

Department of Revenue's Response to a Question from Karla Hart, Regarding the Department's Notice of Proposed Changes to Excise Taxes on Travel Aboard Commercial Passenger Vessels dated September 24, 2020 for Proposed Changes to Department Regulations under 15 AAC 52, Transportation Taxes.

Question 10:

I appreciate the clarification on "Clarification Statement Regarding the Department's Notice of Proposed Changes to Excise Taxes on Travel Aboard Commercial Passenger Vessels ..." Putting what is meant into words that translate across levels of background is challenging. Would you please confirm or correct my interpretation of what is clarified.

1) \$34.50 minus Juneau and Ketchikan fees at the amounts they were before December 2017 is the amount that the cruise industry would be responsible for collecting and submitting to the Department of Revenue.

and

2) any increases to local passenger taxes and fees imposed after December 2, 2017 will be in addition to the previously capped \$34.50?

In other words, if Juneau increases our locally-imposed passenger fee in 2021 from \$5 to \$10, the cruise passenger would be paying \$39.50? And if Hoonah imposed a passenger fee of \$10.00 as well the passenger would be paying \$49.50?

Do I have that correct?

Department's Response:

The Department offers the following clarification and example for how its proposed regulation will work using the actual rates of local levies in effect for Juneau and Ketchikan on December 17, 2007, and the actual increased rates for Ketchikan that will go into effect on April 1, 2021.

The state imposes a commercial vessel passenger tax of \$34.50 on each passenger that travels on a qualifying cruise ship. However, the state may not collect the full \$34.50 because the state tax is reduced by the amount of local taxes and fees the passenger is responsible for paying to Juneau or Ketchikan. If the passenger does not travel to either Juneau or Ketchikan, then the state tax is not reduced. The proposed regulation change codifies that the amount of local taxes and fees the passenger can use to reduce their state tax liability are the local rates that were in effect on December 17, 2007: \$8.00 for Juneau, and \$4.00 or \$7.00 for Ketchikan, depending on where the cruise ship docks in Ketchikan and whether lightering was required. Ketchikan recently voted to increase its local levies to \$6.00 for lightering and docking at private port facility, and \$9.00 for docking at a city-owned port facility, effective April 1, 2021.

For this example, we will calculate the state and local tax for one passenger traveling on a qualifying cruise ship that visits five ports in the 2021 cruise season, including Juneau and Ketchikan. We will assume for purposes of this example that the cruise ship docks at a city-owned port facility in Ketchikan. We will also show how the collected state tax revenue is distributed.

State Tax Collection Calculation:

\$34.50

- \$8.00 (Juneau pre-Dec. 17, 2007 rate)
- \$7.00 (Ketchikan pre-Dec. 17, 2007 rate for docking at city-owned facility)

\$19.50 (State tax collected from passenger)

Distribution of State Tax Collections:

\$19.50 (State tax collected from passenger)

- \$5.00 (Ketchikan - Port #1)
- \$5.00 (Juneau - Port #2)
- \$5.00 (Port #3)
- \$5.00 (Port #4)
- \$5.00 (Port #5)

- \$5.50 net to State (This negative value indicates that the state loses \$5.50 per passenger when that passenger visits five ports, including both Juneau and Ketchikan).

Local Levy Calculations (these are in addition to the \$5.00 distributed to the first 7 ports under AS 43.52.230):

Juneau = \$8.00

Ketchikan = \$9.00 (April 1, 2021 local levy increase)

Total Amount of Tax (State and Local) Passenger Pays under this example:

\$36.50*

*Note that the Total Amount of Tax (State and Local) Passenger Pays will increase by the amount of local levies that any other local government puts into place. However, any enactment or increase to local levies cannot be used by the passenger to reduce the amount of state tax they owe.

For more information, please see the October 22, 2020 Department of Revenue's Clarification Statement Regarding the Department's Notice of Proposed Changes to Excise Taxes on Travel Aboard Commercial Passenger Vessels dated September 24, 2020 for Proposed Changes to Department Regulations under 15 AAC 52, Transportation Taxes, and Extension of Public Comment Period located here: <http://notice.alaska.gov/199565> and <http://tax.alaska.gov/programs/programs/index.aspx?20000>.

Department of Revenue's Response to Questions from Greg Smith, Staff to Rep. Andi Story, Regarding the Department's Notice of Proposed Changes to Excise Taxes on Travel Aboard Commercial Passenger Vessels dated September 24, 2020 for Proposed Changes to Department Regulations under 15 AAC 52, Transportation Taxes.

Question 11:

Is the main intent of this regulation change (really addition of a new regulation) to codify the tax reduction for the amount of local levies set prior to 12/17/2007 instead of having statute, which does not explicitly state the tax amount, guide this reduction?

Department's Response:

The intent of the proposed regulation is to codify that the amount of local taxes and fees a passenger can use to reduce their state tax liability are the local rates that were in effect on December 17, 2007: \$8.00 for Juneau, and \$4.00 or \$7.00 for Ketchikan, depending on where the cruise ship docks in Ketchikan and whether lightering was required. Because Ketchikan recently voted to increase its local levies to \$6.00 for lightering and docking at private port facility, and \$9.00 for docking at a city-owned port facility, effective April 1, 2021, the Department determined that it was necessary to codify which rates may be used by a passenger to reduce their state tax liability.

For more information, please see the October 22, 2020 Department of Revenue's Clarification Statement Regarding the Department's Notice of Proposed Changes to Excise Taxes on Travel Aboard Commercial Passenger Vessels dated September 24, 2020 for Proposed Changes to Department Regulations under 15 AAC 52, Transportation Taxes, and Extension of Public Comment Period located here: <http://notice.alaska.gov/199565> and <http://tax.alaska.gov/programs/programs/index.aspx?20000>.