



REPRESENTATIVE ALYSE GALVIN

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March 4, 2026

**The Honorable Ashley Carrick
Chair, House State Affairs Committee
Alaska State Capitol Room 406
Juneau, AK 99801**

Re: Follow-up to Committee Questions on HB 152 (Education)

Dear Chair Carrick,

Thank you for the opportunity to present House Bill 152 to the House State Affairs Committee. Below are follow-up responses to questions posed by committee members at the February 26, 2026 hearing:

How many S-corporations are there in the State of Alaska?

According to the Department of Revenue, there are roughly 11,750 type-S corporations in the State of Alaska in 2025. This number varies from year to year; however, the number is generally on the rise as this figure represents a notable increase from the Department's 2017 estimate of 9,000 type-S corporations, which was cited in a fiscal note in [House Bill 36 from the 30th Legislature](#).

Is there a way to allow people the option to have their Permanent Fund Amount available as a credit in a way that would not be taxable income?

According to [a research memo](#) from the Division of Legal and Research Services addressed to Rep. Holland dated February 26, 2026, in general, under the constructive receipt doctrine, the federal government treats income as taxable when it is under taxpayer control. If the dividend were first deposited with the State before it is automatically applied as a credit against state income taxes, under the constructive receipt doctrine, the amount of tax credit applied against state income taxes is not federally taxable. However, the remainder balance (i.e. balance that is returned to the taxpayer that is available after reducing the state tax liability) is generally treated as taxable income under federal taxation rules, which is what the PFD is currently subject to. This is not to be confused with the PFD's exemption from state taxes set in statute.

The key part of this doctrine is contingent on whether the individual has a choice on where to apply their PFD. Should this option be expanded to include payment of hunting and fishing license fees, DMV fees, and other fees, besides an individual's state tax amount, this would levy federal taxes on both a) the portion used to pay for these fees as well as b) the remaining balance returned to that individual.

There are exceptions to this general rule, including if the refund constitutes a "return of capital" or payment of taxes, a payment for general welfare if it comes from a governmental fund, or a disaster relief payment. Please refer to the linked memo for more information on specific exemptions.

What is the average income tax rate across the country? What is the average income tax rate for western states?

It is difficult to calculate a single figure for average income tax rates across states, since some states levy graduated-rate income taxes with varying brackets while others have a flat tax structure. A more helpful comparison would be to compare House Bill 152's proposed 4% flat tax rate with the tax rates in other Western states at similar brackets or standard deduction levels. The table below compares HB 152's proposed structure to the income tax rates of other Western states, using [data from the Tax Foundation](#). To see standard deduction figures for joint filers, simply double the figures that are found in the column below. For member's reference, the sales tax rate of those states is also included in the rightmost column to give a slightly more comprehensive picture of the state's overall tax mix.

Single Filer State Income Tax

State	Comparable Tax Rate	Comparable Standard Deduction for Single-Filers [Bracket]	Tax Structure	Sales Tax Rate
Alaska (HB 152)	0% (current) 4% (HB 152)	\$0 (current) \$150,000 (HB 152)	No Income Tax Flat	0% Statewide Sales Tax +local sales tax
Arizona	2.5%	Applies to all income	Flat	5.6% Sales Tax + local sales tax
California	9%	\$72,724-\$371,478 [bracket]	Graduated	7.25% Sales Tax + local sales tax
	10%	\$371,479+ [bracket]	Graduated	7.25% Sales Tax + local sales tax

Colorado	4.4%	Applies to all income	Flat	2.9% Sales Tax + local sales tax
Idaho	5.3%	\$16,100 Applies on income over \$4,811 [bracket]	Flat	6% Sales Tax + local sales tax
Montana	4.7%	\$0 - \$47,499 [bracket]	Graduated	0% Sales Tax
	5.65%	\$47,500+ [bracket]	Graduated	0% Sales Tax
Nevada	0%	\$0	No income tax	4.6% Sales Tax/Consumer Use Tax
New Mexico	4.9%	\$66,500+ [bracket]	Graduated	4.875% State Gross Receipts Tax + local sales tax
	5.9%	\$210,000+ [bracket]	Graduated	4.875% State Gross Receipts Tax + local sales tax
Oregon	8.75%	\$11,400-\$124,999 [bracket]	Graduated	0% Statewide sales tax (no local sales tax)
	9.9%	\$125,000+	Graduated	0% Statewide sales tax
Utah	4.5%	Applies to all income, standard credit of \$966	Flat	6.1% Statewide sales tax + local sales tax
Washington	0% (Income) 7% (Capital Gains)	Applies to all capital gains up to \$1 million	Flat	6.5% Statewide sales tax + local sales tax
	9% (Capital Gains)	\$1,000,000+ [bracket]	"Millionaire's tax" (flat)	6.5% Statewide sales tax + local sales tax
Wyoming	0%	\$0	No income tax	4% Statewide sales tax + local sales tax

The main point is that Alaska is the only Western state that does not charge either an income tax or a sales tax. Furthermore, HB 152's 4% flat tax would be a lower flat tax rate than that of all Western states that have an income tax besides Arizona, which levies a 2.5% tax on all income.

HB 152's standard deduction also is significantly higher than that found in other states that do offer a standard deduction, given that its 4% flat tax does take effect for earnings \$150,000 or below. More states instead opted for brackets that would tax a different percentage for each income band, as opposed to a standard deduction.

Washington, Wyoming, and Nevada are the only Western states that have no income tax. However, each of these states has a sales tax between 4% and 6.5%. Washington has a 7% capital gains income tax in lieu of a general income tax, meaning that only positive income earned from the sale of assets such as equities or real estate are taxed, while wages and salaries are not taxed.

For the Committee's reference and further interest, I have cited additional data in the footnotes from the Tax Foundation which publishes a fifty-state income tax¹ as well as a sales tax comparison².

What has the head tax been historically?

According to a Legislative Research historical overview of school [head taxes from 1989](#), the school head tax was implemented in 1919 and was repealed in 1980. In 1919, the school head tax was set at \$5 a person, which would correspond to \$98.56 in 2026 CPI inflation-adjusted dollars according to the U.S. Bureau of Labor Statistics CPI Inflation Calculator³. In 1955, the school tax increased to \$7.50 per worker, which would correspond to \$91.36 in 2026. Two years later in 1957, withholding was adopted, and the tax increased to \$10, which would correspond to \$117.84 in 2026. The \$10 rate lasted until the repeal of the income tax in 1980, in which the inflation-adjusted value of the school tax stood at \$41.81 in 2026 dollars.

The Representative has recommended that members of the committee reach out to me, David Jiang, at 907-465-6443 or at david.jiang@akleg.gov for specific questions or clarification on these subjects.

Sincerely,

David Jiang
Legislative Aide to Rep. Alyse Galvin

¹ State Individual Income Tax Rates and Brackets, 2026, Tax Foundation, <https://taxfoundation.org/data/all/state/state-income-tax-rates-2026/#:~:text=Forty%2Dtwo%20states%20levy%20individual,within%20a%20narrow%20income%20band.>

² State and Local Sales Tax Rates, 2026, Tax Foundation, <https://taxfoundation.org/data/all/state/sales-tax-rates/>

³ CPI Inflation Calculator, U.S. Bureau of Labor Statistics, https://www.bls.gov/data/inflation_calculator.htm