

Alaska DOR Tax Programs

Tax Revenue Collections and Sharing

Presentation to the Alaska Municipal League

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Alaska, DOR, Tax Division - Overview

- The Tax Division administers 25 different tax programs
- Total revenue collections in FY 2019 was \$1,571,123,127
- Total number of tax returns processed in FY 2019 was 35,231
- Tax programs administered by 5 separate groups within Division
 - Oil & Gas Production Tax
 - Oil & Gas Property Tax
 - Corporate Income Tax
 - Excise Taxes
 - Charitable Gaming

Introduction to Revenue Sharing – Excise Group Programs

- Alcoholic Beverages
- Commercial Passenger Vessel
- Electric Cooperative
- Fisheries Business
- Fishery Resource Landing
- Fisheries - Other
- Large Passenger Vessel Gambling
- Marijuana
- Mining License
- Motor Fuel – Highway & Marine
- Motor Fuel - Aviation
- Telephone Cooperative
- Tire Fees
- Tobacco
- Vehicle Rental

RED denotes revenue shared with municipalities



Introduction to Revenue Sharing

- Alaska statutes provide that a percentage of revenue collected from certain taxes and license fees shall be shared with local governments (*cities, boroughs, municipalities*) in Alaska
- The Department of Revenue, Tax Division accounts for taxes and fees subject to sharing and distributes shared amounts to respective local governments
- The Tax Division also distributes the Liquor License Fee administered by AMCO.



Sharing Overview

<i>Tax Type</i>	<i>Reference</i>	<i>Statutory Share</i>
Aviation Motor Fuel	43.40.010	60%
Commercial Passenger Vessel	43.52.230	\$5/passenger/port
Electric Cooperative	10.25.570	100%
Fisheries Business	43.75.130	50%
Fishery Resource Landing	43.77.060	50%
Telephone Cooperative	10.25.570	100%
<i>License Fee Type</i>		
Liquor	04.11.610	100%

Distribution

- In FY 2019, the Tax Division distributed taxes and fees to 132 communities
- Timing of sharing varies by program – driven by payment deadlines
- DOR also transferred fisheries taxes to DCCED – funds originating from the unorganized borough are apportioned among fisheries management areas (AS 29.60.450(b))
- In FY 2019, \$52.5 million was distributed to communities and another \$1.45 million to DCCED
- Some programs have designated funds to deposit revenue - for education, schools, addiction recover, recidivism reduction, smoking cessation, and other programs/projects
- Tire Fees only Excise program without sharing or special fund accounts

Distribution by Location – FY 2019 Numbers



Unalaska	8,383,238
City & Borough of Juneau	5,774,854
Bristol Bay Borough	5,020,858
Skagway	4,735,565
Ketchikan	2,802,901
Subtotal	26,717,416
Other Municipalities	25,850,267
Total	<u>52,567,683</u>

Distribution by Tax Program – FY 2019 Numbers

<i>Tax Type</i>	<i>Share Amount</i>	<i>% of Total</i>
Fisheries Business	\$23,619,878	44.9%
Commercial Passenger Vessel	18,658,815	35.5%
Fishery Resource Landing	4,997,344	9.5%
Telephone Cooperative	2,397,009	4.6%
Electric Cooperative	1,925,269	3.7%
Liquor License Fees	869,400	1.7%
Aviation Motor Fuel	99,968	0.2%
Grand Total	\$52,567,683	100%

Distribution by Tax Program – Prior Year Comparison

Tax Type	FY 2019		FY 2018		FY 2017	
	Share Amount	% of Total	Share Amount	% of Total	Share Amount	% of Total
Fisheries Business	\$23,619,878	44.9%	\$23,710,558	46.0%	\$21,245,657	46.8%
Commercial Passenger Vessel	18,658,815	35.5%	16,762,020	32.6%	16,023,756	35.3%
Fishery Resource Landing	4,997,344	9.5%	5,367,754	10.4%	4,518,891	10.0%
Telephone Cooperative	2,397,009	4.6%	2,610,280	5.1%	1,936,837	4.3%
Electric Cooperative	1,925,269	3.7%	1,993,464	3.9%	2,239,172	4.9%
Liquor License Fees	869,400	1.7%	948,450	1.8%	865,400	1.9%
Aviation Motor Fuel	99,968	0.2%	98,704	0.2%	124,379	0.3%
Grand Total	\$52,567,683	100%	\$51,491,230	100%	\$45,406,089	100%

--- Prior Year Comparison ---

Revenue Sharing with Municipalities Tax Programs

Department of Revenue
Excise Tax Group

Tax Program: Electric Cooperative Tax

- Levied on kilowatt hours furnished by qualified electric cooperatives recognized under AS 10.25
- Rate per kilowatt hour (kWh) is based on the length of time the cooperative has furnished electricity to consumers. If less than 5 years, the rate is 0.00025 per kWh and over 5 years is 0.0005 per kWh
- Revenue goes to the GF
- Revenues from cooperatives located in **municipalities** are shared 100% with municipalities. Small amount of revenue from coops outside municipalities is retained by state
- FY 2019 tax collections \$2 million with \$50,000 to GF and \$1.9M to municipalities



Tax Program: Commercial Passenger Vessel Tax

- Levied on commercial passenger vessels that have at least 250 berths, provide overnight accommodations and spend more than 72 hours in Alaska waters. Rate is \$34.50 per passenger, per voyage.
- All tax revenue is deposited into the Commercial Passenger Vessel Tax account (subfund of GF)
- Subject to appropriation by the Legislature, \$5 per passenger is distributed to each of the **first seven ports of call** in Alaska
- Legislature may appropriate money from the account to improve port facilities and harbor infrastructure
- FY 2019 total tax collections was \$23 million
- Of the \$23 million, \$4.3M to GF and \$18.7M shared with **municipalities**

Tax Program: Fisheries Business Tax

- Levied on businesses that process fisheries resources, or export unprocessed fishery resources from Alaska
- Rates for established processors are 5.0% for floating processors, 4.5% for salmon canneries, and 3.0% for shore-based processors. Rates for processors of developing fishery resources are 3.0% for floating processors, and 1.0% for shore-based processors
- Tax revenue is deposited into the GF and may be appropriated by the Legislature
- Tax Division shares 50% of tax with the **incorporated city or organized borough** where the processing took place. If city is within borough, 50% is divided equally with both
- Tax Division shares 50% of tax on processing outside of city or borough (unorganized borough) through allocation program administered by DCCED
- FY 2019 tax collections \$45.4 million with \$21.3 to GF
- Shared \$23.6M with municipalities and \$472,000 to DCCED for allocation

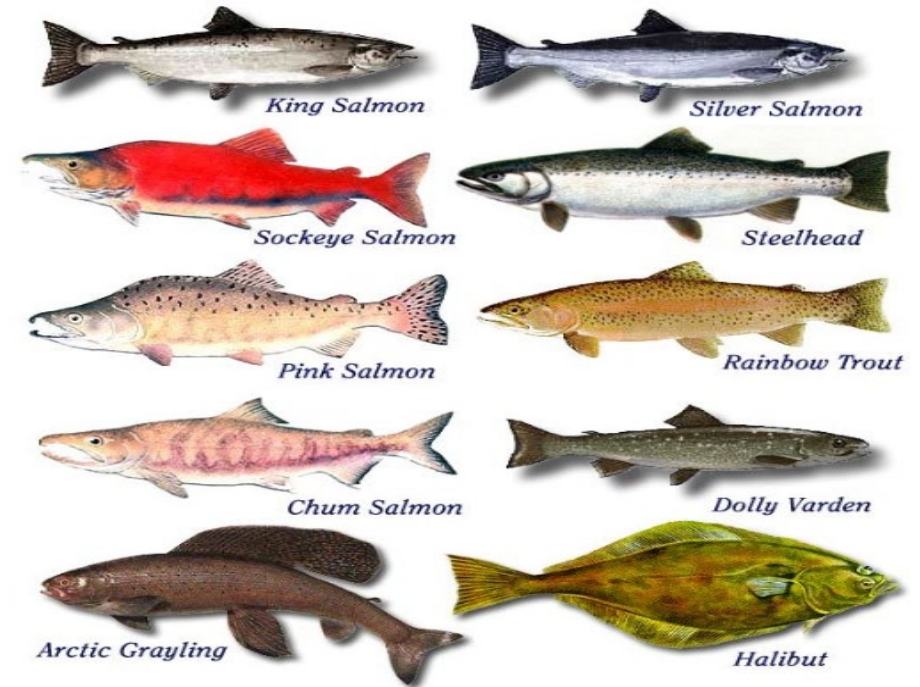
Tax Program: Fisheries Resource Landing Tax

- Levied on fishery resources processed outside of Alaska, but first landed in Alaska
- The rate for established fisheries is 3% and the rate for developing fisheries is 1%
- Tax revenue is deposited into the GF and may be appropriated by the Legislature
- The revenue is shared similar to the FBT – 50% goes to the **municipality** where landings occurred or split equally if also within a borough
- 50% goes to DCCED if landing occurred in unorganized borough
- FY 2019 collections \$12.5 million with \$6.5 into the GF
- \$5M shared with municipalities and \$1M to DCCED for allocation



Tax Program: Fisheries- Other

- Common Property Fishery Assessment
- Dive Fishery Management Assessment
- Regional Seafood Development Tax
- Salmon Enhancement Tax
- Seafood Marketing Assessment



With all of these programs, the division deposits the revenue into the General Fund and the Legislature may appropriate funds to specific accounts or causes (unlike Fish Business and Fish Landing)

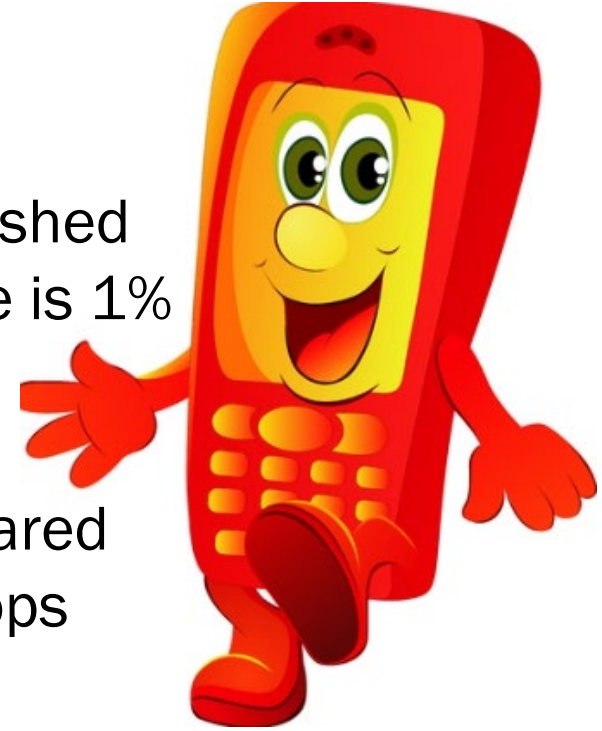
Tax Program: Motor Fuel Tax (Aviation)

- Levied on purchases of avgas and jet fuel
- Rates: Avgas = \$0.047/Gal, Jet Fuel = \$0.032/Gal
- All tax revenue is deposited into a specific revenue account for that fuel type in the GF
- The Legislature may appropriate that money for a use related to the specific fuel type
- For aviation fuel, tax division shares with the respective **municipalities** 60% of taxes attributable to aviation fuel sales at municipally owned airports
- FY 2019 \$100,000 aviation tax shared with municipalities



Tax Program: Telephone Cooperative Tax

- Levied on gross revenue of qualified telephone cooperatives recognized under AS 10.25
- Rate is based on the length of time the cooperative has furnished telephone service to consumers. If less than 5 years, the rate is 1% of revenue and over 5 years is 2% of revenue
- Tax revenue goes to the GF
- Revenues from cooperatives located in **municipalities** are shared 100% with municipalities. Small amount of revenue from coops outside municipalities is retained by state
- FY 2019 tax collections \$2.5 million with \$150,000 to GF and \$2.4M to municipalities



Non Revenue Sharing Tax Programs

Department of Revenue
Excise Tax Group

Tax Program: Alcoholic Beverage Tax

- Levied on wholesale distributors. Per-gallon tax with four levels based on different products: distilled spirits, wine, beer, and beer brewed in-state from small breweries
- Distilled spirits are taxed at \$12.80/gallon, wine at \$2.50/gallon, beer at \$1.07/gallon and beer from small breweries at \$0.35/gallon
- All tax revenue deposited into General Fund (License fees shared)
- 50% is transferred to the Alcohol and Other Drug Abuse Treatment and Prevention Fund (subfund of GF)
- FY 2019 total tax collections \$40.8 million, \$20.4M to GF



Tax Program: Marijuana Tax

- Levied on sales by the cultivator to the retail store or manufacturer
- The tax rate is \$50/oz on marijuana bud/flower, \$25/oz on immature, seedy or failed bud/flower, and \$15/oz on other parts of the plant, also known as “trim”
- Fifty percent of marijuana tax revenue is deposited into the Recidivism Reduction Fund and treated as designated restricted revenue
- As of October 2018, an additional 25% of marijuana tax deposited into the Marijuana Education and Treatment Fund, bringing the total designated general fund share of the marijuana tax to 75%
- FY 2019 total tax collections \$19 million –with \$5.5M to GF
- \$9.4 to recidivism fund and \$4.2M to education fund



Tax Program: Large Passenger Vessel Gambling Tax

- Levied on operators of gaming or gambling activities on large passenger vessels while in State waters
- The tax rate is 33% of the adjusted gross income from the gaming and gambling activities
- Revenue deposited into LPV gaming and gambling subfund of the commercial vessel tax account in the GF
- FY 2019 tax collections \$10 million



Tax Program: Mining License Tax

- Levied on mining net income and royalties received in connection with mining properties and activities within Alaska, primarily collected from business engaged in hard rock and coal in the state
- Tax based on income with rates based on net income brackets ranging from 3% to 7%. There is no tax on net income of \$40,000 or less
- Most revenue deposited into the GF. “Settlement” revenue deposited into the Constitutional Budget Reserve Fund (CBRF)
- FY 2019 tax collections \$48 million with \$45M to GF and \$3M to CBRF



Tax Program: Motor Fuel Tax (Highway and Marine)

- Levied on purchases of highway and marine diesel and gas fuel.
- Tax rates: Highway = \$0.08/Gal, Marine = \$0.05/Gal.
- All refined fuels sales are also subject to a \$0.0095/Gal Surcharge (SPAR)
- All tax revenue from each fuel type is deposited into a specific revenue account for that fuel type in the GF
- The Legislature may appropriate that money for a use related to the specific fuel type. Marine fuel tax goes to special watercraft revenue account, highway tax to special highway account
- FY 2019 total tax collections \$45.7 million (includes Aviation Fuel taxes)



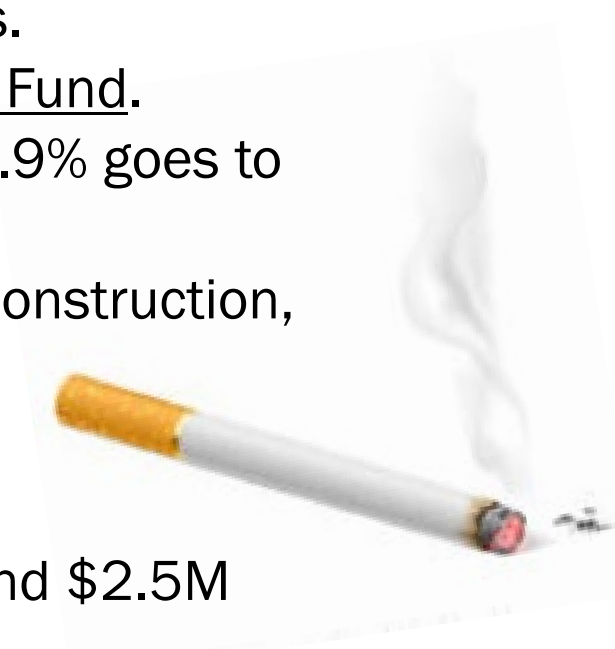
Tax Program: Tire Fee

- Levied on tires sold in Alaska for motor vehicles intended for highway use
- Rates: \$2.50/each new tire, and an additional \$5.00 for each new studded tire or the installation of studs onto new or used tires
- All tax revenue is deposited into the GF
- No sharing and no designated special fund
- FY 2019 tax collections \$1.3 million



Tax Program: Cigarette and Other Tobacco Products Tax

- Levied on cigarettes imported into Alaska for sale or personal consumption and on tobacco products other than cigarettes imported into Alaska for sale. The tax is primarily collected from wholesalers, distributors, and retailers. Rate is \$2/pack of 20 cigarettes, and 75% of the wholesale price of other tobacco products
- Does not apply to e-cigarettes and other electronic smoking devices.
- Cigarette tax revenue from the base rate is deposited in the School Fund. Revenue from additional tax goes into the GF. Of the GF deposits, 8.9% goes to Tobacco Use Education and Cessation Fund (subfund of GF)
- License fees go into the School Fund to be used for rehabilitation, construction, repair costs of state school facilities
- OTP tax collections goes to the GF
- FY 2019 total tax collections \$59.7 million with \$40M staying in GF
- School Fund \$17.1M and Tobacco Use Education and Cessation Fund \$2.5M



Tax Program: Vehicle Rental Tax

- Levied on fees and costs charged for the rental or lease of a passenger or recreational vehicle for fewer than 90 days
- Rate is 10% of the total cost for passenger vehicle, and 3% of total cost of renting a recreational vehicle.
- Individual Renter pays the tax. The tax is collected by the rental company, who then remits the tax to the Tax Division.
- All tax revenue is deposited into the GF
- The Legislature may appropriate the funds for tourism development and marketing
- FY 2019 tax collections \$11.4 million



Resources

Annual Report FY 2019

<http://www.tax.alaska.gov/programs/programs/reports/AnnualReport.aspx?Year=2019>

Shared Taxes Report FY 2019

<http://tax.alaska.gov/programs/documentviewer/viewer.aspx?1571r>

Revenue Sources Book - Fall 2019 Forecast

<http://tax.alaska.gov/programs/documentviewer/viewer.aspx?1573r>

Tax Division

<http://tax.alaska.gov/>



Questions?



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