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Governor Bill Walker
STATE OF ALASKA

January 15, 2016

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 commercial vessel passenger excise tax.

Under the commercial vessel passenger excise tax, all commercial passengers pay \$34.50, irrespective of what ports they visit in Alaska, because AS 43.52.255 provides an offset to the state passenger tax to passengers whose voyages include one or more stops in a municipality that collects its own local passenger tax. The offset is limited to local passenger taxes that were in effect on December 17, 2007. In essence, the result is that passengers who stop at Juneau or Ketchikan pay a lower statewide passenger tax because they are paying one or more qualified passenger levies. My bill proposes to repeal AS 43.52.255, which reduces the state tax on cruise ship passengers by the amount the passenger pays in local borough taxes. This change would result in additional revenue of approximately \$15,000,000 annually.

In addition, the bill would amend the definition of "voyage" to remove language requiring that a vessel be in the state for 72 hours to be liable for the tax. The language, added in 2010, has generated some unintended consequences of companies attempting to avoid paying the commercial excise passenger vessel tax through route adjustments.

To increase administrative efficiency for the Department of Revenue and state taxpayers, the bill would require the electronic submission of tax returns with an exemption available upon request.

The bill is an integral component of the New Sustainable Alaska Plan to provide a balanced and sustainable budget for Alaska's long-term fiscal stability.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink that reads "Bill Walker".

Bill Walker
Governor

Enclosure

HOUSE BILL NO. 252

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/19/16

Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act requiring electronic submission of a tax return or report with the Department**
2 **of Revenue; repealing the tax reduction for local levies for the commercial vessel**
3 **passenger excise tax; amending the definition of 'voyage'; and providing for an effective**
4 **date."**

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

6 *** Section 1.** AS 43.05.220 is amended to add a new subsection to read:

7 (f) A penalty of \$25 or one percent of the total tax before any payment,
8 whichever is greater, shall be assessed against a taxpayer that fails to electronically
9 submit a return or report under AS 43.05.222, unless the taxpayer has received an
10 exemption under AS 43.05.222 or can show reasonable cause.

11 *** Sec. 2.** AS 43.05 is amended by adding a new section to read:

12 **Sec. 43.05.222. Electronic submission of return or report.** (a) A taxpayer
13 required to submit a return or report for a tax levied under AS 43 or any other tax
14 administered by the department shall submit the return or report electronically in a

1 format prescribed by the department. Unless the taxpayer has received an exemption
2 under (b) of this section or can show reasonable cause, a return or report not submitted
3 electronically is subject to a civil penalty under AS 43.05.220.

4 (b) A taxpayer may request an exemption from the requirement that a return or
5 report be submitted electronically. The taxpayer or taxpayer's representative shall
6 contact the department and request the exemption before the return or report is due
7 and shall submit evidence that the taxpayer does not have the capability to submit the
8 return or report electronically. An exemption granted under this subsection is valid for
9 two years after the first tax filing due date after the exemption is granted; after the two
10 year period, the taxpayer may apply for another exemption.

11 * **Sec. 3.** AS 43.52.295(4) is amended to read:

12 (4) "voyage" means any trip or itinerary lasting more than 72 hours
13 [ON THE STATE'S MARINE WATER].

14 * **Sec. 4.** AS 43.52.255 is repealed.

15 * **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to
16 read:

17 TRANSITIONAL PROVISION: REGULATIONS. The Department of Revenue may
18 adopt regulations necessary to implement the changes made by this Act. The regulations take
19 effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the
20 law implemented by the regulation.

21 * **Sec. 6.** Section 5 of this Act takes effect immediately under AS 01.10.070(c).

22 * **Sec. 7.** Except as provided in sec. 6 of this Act, this Act takes effect July 1, 2016.