

Senate Bill 132

Education Head Tax

Introduction

Senator Click Bishop
Senate Finance Committee
February 14, 2024



Alaska's schools have a lot of pent-up needs

- For FY25, the **School Major Maintenance** list by the Department of Education & Early Development (DEED) totals **over \$330 million**. (up from \$304 million in FY24.)
- For **School Construction**, DEED's FY25 priority list is **\$396 million**. (That's up from \$246 million in FY24.)
- The **University of Alaska** FY25 budget shows deferred maintenance need of **\$1.453 billion**.
- **These numbers total \$2.18 billion for educational facilities.**

What SB132 Does

- Establishes a flat \$30 per worker tax on wages and self-employment income
- Deducted by employers from a worker's first paycheck of the year, and remitted to the state on their behalf.
 - Directly remitted by self-employed individuals
 - For people with more than one job, who would have the tax withheld multiple times, the bill sets up a process to apply for a refund.
- Modeled on the old “education head tax” that was repealed in 1980.

Where the money goes

Revenue is designated towards the “Educational Facilities Maintenance and Construction Fund”

Sec. 37.05.560. Educational facilities maintenance and construction fund.

- (a) The educational facilities maintenance and construction fund is established as a separate fund in the general fund. The fund consists of all money appropriated to it.
- (b) The educational facilities maintenance and construction fund shall be invested by the Department of Revenue so as to yield competitive market rates, as provided in [AS 37.10.071](#) . Money in the fund may be appropriated
 - (1) to finance the design, construction, and maintenance of public school facilities; and
 - (2) for maintenance of University of Alaska facilities.
- (c) Appropriations from the education facilities maintenance and construction fund are subject to [AS 14.11.008](#) .

How it would work

- Estimated revenue would be \$14 million / year
- Administered by the Tax Division at Department of Revenue
 - Eight new employees plus a one-time capital cost to build software
- Optionally, Revenue could contract with the Department of Labor, who would administer it alongside the Employment Security Tax
 - Labor submitted a zero fiscal note, with language in the narrative that describes their potential costs if they ran the program instead of Revenue

THANK YOU

