

# Alaska State Legislature

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## Sponsor Statement

### HB 182

HB 182, *Individual Income Tax*, establishes a tax on residents and nonresidents who have income from a source within the state. The tax is equal to 15% of the taxpayer's total federal income tax due. Long term capital gains are additionally taxed by multiplying the taxpayer's long term capital gains for the calendar year by the lesser of:

- 10%; or
- The difference between the taxpayer's federal income tax rate on ordinary income and the taxpayer's federal tax rate on long term capital gains.

HB 182 also repeals the political donation tax credit applied against the tax on individuals under the repealed Alaska Net Income Tax Act, which was not used but still on the books from the 1980's.

Taxpayers can elect to deduct their state income tax payments on their federal itemized deductions- schedule A. The individual income tax would apply to income earned by Sub-S corporations or limited liability corporations, which currently do not pay the 9.4% state corporate income tax.

The dire straits of the Alaska's budget caused by the precipitous oil price drop requires consideration of diversification of revenue sources. Alaska is the only State without a sales, income, or state property tax. The income tax will generate the greatest revenue in an equitable manner at the lowest administrative cost. Although it will not balance the budget alone, individual Alaskan contributions are a necessity for any potential fix along with additional cuts to expenditures.