

ALASKA STATE LEGISLATURE



REPRESENTATIVE GERAN TARR

House Bill 4005 **“An Act relating to a State Sales Tax”** **Sponsor Statement**

Recognizing that Alaska’s fiscal gap can’t be reduced through budget cuts alone, HB 4005 – An Act relating to a state sales tax,” was introduced to increase revenue to address Alaska’s budgetary crisis. HB 4005 establishes a statewide sales tax of 2%, with exemptions for essential purchases including groceries, heating oil, health care services (including services at a health care facility, drugs, durable medical equipment, mobility enhancing equipment, and prosthetic devices, childcare services, feminine hygiene products), among other exemptions. After consultation with various stakeholders, this version of the bill removes the state collection aspect of the previous iteration of this bill (HB 3006), which was largely grandfathered in from HB 5004 under the 29th Legislature.

This bill is one component of Representative Tarr’s seven-part fiscal plan, which aims to balance the Governor’s desire for a 50/50 split, a larger dividend payout, revenue generation, and lasting budget reductions. This fiscal plan will put Alaska’s budget on a more stable path and remove the perennial confusion around the PFD appropriation.

The other parts of this fiscal plan include several bills that have already been introduced by other legislators and Governor Dunleavy:

[HJR 7](#): The constitutional amendment protecting the Permanent Fund by changing to the percent of market value (POMV) management, limiting the annual draw to 5%, and saying there shall be a dividend as provided by law (introduced by Governor Dunleavy on February 18, 2021).

[HB 73](#): Legislation that establishes a 50/50 split between government expenditures and dividends for the annual draw (introduced by Governor Dunleavy on February 18, 2021).

[HB 104](#): Legislation that increases the base tax rate per gallon for four separate motor fuels (8 cents for highway, 5 cents for marine, 4.7 cents for aviation, and 3.2 cents for jet, introduced by Representative Josephson on February 19, 2021).

[HB 130](#): Legislation that closes tax loopholes in Alaska’s corporate income tax structure (introduced by Representative Wool on March 10, 2021).

There is also another piece of legislation that Rep. Tarr is sponsoring which increases the minimum oil and gas production tax from 4% to 6% and suspends all other components of the oil and gas tax until December 31, 2024.

These bills, in concert, should put our state in a much more sustainable fiscal situation moving forward without burdening any Alaskan disproportionately.

We respectfully request your assistance in the passage of HB 4005.