



# 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

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## 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

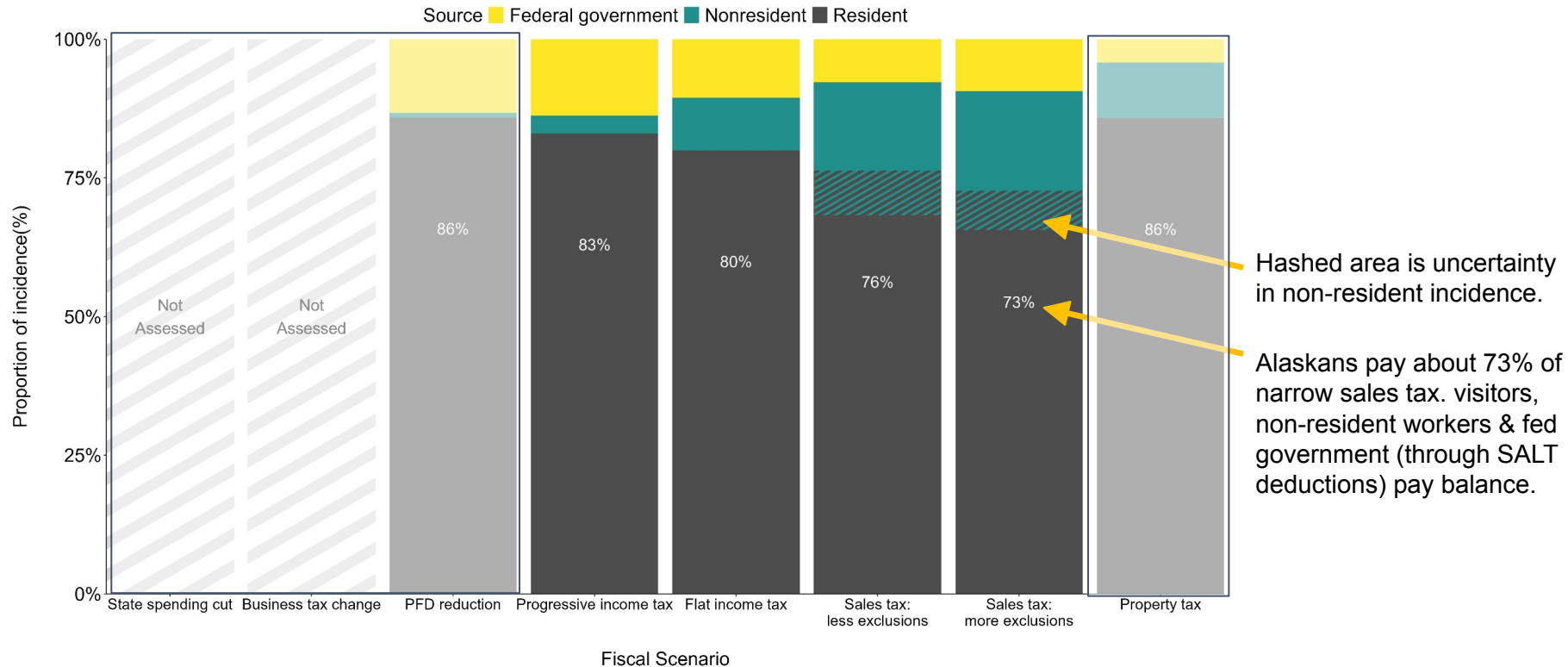
- **Provide additional detail on how were resident v nonresident burden of taxes calculated.**

## 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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  - Apply sample weights to income to estimate total and distribution of income
- 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





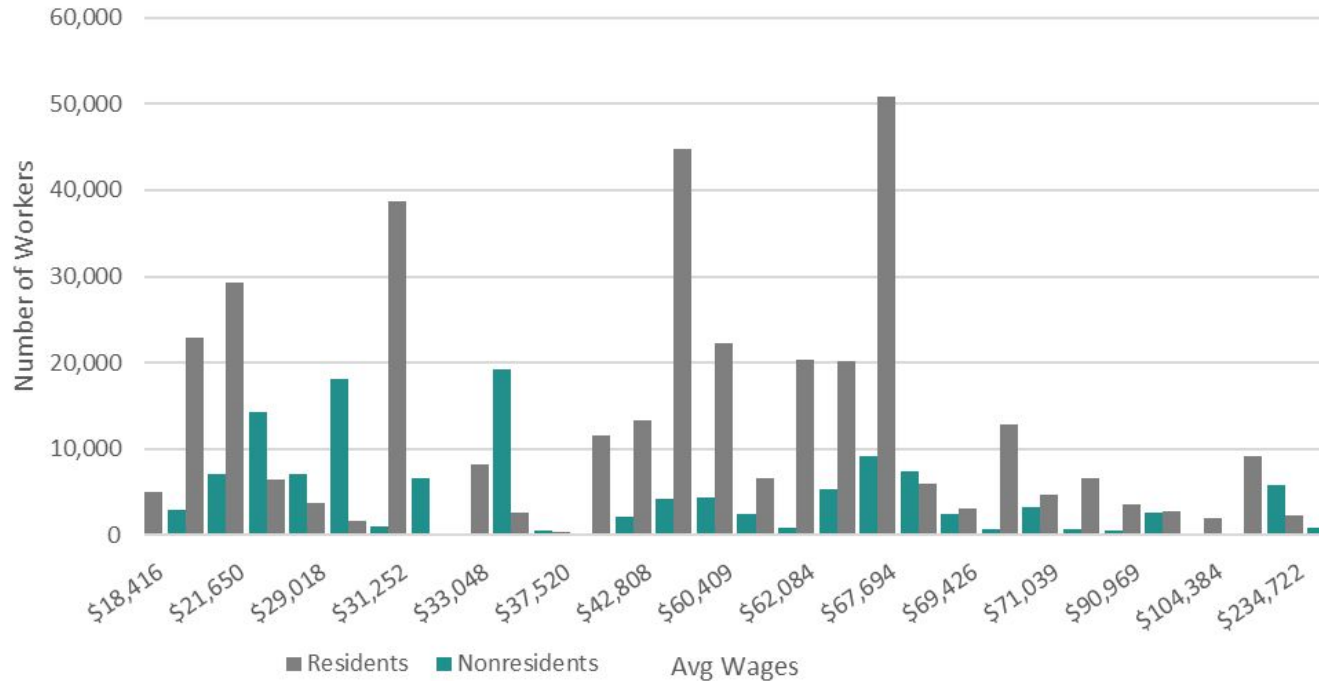
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- As with ISER 2016, assume distribution of resident and non-resident non-wage income is proportional to wage distribution.

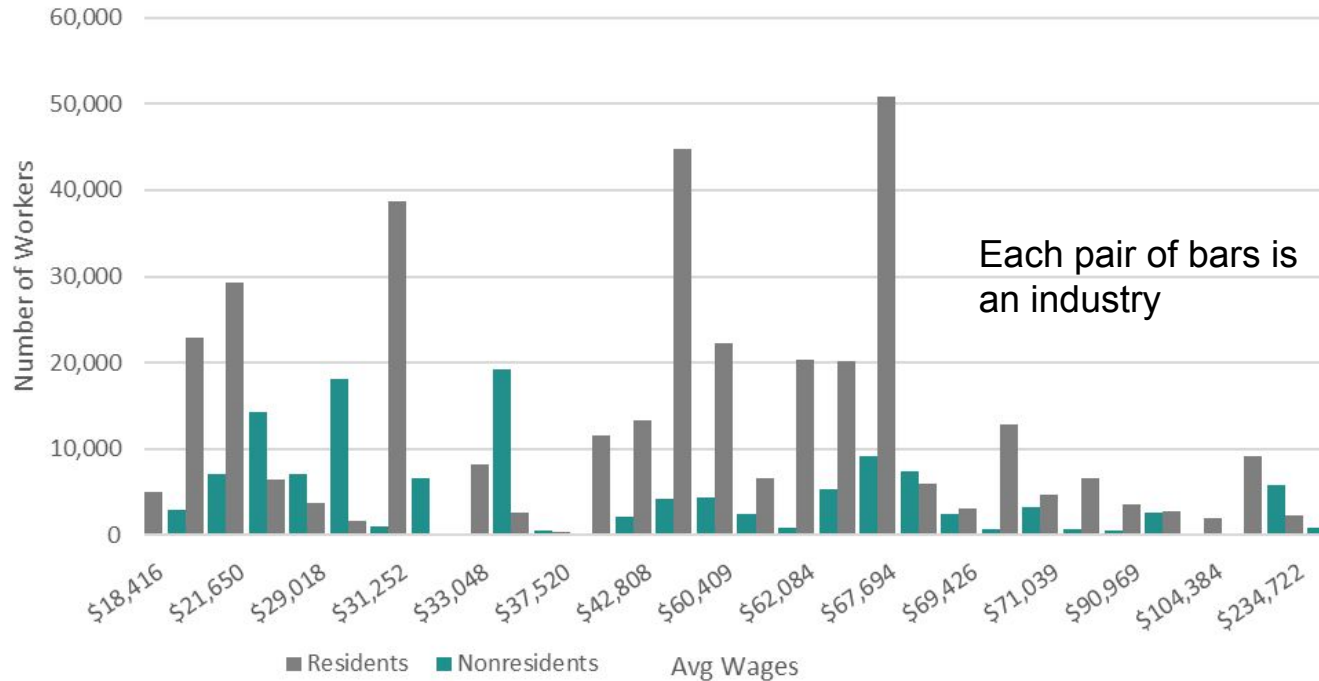




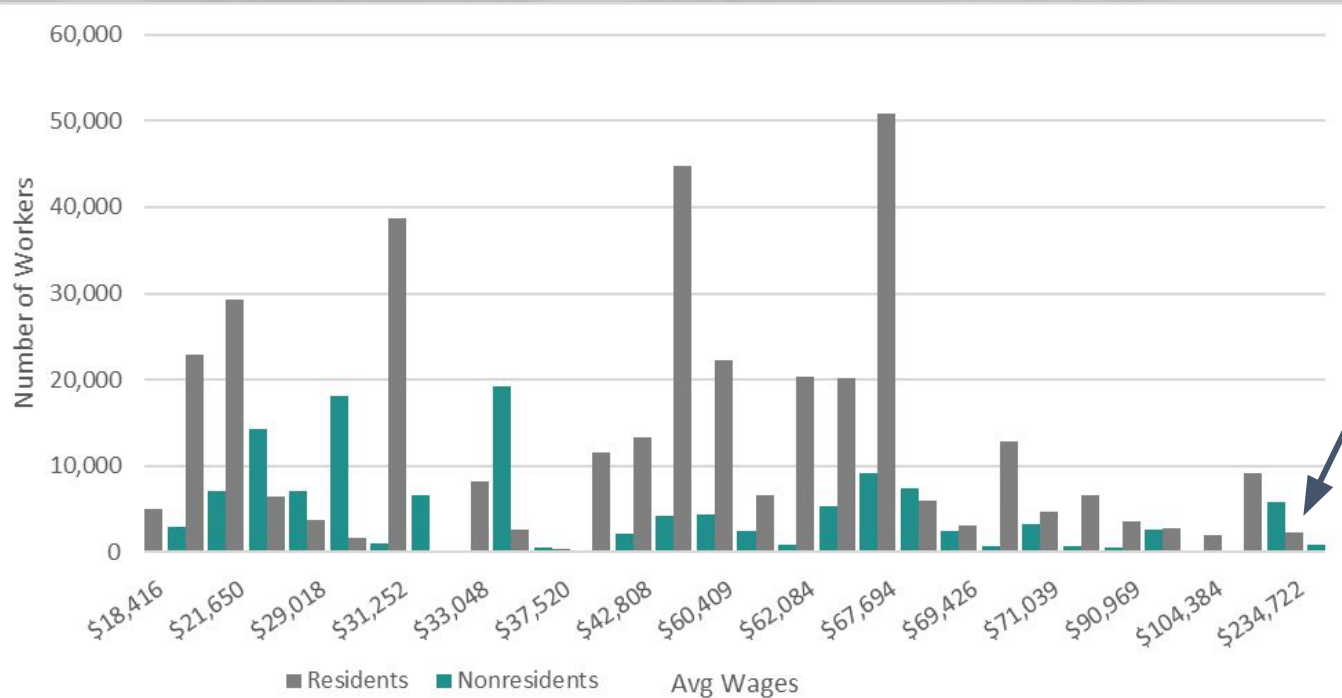
# Resident and Non-resident Wage Distribution



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**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	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
	<b>\$3,536</b>	<b>\$357</b>	<b>\$3,179</b>	<b>\$16,917</b>	<b>\$17,273</b>



# 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)
<b>Subtotal</b>	<b>\$46,269</b>
Less Exemptions for shelter, healthcare, education:	(\$18,968)
<b>Subtotal: fewer exclusions</b>	<b>\$27,301</b>
Less Exemptions for Utilities, and Food at Home	(\$4,616)
<b>Subtotal: more exclusions</b>	<b>\$22,685</b>

See slide notes.



# 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/fairway), **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 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)					
<b>Subtotal</b>	\$46,269	\$1,341	\$ 4,458	\$52,068	89%	91%	82%
Less Exemptions for shelter, healthcare, education:	(\$18,968)	(\$550)					
<b>Subtotal: fewer exclusions</b>	\$27,301	\$792	\$ 4,458	\$32,550	<b>84%</b>	<b>86%</b>	<b>78%</b>
Less Exemptions for Utilities, and Food at Home	(\$4,616)	(\$134)	\$ (289)				
<b>Subtotal: more exclusions</b>	\$22,685	\$658	\$ 4,168	\$27,511	<b>82%</b>	<b>84%</b>	<b>77%</b>

See slide notes.



# 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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