fund earnings and ensure a dividend—districts can count on another \$1.25 billion in Fiscal Year 2020.

For more information, contact Senate Majority Press Secretary [Daniel McDonald](#) at (907) 465-4066.

- funding ^{early} edu. - certainly for the schools.

- ~~most per student but~~
- Should have budget down next week. - will be less
Public Hearing @ town 5:00

- Several Crime bills are working SB-150

- PASSED A SPENDING CAP
Senate Dems WALKED OUT.

- House took almost 3 weeks longer than normal on budget and now on the 81st day -
have introduced an oil tax they have it scheduled for next Tues

Rick
522-0650

Potential "Indirect Expenditure" Revenue Increases

Currently, HB96 is being debated in the Senate State Affairs Committee. This bill, by Rep. Thompson, eliminates three small tax breaks with the Department of Revenue statutes:

- For the cruise ship gambling tax, disallows any federal taxes from being deductible from the taxpayer's adjusted gross income before calculating the Alaska tax;
- For the cigarette tax, removes the discount of 1% to 3% of tax due to compensate for the cost of applying the physical tax stamps; and
- For the cigarette and other tobacco products tax, removes the discount of 0.4% of the tax due to cover the expense of accounting and filing the return.

Based on the request of the chairman, we have compiled the following list of other tax offsets that could potentially be considered as part of this legislation:

- 75% of wholesale*
- 1) **Other tax filing credits** and early filing discounts comparable to the third bullet, above. These exist within the motor fuel tax (AS 43.40.010(c)), tire fee (AS 43.98.025(e)), and possible others. Both of these together would save \$50 to \$100,000.
 - 2) Modify definition language within the "other tobacco products" tax so that **electronic cigarette products** are included within this existing excise tax. The definition language is important so that the devices are not taxed, only the consumable product itself. The definition of "tobacco product" is AS 43.50.390(4). The language to be added to this definition can be derived from Sec. 14 of HB304, the governor's 2016 bill that also increased the actual tobacco tax. (The bill would have raised the tax on cigarettes from \$2 to \$3 / pack, and on other tobacco products from 75% to 100% of wholesale value). Revenue estimate from the e-cig component is indeterminate, but we believe it to be roughly \$2 to \$5 million.

Additionally, there are a number of indirect expenditures previously identified by DOR that are addressed in other active legislation. Both of these House Finance bills are likely to pass the House within the next few days, but could potentially be merged into a single bill:

- 3) **HB398**, requiring utilities that are for-profit corporations to use the same tax apportioning method as other corporations for the corporate income tax. Because of the limited number of impacted companies the fiscal impact is confidential, but it will be material.
- 4) **HB399**, making three changes to the corporate income tax: removing the reduced tax rate for capital gains, removing the ability to claim 18% of any federal tax credit, regardless of whether the credit was based on Alaska activity, and removing the exclusion of 80% of foreign royalties from a taxpayer's apportionable income. This bill has a fiscal note indicating \$6.9 million in incremental revenue. *ACGA opposing*

Rep. Thompson also has two other small indirect expenditure bills that have not moved:

- 5) **HB97** (remove credit for donations to the Alaska Fire Standards Council; note that this one has never been used).
- 6) **HB98** (repealing the Veterans Employment Tax Credit, AS 43.20.048, effective 1/1/22).



April 6, 2018

The Honorable Kevin Meyer
Chairman, Alaska Senate State Affairs Committee
State Capitol
Juneau, Alaska 99801

Dear Chairman Meyer:

On behalf of McLane Company, Inc., I am writing to respectfully express our strong opposition to Section 2 of CSHB 96B by Thompson (Cigarette Tax Stamp Administrative Allowance Repeal).

McLane Company, Inc. is a wholesale distributor of grocery and food service products and we are a licensed cigarette distributor in the State of Alaska. Currently there are 48 states that allow for tobacco distributors to recover some of their costs for administration of the cigarette tax on behalf of the state.

We urge the committee to consider the following reasons for not eliminating the administrative allowance:

- Stamping cigarettes is an expensive and complicated process. It requires specialized machines, racks and conveyors, secure facilities, and highly trained employees. Unlike sales tax collections, which is collected and remitted at the point of sale (often with press of one button) cigarette stamping requires a substantial amount of resources both technological and human.
- The Distributors are responsible for stamping cigarettes in accordance with state regulatory requirements and statute. Distributors are fully responsible for assuring that cigarette taxes are accurately paid, and properly remitted to the state.
- Distributors must "pre-pay" the cigarette tax by purchasing cigarettes stamps (indicia that shows the tax was paid) and the distributor must recover that tax from the retail consumer. If the tax cannot be recovered, the distributor must carry that loss.
- Stamped cigarettes are very valuable. Any cost to secure and transport that product is carried solely by the distributors. Distributors carry all the risk of stamp purchase and holding the stamps for use.

It is the current pattern and practice that states provide some financial compensation to distributors. In the two jurisdictions that have eliminated the stamp allowance (New Hampshire and Minnesota) the legislature has, or is, considering legislation to reverse that policy and reinstate the stamp allowance after it was removed.

Again, we urge the committee to consider the reasons for not repealing the administrative allowance.

Thank you very kindly for your attention, if I can be of any further assistance, please feel free to contact me directly at (254) 458-8433.

Sincerely,

A handwritten signature in black ink, appearing to be 'Neftalí J. García', with a long horizontal flourish extending to the right.

Neftalí (Nef) J. García, Esq.
Vice President, Public Affairs

Sen. Kevin Meyer

From: Kevin Meyer <kmeyer@gci.net>
Sent: Friday, March 23, 2018 9:12 AM
To: Sen. Kevin Meyer
Subject: Fwd: Steve Thompson Bill

Sent from my iPhone

Begin forwarded message:

From: ashleyreed@gci.net
Date: March 22, 2018 at 5:08:46 PM AKDT
To: "Kevin Meyer" <kmeyer@gci.net>
Subject: Steve Thompson Bill
Reply-To: ashleyreed@gci.net

Kevin -

Currently there are 48 states that allow for tobacco distributors to recover some of their costs for administration of the cigarette tax on behalf of the state. The two states that have passed similar legislation, as proposed by Rep Thompson, are New Hampshire and Minnesota. Both the New Hampshire and Minnesota legislature have, or are currently considering, legislation to reinstate the stamp allowance after it was removed.

The reasons for this practice are many, and include, but are not limited to:

- Stamping cigarettes is an expensive and complicated process. It requires specialized machines, racks and conveyors, secure facilities, and highly trained employees. Unlike sales tax collections, which is collected and remitted at the point of sale (often with press of one button) cigarette stamping requires a substantial amount of resources both technological and human.
- Distributors are fully responsible for assuring that cigarette taxes are accurately paid, and properly remitted to the state.
- The Distributors are responsible for stamping cigarettes in accordance with state regulatory requirements and statute. If any audits find the Distributor in error, any costs and penalties are carried solely by the Distributor.
- Distributors must "pre-pay" the cigarette tax by purchasing cigarettes stamps (indicia that shows the tax was paid) and the Distributor must recover that tax from the retail consumer. If the tax cannot be recovered, the Distributor must carry that loss.
- Distributors carry all the risk of stamp purchase and holding the stamps for use. If the stamps are lost, or destroyed, the state will not replace those stamps.
- Stamped cigarettes are very valuable. Any cost to secure and transport that product is carried solely by

the Distributors.

- The pattern, and practice, is that states provide some financial compensation to Distributors. Any attempt to remove that compensation goes against the public policy goal of compensation to an "agent" that acts on behalf of the state. Having someone take on all this responsibility, liability and effort without any compensation is unwarranted and when tested appears not to be the panacea some would hope as evidenced by the great number of states who currently do it as Alaska currently does. The states who have opted to try to do it as proposed by Rep Thompson are now considering reversing back to the way Alaska and 47 other states do so.

Sent via BlackBerry by AT&T

HB 96 TAXES; DEDUCTIONS; FEES; TAX STAMP DISCOUNT

Rep. Steve Thompson

What does this bill do?

Repeals or amends indirect expenditures:

Amends 43.35.210 by removing the deduction of federal taxes from adjusted gross income of which the state taxes 33% on operators of gaming or gambling activities on cruise ships.

Amends AS.50.590(a) by removing the discount (\$50) on cigarette tax stamps and repeals allowing costs of accounting and filing month tax returns to be deducted from the tobacco excise tax.

Repeals a provision that allows an investigation expense under the Alaska Small Loans Act to replace a fee required under the Alaska Business License Act.

Potential Issues:

This is a bill that has made the rounds before. The most important section is section 2 because that is what deals with the tobacco stamp tax which could potentially be an income generator.

Fiscal Impact:

There are three fiscal notes:

- 1: Zero from DCCED's Corporations, Business and Professional Licensing. In the analysis basically states that there is less than 10 licensees in the small loans licenses program. Saves the state \$500 a year.
- 2: Also zero from DCCED's Banking and Securities division, also points out that there are fewer than 10 licensees in the small loan licenses program
- 3: Zero from Revenue's Taxation and Treasury, however in terms of change in revenues, it is indeterminate. According to their analysis, if this bill were passed revenue could increase by \$339,500 in FY 2019 and then decrease to \$314,150 in FY 2024

QUESTIONS:

- How many licensees in the state can affix stamps to cigarette packages?
- What kind of specialized equipment do they use? What does it cost?
- How long have these licensees been doing this?
- Do you know how other states handle the tobacco stamp tax? Have they changed? Is it working?

Indirect expenses

- section 2
- Add to the pack
 - Cruise ship
 - distributors
2.00 per sticker

Bills Related to Indirect Expenditures

February 3, 2017

Finance Subcommittee - Department of Revenue

House Bill	Indirect Expenditure Report January 2015 (LFD)	Explanation/Estimated Revenue Impact (ERI)
HB 96-TAXES; DEDUCTIONS; FEES; TAX STAMP DISCOUNT	Pg 141 – Tobacco Products Tax AS 43.50.330 (b)	Gives a four-tenths of one percent deduction to cover the expense of accounting and filing the return for the tobacco tax. ERI - \$50,056
HB 96-TAXES; DEDUCTIONS; FEES; TAX STAMP DISCOUNT	Pg 142 – Tax Stamp Discount AS 43.50.540 (c)	Gives Discount of up to \$50.0 as compensation for affixing stamps to packs of cigarettes. ERI - \$313,192
HB 96-TAXES; DEDUCTIONS; FEES; TAX STAMP DISCOUNT	Pg 163 – Large Passenger Vessel Gambling Tax Deduction AS 43.35.210	Allows cruise ships to deduct their federal and municipal taxes from the state taxes due on gambling gross income. ERI – Unknown- no reporting requirement
HB 97-AK FIRE STANDS. COUNCIL TAX CREDIT	Pg 37 – Alaska Fire Standards Council Tax Credit AS 21.96.075	Tax Credit for gift to Alaska Fire Standards Council. Allowed up to tax on fire premiums written. ERI: \$0

House Bill	Indirect Expenditure Report January 2015 (LFD)	Explanation/Estimated Revenue Impact (ERI)
HB 98-SUNSET VETERAN EMPLOYMENT TAX CREDIT	Pg 130 – Veteran Employment Tax Credit AS 43.20.048	<p>A non-transferable credit for corporate income taxpayers that employ qualified veterans in the state. The credit is \$3,000 for a disabled veteran or \$2,000 for a veteran who is not disabled for employment for a minimum of 1,560 hours during 12 consecutive months following the veteran's employment date. For seasonal employment, the credit is \$1,000 for a veteran employed for a minimum of 500 hours during three consecutive months following the employment date.</p> <p>ERI - \$0</p>
HB 99-OIL & GAS TAX CREDIT REPORTING	Pg 98 – Qualified Capital Expenditure Credit	<p>A transferable tax credit for qualified oil and gas capital expenditures on the North Slope. It can be taken in lieu of exploration incentive credits under AS 43.55.025 and gas exploration credits under AS 43.20.043. Prior to 2014, this tax credit was applicable to all areas of the state. The credit is 20% of qualified capital expenditures.</p> <p>This bill requires transparency for these credits and does not currently change the revenue impact.</p> <p>ERI: \$0, reporting change only</p>

Sec. 06.20.030. Fees and charges.

a) Investigation expenses incurred by the department in processing an application for licensure shall be charged to and paid by the applicant under AS 06.01.010. At the time of submitting the application to the commissioner, the applicant shall pay to the department \$1,000 in partial payment of those investigation expenses incurred by the department.

(b) An applicant shall pay to the department at the time of submitting an application a sum, in addition to that specified in (a) of this section, of \$500 for a single office license, or \$2,000 for a multiple office license as an annual license fee for a period terminating on the last day of the current calendar year.

(c) The license fee required by this section is in place of the fee under AS 43.70 (Alaska Business License Act).

Sec. 43.50.330. Returns.

(a) On or before the last day of each calendar month, a licensee shall file a return with the department. The return must state the number or amount of tobacco products sold by the licensee during the preceding calendar month, the selling price of the tobacco products, and the amount of tax imposed on the tobacco products.

(b) The licensee shall remit with the return the tax due under AS 43.50.300 for the month covered by the return, after deducting four-tenths of one percent of the tax due, which the licensee shall retain to cover the expense of accounting and filing the return.

Sec. 43.50.540. Purchase of and payment for stamps.

a) A licensee shall apply to the department or a financial institution authorized under AS 43.50.530(b) to purchase stamps required by AS 43.50.500 - 43.50.700.

(b) A licensee may authorize an agent or designee to purchase stamps for the licensee at a location where stamps are sold. The licensee's authorization of an agent or designee must be in writing and must be signed by the licensee. The licensee shall provide a copy of the authorization to the department. The authorization continues in effect until the department receives the licensee's written notice of revocation of the authorization.

(c) Except as otherwise provided in this subsection, each stamp shall be sold to a licensee at its denominated value less the discount provided in this subsection. The discount under this subsection is provided as compensation for affixing stamps to packages as required by AS 43.50.500 - 43.50.700. The department may reduce or eliminate the discount to a licensee under this subsection if the licensee fails to meet the requirements of AS 43.50.500 - 43.50.700. The discount under this subsection is equal to the sum of the amounts calculated using the following percentages of denominated value of stamps purchased by a licensee under this section in a calendar year:

- (1) \$1,000,000 or less, three percent;
- (2) the amount that is more than \$1,000,000 but not more than

\$2,000,000, two percent;

(3) the amount that is over \$2,000,000, zero percent.

(d) Payment for stamps shall be made at the time of purchase, except that the department may permit a licensee to defer payments as provided in AS 43.50.550.

(e) The licensee or the licensee's agent or designee must obtain the stamps in person from the department or a financial institution authorized to sell stamps under AS 43.50.530(b). Alternatively, the licensee may request in writing that the stamps be shipped or transported in a manner specified by the licensee that is acceptable to the department. The department may accept only United States mail or common or private carrier as a shipping or transportation method.

(f) Title to the stamps passes immediately to the licensee at the time the stamps are obtained in person or, if the stamps are shipped or transported, at the time the stamps are placed in the United States mail or received by the common or private carrier. The licensee bears all costs associated with shipping or transporting the stamps. The department may replace stamps lost or damaged in transit if the licensee provides proof acceptable to the department verifying that the loss or damage occurred while the stamps were in the possession of the shipping company and the shipping company substantiates the loss or damage. Damaged stamps must be returned to the department before the department may replace them.

(g) Loss, destruction, or theft of stamps does not absolve the licensee of its obligation to make payment for the stamps, including payment on a deferred-payment basis under AS 43.50.550.

(h) For purposes of the discount provided in (c) of this section, "stamps purchased by a licensee" includes stamps purchased by affiliated licensees.

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version:	CSHB 96(FIN)
Fiscal Note Number:	3
(H) Publish Date:	2/28/2018

Identifier: HB096-DOR-TAX-02-17-2018
 Title: TAXES;DEDUCTIONS;FEES;TAX STAMP DISCOUNT
 Sponsor: THOMPSON
 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)

	FY2019	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2019 Request	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES	FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None	***		***	***	***	***	***
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) 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? 12/31/18

Why this fiscal note differs from previous version/comments:

Initial version

Prepared By: Dan Stickel, Chief Economist
 Division: Tax Division
 Approved By: Mike Barnhill
 Agency: OOC

Phone: (907)465-3279
 Date: 02/16/2018 01:00 PM
 Date: 02/17/18

REPORTED OUT OF
HFC 02/27/2018

Control Code: RaBqI

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

Analysis

Bill Overview and Revenue Impact

This bill would make changes to several indirect expenditures in the State of Alaska. 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 \$339,500 in FY 2019 decreasing to approximately \$314,150 in FY 2024, based on the Fall 2017 revenue forecast. Of those additional revenues, the unrestricted General Fund would receive about \$219,150 in FY 2019 decreasing to approximately \$213,600 in FY 2024.

Following are the specific changes that would impact the Tax Division, and their estimated revenue impacts based on the Fall 2017 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 \$55,941 in FY 2017, and is estimated to be \$62,950 in FY 2019 rising to \$83,000 in FY 2024 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 \$376,516 in FY 2017, and is estimated to be \$276,550 in FY 2019, falling to \$231,150 in FY 2024 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 \$276,550 Cigarette Tax Stamp Discount impact estimated in FY 2019, \$105,100 would be deposited in the School Fund, \$15,250 in the Tobacco Use Education and Cessation sub-fund, and \$156,200 in the unrestricted General Fund. It is estimated in FY 2024 that there would be about \$87,800 deposited into the School Fund, around \$12,750 into the Tobacco Use Education and Cessation sub-fund, and \$130,600 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.

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, 2018.

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version:	CSHB 96(FIN)
Fiscal Note Number:	1
(H) Publish Date:	2/28/2018

Identifier: HB096-DCCED-CBPL-02-21-18
 Title: TAXES;DEDUCTIONS;FEES;TAX STAMP
 DISCOUNT
 Sponsor: THOMPSON
 Requester: (H) Finance

Department: Department of Commerce, Community and
 Economic Development
 Appropriation: Corporations, Business and Professional
 Licensing
 Allocation: Corporations, Business and Professional
 Licensing
 OMB Component Number: 2360

Expenditures/Revenues

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

	FY2019	Included in	Out-Year Cost Estimates						
	Appropriation Requested	Governor's FY2019 Request	FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES	FY 2019	FY 2019	FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
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	0.0

Fund Source (Operating Only)

None									
Total	0.0	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

None									
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 0.0 (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

Prepared By: Janey McCullough, Director
 Division: Corporations, Business, and Professional Licensing
 Approved By: Catherine Reardon, Director
 Agency: Division of Administrative Services, DCCED

Phone: (907)465-2538
 Date: 02/21/2018 01:00 PM
 Date: 02/21/18

REPORTED OUT OF
HFC 02/27/2018

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

Analysis

This legislation repeals AS 06.20.030(c) exempting applicants for small loan licenses from the license fee for obtaining a business license. There are fewer than 10 licensees under this program. An Alaska business license cost is \$50 per year. The Division of Corporations, Business, and Professional licensing will have nominal impact from this legislation.

Business licensing at CBPL is funded by General Fund/Program Receipts fund source 1005 GF/Prgm (DGF). Business licensing fees are set per AS 43.70, revenue in excess of authorized budgeted expenses reverts to the State of Alaska general fund.

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version:	CSHB 96(FIN)
Fiscal Note Number:	2
(H) Publish Date:	2/28/2018

Identifier: HB096-DCCED-DBS-02-20-18
 Title: TAXES;DEDUCTIONS;FEES;TAX STAMP DISCOUNT
 Sponsor: THOMPSON
 Requester: (H) Finance

Department: Department of Commerce, Community and Economic Development
 Appropriation: Banking and Securities
 Allocation: Banking and Securities
 OMB Component Number: 2808

Expenditures/Revenues

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

	FY2019	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2019 Request	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES	FY 2019	FY 2019					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

Prepared By: Barbara Reid, Acting Director
 Division: Banking and Securities
 Approved By: Catherine Reardon
 Agency: Division of Administrative Services, DCCED

Phone: (907)465-2570
 Date: 02/20/2018
 Date: 02/20/18

REPORTED OUT OF
HFC 02/27/2018

Control Code: iisgj

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

Analysis

This legislation repeals AS 06.20.030(c) exempting applicants for small loan licenses from the license fee for obtaining a business license. There are fewer than 10 licensees under this program.

The Division of Banking and Securities does not anticipate a fiscal impact from this legislation.