



Resident and Non-Resident Tax Bases

ISER Analysis of Economic Impacts of Alaska Fiscal Options - 2026
Alaska House Labor & Commerce, 2-16

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Outline of this Presentation

High-level Overview of Analysis & Results

- Some context for the work
- Results
- Methodology
 - Income Tax
 - Sales Tax

Background, Purpose, & Disclaimer

Background

- ISER recently released an update to an analysis conducted in 2016 estimating the economic impacts of fiscal options for Alaska
- One outcome of interest, the relative burden of fiscal options on residents and non-residents

Purpose of this Presentation

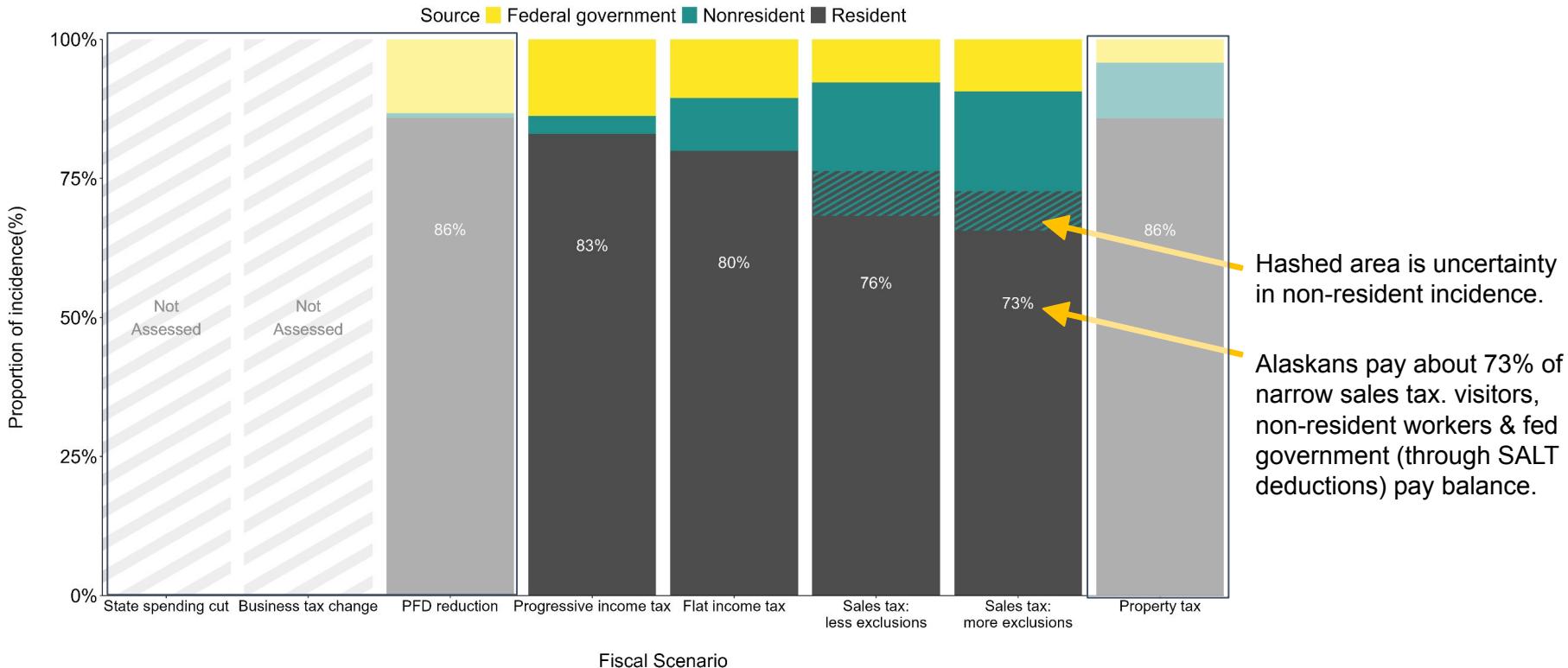
- **Provide additional detail on how were resident v nonresident burden of taxes calculated.**

Disclaimer

- As in 2016, ISER's preparation of this report was supported with funding from the Office of Governor, State of Alaska.
- This report reflects the work and conclusions of the authors. Findings should not be attributed to ISER, UAA, or the research sponsors.



Who would pay? Allocation of Incidence



Methodology Note

Federal taxes are modeled as part of the complete analysis, but this presentation will focus only on the resident and non-resident burden of state income v sales taxes, *pre-federal taxes*.

Estimating Income Tax Base

- As with ISER 2016 study, **start** with income from public use microdata sample (**PUMS**) from the American Community Survey (ACS)
 - ACS is household survey from US Census. Household characteristics and economics
 - We use 1-year file from 2023
 - ACS sample frame is housing units (Master Address File) in Alaska
 - 23PUMS contains roughly 6,900 Alaska Households
 - Apply sample weights to income to estimate total and distribution of income

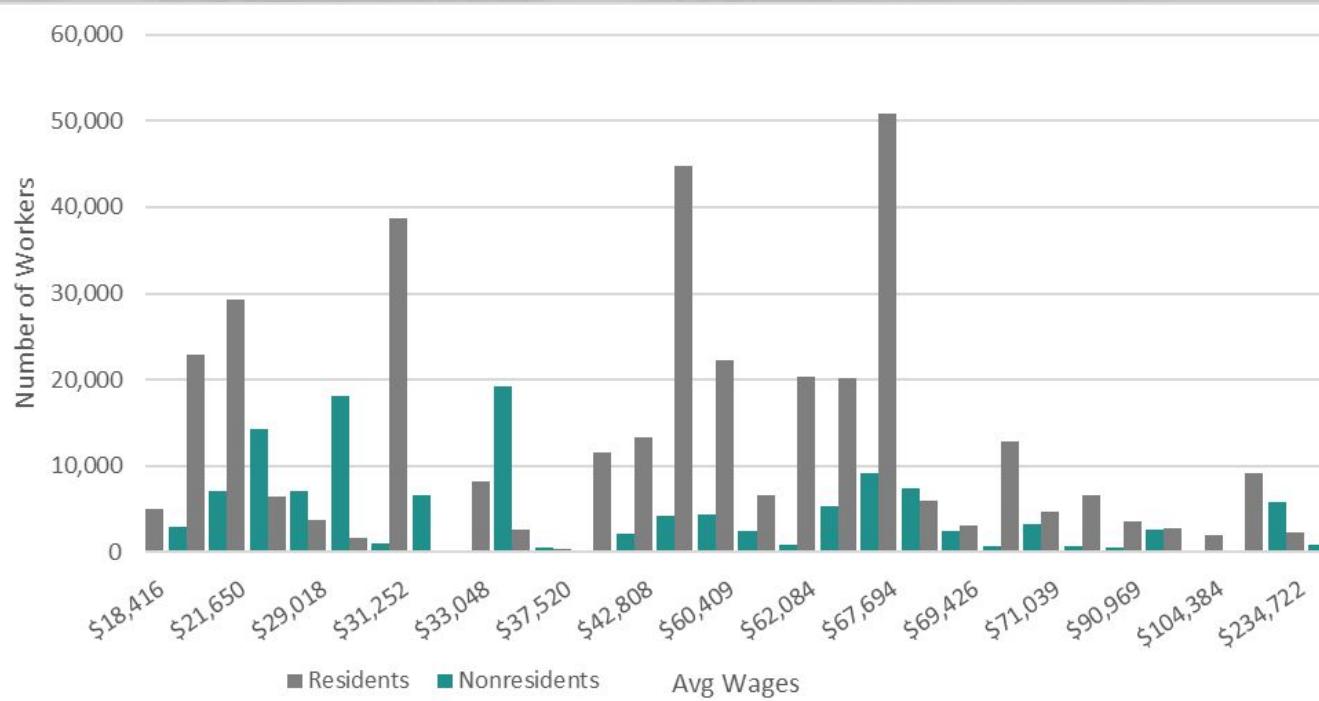
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- As with ISER 2016 study, **distribution of non-resident wage income comes from AKDoL** Nonresident Workers report
 - Unemployment insurance covered employment (excludes federal, military, proprietors, etc) ~85-95% coverage
 - AKDoL reports non-resident wages by industry
 - Residency defined based on PFD receipt - requires reconciliation with ACS residency definition - *New from 2016*
 - DOL quantifies the number of non-resident to resident “converters” by industry, which allows us estimate wage distribution of converters

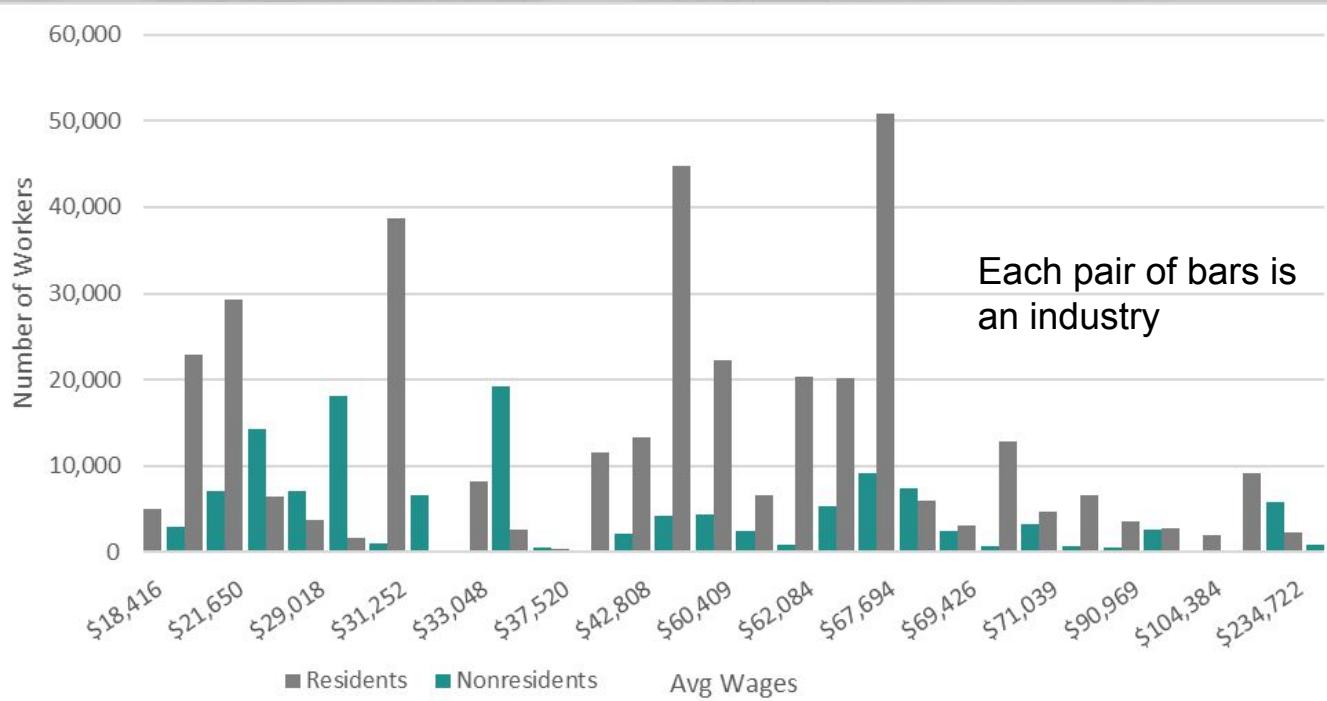
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- As with ISER 2016, assume distribution of resident and non-resident non-wage income is proportional to wage distribution.

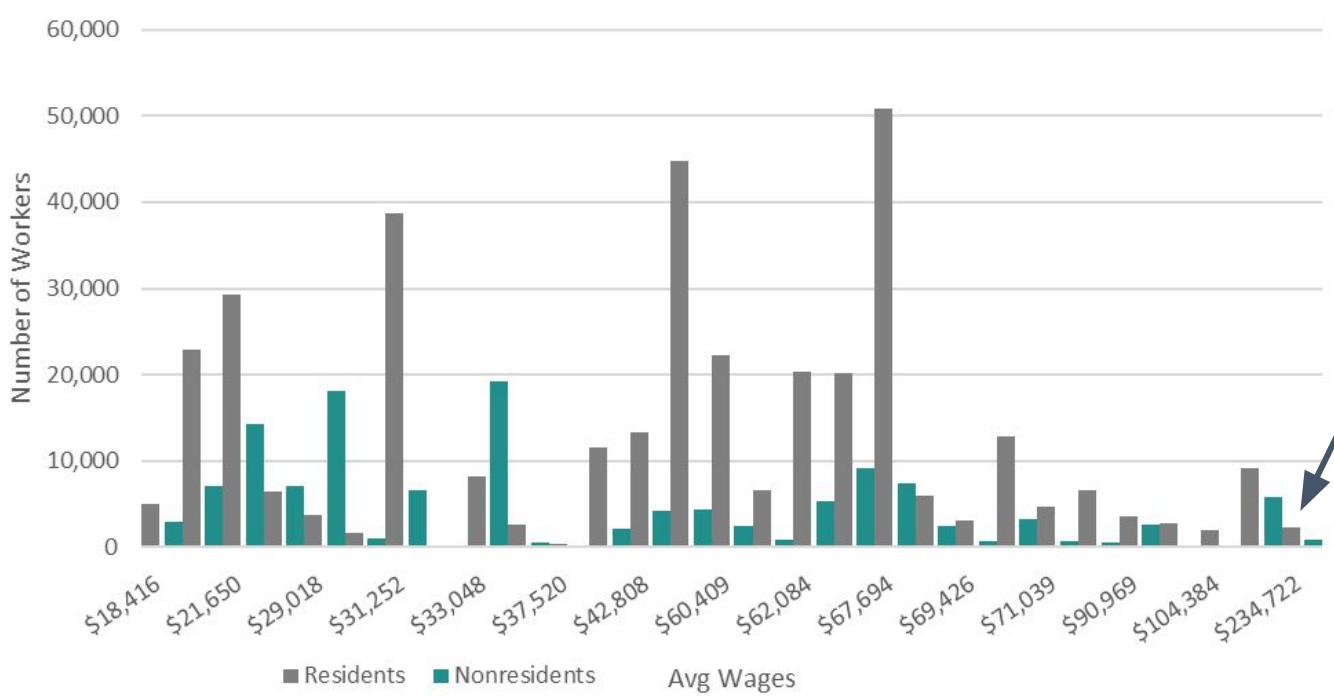
Resident and Non-resident Wage Distribution



Resident and Non-resident Wage Distribution



Resident and Non-resident Wage Distribution



Highest wage industry:
Oil & Gas Extraction:
Average wage for all workers: \$235K/y
2,300 resident workers.
917 non-residents



Resident and Non-resident wage distribution

Total Wages (\$ Millions)

Annual Wage Bracket	PFD		ACS		PFD Resident	ACS Res
	Non-Resident	Converters	Non-Res	Resident		
Less than 15k	\$59	\$3	\$56	\$ -		\$3
15-30k	\$1,059	\$68	\$992	\$1,532	\$1,599	
30-40k	\$445	\$74	\$370	\$691	\$765	
40-50k	\$124	\$37	\$88	\$3,976	\$4,012	
50-70k	\$889	\$141	\$748	\$5,017	\$5,158	
70-100k	\$478	\$5	\$472	\$4,847	\$4,853	
100-150k	\$106	\$29	\$77	\$295	\$324	
150-200k	\$180	\$ -	\$180	\$ -	\$ -	
Greater than 200k	\$196	\$ -	\$196	\$559	\$559	
	\$3,536	\$357	\$3,179	\$16,917	\$17,273	

Estimating Sales Tax Base

- We estimate two sales tax bases
- (1) A broad tax that would have fewer excluded categories.
 - This base excludes: shelter, healthcare, education
- (2) A narrower tax that would exclude more items
 - This base excludes: above ex + utilities and food at home
- Start with Personal Consumption Expenditures (PCE) from US Bureau of Economic Analysis (BEA)
- PCE concepts:
 - Household and non-profit **final** out-of-pocket **consumption** expenditures
 - In addition, PCE includes many imputed or non-market transactions
 - Shelter (imputed rents for homeowners), healthcare (employer/gov't paid health insurance)
 - Based on **residency of household**, not point of sale (what Alaskan's buy, regardless of where)
- Adjustments...

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 - Based on residency of household, not point of sale (what Alaskan's buy, regardless of where)
- **Subtract** from PCE **imputed categories** of non-market transactions (which were also assumed outside the tax base in ISER 2016)
- **Subtract** foreign **travel** (outside of state)
- **Add** imputed **non-resident worker** expenditures
- **Add** direct **visitor** expenditures

Incidence of Sales Tax

	Residents (\$Ms)
2024 Personal Consumption Expenditure in Alaska:	\$49,112
Less foreign travel:	(\$722)
Less Exemptions for Financial services furnished without payment & Social services and religious activities	(\$2,121)
Subtotal	\$46,269
Less Exemptions for shelter, healthcare, education:	(\$18,968)
Subtotal: fewer exclusions	\$27,301
Less Exemptions for Utilities, and Food at Home	(\$4,616)
Subtotal: more exclusions	\$22,685

See slide notes.



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Imputing Non-resident worker expenditures

- As in ISER 2016, we assume that non-resident worker expenditures are proportional to resident expenditures
- We scale resident expenditures by the ratio of non-resident to resident wages and salaries
 - BEA shows that wage and salary income for Alaska residents is \$27.4B and earnings are \$56.4B
 - AKDoL (w/ our residency adjustments) show non-resident wages are \$3.2B
 - Nonresident wages are 5.6-11% of Alaska earnings and wages (respectively)
- What % of non-resident wages spent in Alaska? - No data is available
 - Some non-resident workers are likely to spend their income like Alaskans
 - Other workers will have limited opportunities to spend their income (remote mines, North Slope, off-road seafood processing)
- We estimate 3 scenarios
 - On one extreme: non-resident workers spend NO income in Alaska
 - On the other extreme: non-resident workers spend their income like Alaskans do
 - In between: non-residents spend 25% of their discretionary income in Alaska



Calculating Visitor Expenditures

- Alaska Travel Industry Association: \$4.5B in direct visitor spend
 - Destination Analysts Alaska 2022-2023 Visitor Profile Report
 - Spending by visitor type (per person per visit)
 - Cruise: **\$874**
 - Independent: **\$2,004**
 - McKinley Research Group Visitor Volumes (Summer 2024, & Winter 23/24)
 - Cruise **1.323m** (round trip), **461,000** (cross gulf)
 - Independent : **839,600** (air) **78,300** (highway/ferry), **398,000** (winter)
 - For cross-gulf passengers, we assume higher spending than round trip cruise, but less than fully independent travelers. We use a simple average of the two: **\$1,439** per person per visit
- All visitor spending (shopping, lodging, outdoor recreation, sightseeing and entertainment, transportation/gas, incidentals) in state is assumed to be a part of the sales tax broad or narrow base, **except food and dining in the narrow base tax which exempts food at home.**
- Of the \$911m estimated visitor spending on food and dining, we assume exemptions of 25% of cross-gulf passenger food and dining spending (\$33m) and 50% of spending on food for independent travelers (\$255m), reducing the total tax base by \$289m.

Incidence of Sales Tax

	Residents (\$Ms)	Non-resident workers (\$Ms)	Visitors (\$Ms)	Total Tax Base (\$Ms)	Resident Incidence		
					Base Case	Zero Non-Res Workers	Non-Res Workers Spend AK Wages Exactly Like Alaskans
2024 Personal Consumption Expenditure in Alaska:	\$49,112	\$1,424	\$ 4,458	\$54,994	89%	92%	83%
Less foreign travel:	(\$722)	(\$21)					
Less Exemptions for Financial services furnished without payment & Social services and religious activities	(\$2,121)	(\$61)					
Subtotal	\$46,269	\$1,341	\$ 4,458	\$52,068	89%	91%	82%
Less Exemptions for shelter, healthcare, education:	(\$18,968)	(\$550)					
Subtotal: fewer exclusions	\$27,301	\$792	\$ 4,458	\$32,550	84%	86%	78%
Less Exemptions for Utilities, and Food at Home	(\$4,616)	(\$134)	(\$289)				
Subtotal: more exclusions	\$22,685	\$658	\$ 4,168	\$27,511	82%	84%	77%

See slide notes.



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Considerations/limitations

- Non-residents difficult to measure with precision
 - For consumption: we construct two extreme scenarios for non-resident workers
 - For income: non-resident, non-wage income unobservable
- The design of tax policy will have important impacts on tax base
 - Income tax: which non-wage and salary income will be taxable (eg retirement income)
 - Sales tax: which goods and services will be subject to tax? Our analysis provides two “prototype” tax bases
- We assume 100% compliance
 - Non-compliance will affect revenue collected and relative resident/non-resident burden



Thank you

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