

As a 43 year resident of Alaska, I fully support the direction of HB 115. I am encouraged by the direction of these unpopular, but necessary choices in order to plan for the future of Alaska.

It is important that the nuts and bolts of HB 115 are introduced to the public over and over again in order to make reductions and taxes a bit more palatable.

Please keep up the forward momentum. I am traveling and unable to call in today.

Vivian Rojas  
Seldovia, AK 99663

Dear Finance committee,

Please support HB 115. We need a state income tax. We need sustainable income for our state budget.  
Thank you.

Diane McBride

--

Diane and Michael McBride  
Kachemak Bay Wilderness Lodge  
Homer, Alaska 99603 USA

Dear finance committee members,

As a resident of Alaska for over 35 years, I strongly urge you to support and pass HB 115.

It is time to act responsibly for all current and future residents of Alaska without delay.

It's time to tax everyone in Alaska in order to have a decent life for all of us.

Thank you for supporting this crucial bill.

Claudia Duffield  
Anchorage resident

February 14, 2017

Dear Representative Seaton:

The legislature needs to address the State budget issues this year. Nothing significant was done last year and our economic situation has continued to decline. Real compromises need to be made and legislation needs to be passed that will help resolve the State budget problems.

Tax credits for the oil companies need to be adjusted and better defined. They don't need to be totally eliminated. I support the Governor's basic plan to reduce the budget deficit. Cap the dividend, institute a State income tax, and use the earnings from the Permanent Fund. Any additional cuts to the State budget should be done carefully and selectively.

I strongly urge you to act this year and get the legislation passed. Members of the legislature need to put their political beliefs on the back burner and enact legislation that will benefit the State of Alaska.

Sincerely,



Ken Sherwood  
1520 W. 12<sup>th</sup> Ave.  
Anchorage, AK 99501

I am in favor of House Finance Bill HB115 as a way to help balance the Alaska State Budget.

David W. Cannon  
Anchorage, AK

This fall, I took a class about Alaska's finances and saw how hard a job balancing our budget is. While no plan is perfect, it seems like HB 115 is working on attacking the problem from many angles and is looking for long-term solutions. Thank you!

I am a high school teacher in Anchorage and will be teaching during public testimony this afternoon. Here is written testimony expressing my support of the bill.

Nora Matell

Anchorage, AK 99517

#### Budget Cuts

Education is the second biggest line item in our budget, or the highest if you count the University of Alaska. If we were going to try and cut our way out of the problem, this would be the place - but it would be a short-sighted way to do it. As a teacher, I only have so much capacity to teach. It is clear that bigger classes reduce the amount of attention I can give students. In rural areas, cutting education funds would cut entire schools, placing families in the situation where they are forced to choose between schooling and community. Education is a long-term investment, and is complex. But ultimately, better educated students will be much more likely to be good citizens who can positively contribute to our state socially and economically. Government waste, like all waste, is bad. But a smaller government is not necessarily better, especially now that we are at the point that smaller = cutting essential services.

#### Taxes

No one likes to pay taxes, but we all need the services that taxes pay for. We are lucky to have some income from the permanent fund as well!

An income tax insures that all citizens participate in paying for the services we otherwise take for granted. Yet it doesn't unfairly burden our lowest-paid workers, who are already stretched trying to pay for everyday needs like food, housing, and fuel.

#### PFD / Changes to PF Distribution Model

Many of my students talk about how their families have saved their PFDs as education nest-eggs. The PFD is important. But \$2000 PFDs are not a right. Since 1995, the PFD payment has risen and fallen erratically.

The new endowment-style model seems to be a good compromise to preserve the permanent fund, help individual families, and pay for state services that we all use. If we don't do this now, we might end up with some more years of big PFDs.... and then have to dip into the saving section of the PF itself to pay for state services, ultimately squandering it.

> Honorable members of the House Finance Committee,

>

> For the record, my name is Brian Freeman. I live in Barrow Alaska, living on the North Slope for the past ten years. I am a school district administrator.

>

> I am very supportive of a multi-prong approach to solving the economic dilemma facing our great state. Specifically, I support reducing tax subsidies for corporations; support road fuel taxes; "sin taxes;" restructuring the PDF; adding an income tax; and targeted cuts to the budget. With a \$3 Billion shortfall the time to act is now.

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> Tax subsidy reductions and restructured taxation for corporations - industry cannot be the only segment to burden the \$3 Billion shortfall - they do need to be a large part of the solution.

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> Road fuel and Marine Highway taxes - fuel for ORVs, watercraft, and vehicle travel on roads not supported by state taxes should be exempt. The taxes should be earmarked for the state road system including the Marine highway. This use tax makes sense. The cost of the roads/ferries should be paid by users.

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> "Sin taxes" - taxation on tobacco, alcohol, soft drink (including energy drinks) and cannabis, is a user tax that should be specifically earmarked to pay for state costs associated with the use of the above items. I support the inclusion of soft/energy drinks because of the public health costs due to obesity. The added costs to the State includes health costs and prevention measures, should be paid for by the users.

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> PDF - the PDF is an important source of income for low income people. The long-term preservation of the PDF is important for our State. However, everyone needs to share in the burden.

>

> Income tax with non-resident surcharge - Yes, I support an income tax. As an Alaskan that is blessed with a high income, I am able to pay more than my fair share. However, as a resident that will also contribute to the state through loss of the PDF, I feel that non-resident workers need to pay a larger share of their income. The higher taxation for non-residents should at least match the amount of the loss in the PDF plus the loss of the impact of the "multiplier effect" when money stays within Alaska. A flat 2% tax on non-residents plus the 15% tax based on the Federal income tax would match what an Alaska Resident would contribute.  $\$50,000 \times 2\% = \$1,000$ . This \$1,000 surcharge would match what the average Alaskan would lose in the PDF. The surcharge (flat tax) should be based on the average salary of an Alaska resident in relationship to the "loss" of the PDF check. Resident workers and non-resident workers should at least share the same burden. Using this system, a non-resident with an income derived from working in Alaska of  $\$100,000 \times 2\%$  would pay \$2,000 plus 15% of the Federal tax rate. This \$1,000 tax above the PDF loss would partially adjust for the "multiplier effect."

>

> Targeted cuts - As an educator, I strongly support education. Would I and fellow Alaskans support a BSA cut by \$25 to \$50? I would if I knew that corporations and individuals were sharing in the burden. I am unwilling to support cuts that target low income Alaskans or the elderly. I am willing to cut infrastructure building costs - I am very supportive of eliminating waste even when the waste is de minimis such as legislative boondoggles that only benefit themselves.

>

> Sales tax - I am unwilling to support a sales tax as the cost of goods in rural Alaska are many times higher than on the road system. A Sales tax is a Rural tax - this is not sharing the burden, it is placing the

burden on rural Alaskans. The only fair type of "sales" tax would be at the wholesale level - this way there would not be an added "rural tax."

>

> Thank you for acting now. Reducing the budget shortfall to less than \$500 million should be the target this year with a goal of a balanced budget within four years. If you act in good faith, you have my support.

>

> Brian Freeman

> Barrow, AK 99723



I am in favor of House Finance Bill HB115 as a way to help balance the Alaska State Budget.

Dave Cannon

I Support the HP 115 bill.

Randy Creamer  
Homer, AK 99603

Dear members of the House Finance Committee,

First, thank you for your work on this committee!

A big thank you to the legislators who have crafted HB 115. I ask this committee to give full consideration and move it forward. Know that you have support within the larger community - myself included! As you may know, the Alaska Senate Majority shared their poll of constituents just last month which revealed that a majority of respondents gave support for both a state income tax and for using part of the PFD earnings for general public services, 54.6% and 54.4% respectively. We need you and this legislature to pull our state and its citizens away from the brink of financial disaster. I believe HB 115 will help move us to safer ground.

It is my strong opinion that a sales tax is the wrong way to go because it would hurt the most vulnerable in our communities who have the least amount to give. I urge you to not support a sales tax this session.

Respectfully,  
Karen McBride

Members - House Finance Committee,  
Please accept **my testimony in favor of HB-115** in the attached document.

Sincerely,  
/w.a./  
Wayne Aderhold  
Homer, AK 99603

Mary Geddes  
Anchorage, AK 99501

February 17, 2017

Members of the House Finance Committee  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801  
[housefinance@akleg.gov](mailto:housefinance@akleg.gov)

Re: Written testimony for HB 115

Dear Esteemed Representatives,

Due to other commitments on Friday, I will not be able to testify concerning HB 115. However, please consider this letter as written testimony from a Alaskan who has lived here 33 years, pays federal income tax and local property taxes, and who has children and grandchildren living here now.

I want you to know that I strongly support HB 115, which I understand will, along with other significant measures, result in the creation of and imposition of a state personal income tax. I support an income tax – even though I will certainly be required to pay it - because it is a completely necessary source of new revenue for the state budget, this type of tax is progressive, not regressive, and the rate proposed is reasonable. It is also about time that out-of-state workers contribute to the state's treasury. An income tax – along with the other provisions of the bill – allows for a balanced, fair way of resolving our state's fiscal problems.

I do not agree with further, deep cuts to our state's budget; these will not solve the deficit and will do great harm to our state's economy. Let's stop the car from going off the cliff here. We need to provide sufficient funding for our schools, infrastructure, law enforcement and services for our state's most vulnerable citizens in order to thrive as a state community. I know that other bills have been introduced, but they do not sufficiently address the budget deficit.

Please pass HB 115. We need courageous leadership now to maintain our state and quality of life, and to provide a positive economic future for our children.

Sincerely yours,

Mary C Geddes

To Whom It May Concern:

I am unable to attend the in-person public comment session on February 17 as I will be working. Please accept this email as my public testimony.

I was born and raised in Alaska and my husband moved up here as an infant. We recently returned to Alaska, settling in Kenai, from a 15 year stint living in the Lower 48.

My husband earned his PhD in Toxicology and Pharmacology from Michigan State University in 2006. In 2008 he obtained his teaching certificate in high school science and taught for five years in Newark, NJ and the outlying area of Newark. In July 2015 we made the move with our three children back to Alaska as my husband had secured a teaching position as Ninilchik School's only high school science teacher.

This year, we were told his school has to eliminate 1.5 teaching positions and that he very likely will not be able to return to Ninilchik School in fall 2018 as a result of these budget cuts.

I did not enjoy living in the overpopulated state of New Jersey, and I feel Alaska is far superior in many aspects. However, the educational system in New Jersey is exceptional and ranks as one of the best in the nation. A large reason for that is the funding they receive. Where do they get that funding? Taxes.

I know the "t-word" is verboten in Alaska, but it is time for our residents and our representatives to face the facts. We are in a fiscal crisis. You get what you pay for when it comes to public education. This is why I'm willing to pay an income tax and/or sacrifice a portion or all of our PFDs.

The more we invest in our schools and public universities the less likely we are to experience that dreaded Alaskan phenomenon of "brain drain."

I know representatives fear losing their positions if they make unpopular decisions. However sometimes the medicine that will ultimately save us is bitter going down.

Thank you for your consideration of my testimony.

Rebecca Bezdecny  
Kenai, AK. 99611

Dear House Finance Committee members:

I am unable to testify in person so am submitting these written comments on HB 115. My name is Susan Olsen and I live in Anchorage.

I fully support HB 115 and urge your adoption of this bill to start to resolve the current Alaska fiscal crisis. I thank you for introducing this bill early in the legislative session so there can be the opportunity to solve the problem this session. As I am sure you are aware, the papers are full of articles that describe how the failure to resolve this problem has caused folks to leave and businesses to be unable to plan/expand/make decisions in the face of an unknown future. We cannot afford another year with our representatives failing to deal with and solve this problem.

I support HB 115 because I do believe use of the Permanent Fund is essential and that the proposed restructuring preserves dividends and, most importantly, the Fund itself. It is the corpus of the Fund which is the "natural resource" for the next generations and it simply must be preserved! I also support this bill because it reinstates a state income tax. First, Alaskans must have "skin in the game," which will occur when we start to pay for what we require in public services. Secondly, an income tax is fair in that nonresidents who make their money in the state will finally pay a fair share of the public services/works that they use. Moreover an income tax is fair in that one pays in proportion to their income. As proposed folks could use their dividend to pay or off-set their income tax bill.

As many have said, the only way to get a successful, sustainable resolution is for all parties to share in any sacrifices or losses. I do subscribe to that belief and to that end would like this bill also to address, and reduce, the subsidies paid to the oil companies. Why are they not at the table? It would be totally unfair if that industry not only does not participate in some sacrifices but is allowed to remain untouched AND receive public funds!

I would urge both Senator Giessel and Representative Johnston to support HB 115. If they refuse I want to know how precisely they intend to resolve the \$3 billion deficit.

Susan Olsen

I am in favor of HB 115, just as I was in favor of Governor Walker's Sovereign Wealth Plan before it.

The residents of Alaska need to own up to our responsibility to support state services. I used to pay an income and a school tax and I am more than willing to do it again to rescue the university, state troopers, road maintenance, and other vital services from the mindless and seemingly vindictive manipulation by so-called leadership.

The GOP's insistence on cutting jobs and paring down our institutions will do more to impoverish the state and limit our future than it will to preserve it, and all the rhetoric in the world will not change that..

I favor using the Permanent Fund as some sort of endowment that preserves the principle, re-establishing a reasonable income tax based on a percentage of the federal tax, raising the gasoline tax, and renegotiating the oil tax credits. I will vote against my senator and representative in the future if they fail this time.

Please get on with it. Too much of our savings has already been wasted by games and inaction on the part of those who wish to preserve their political futures at the expense of the stability of the state and its residents.

Sandra Dauenhauer   Ester, AK



Dear Legislators,

I am writing this email in support of HB 115. It is an opportunity to share the responsibility of solving our budget problems, save the Permanent Fund, and pay our share taxes without putting the burden unfairly on lower income groups.

Thank you for working toward solutions and supporting this reasonable bill.

Elizabeth Hatton MD  
Anchorage AK 99516

I strongly support passage of HB115 when it comes up for a vote. It is the most sensible and reasonable approach to our fiscal situation I have seen heretofore. Expenditures have already been cut to the bare minimum. As a member of our local ambulance service I have seen public health and safety compromised due to cuts in road maintenance and long response times for State Troopers. People are being injured and killed on our highways for lack of snow plowing and sanding. This I have witnessed at first hand on several occasions. And it is only a matter of time until AST will be too far distant to respond to a domestic violence or other incident involving threat to life and limb in a timely manner. Since our Trooper Post has been shut down the typical response time can be anywhere from several hours to the next day depending on allocation of severely limited and inadequate staffing.

A progressive income tax is certainly a better and fairer solution than a sales tax which has the greatest impact on those who can least afford it. I would certainly be more than happy to pay my fair share for the services I enjoy at state expense.

And by all means do not forget to address the oil tax credit issue at the earliest possible date. I for one resent turning over half of my PFD to the bloated oil companies while they continue to exacerbate accelerating global warming.

Respectfully,

George Menard,  
Trapper Creek, AK

To Whom It May Concern,

Thank you for your work to address the state budget deficit. Fiscal responsibility is important for all Alaskans. I support HB115 as a way to address the budget deficit. I believe it is time that Alaskans pay for the services that we value and use. I support a state income tax to this end.

Thank you,

Teresa Zimmer  
Anchorage resident

To the House Finance Committee:

I am strongly in favor of HB 115, the Income Tax Reserve Bill, State Restructuring Act.

I believe the distribution of financial burden proposed in this plan is fair and reasonable. I am especially pleased those working in Alaska and not residing here will be taxed. I also find the method of applying a flat PFD amount to tax liability fair and a reasonable method to support those with lower incomes or incomes that are small relative to the size of the number of dependents.

I will gladly pay my portion of tax as proposed by this plan to continue to provide quality state services here in our state.

Please move forward with this plan.

Sincerely,

Sallie W. Rediske  
Owner Homer Physical Therapy  
Homer, AK 99603

Alaska House Finance Committee,

I'm writing to support HB 115, the State Revenue Restructuring Act, to urge you to pass this bill out of the House Finance Committee and to support this bill on the floor of the House.

I have been a constant and long time supporter of a comprehensive bill to create a balanced and sustainable approach to fund Alaska's state government. This bill achieves this goal. It provides economic stability for Alaska's businesses, families, and communities, and protects the state's credit rating. It is critical that a solution to our state's fiscal crisis be enacted this legislative session.

I support restructuring the Permanent Fund and using earnings from the Permanent Fund to help fund state government. I support the 4.75% draw from the Fund. I support a progressive income tax of 15% that will collect taxes from out of state workers and reserve sales tax for local communities. I support a smaller PFD of \$1,100, which has been the PFD payout in past years. I support modest and smart budget reductions that will protect less fortunate Alaskans.

Thank you for your hard work on crafting HB 115. Please pass this bill in the House Finance Committee and move it to the House Floor.

Mary Lu Harle  
Anchorage, AK 99508

Good afternoon, Mr. Chairman, and members of the House Finance Committee. For the record, my name is Edward Rasmuson, lifelong Alaskan, retired banker, and resident of Anchorage. I write today to offer my sincere appreciation and support for the efforts of this committee and to all members of the 30<sup>th</sup> Alaska Legislature on both sides of the aisle, and in both bodies, as well as to the Governor, for the nearly universal recognition that the State's fiscal challenges must be addressed this year.

As a lifelong Alaskan with deep, multigenerational roots in our state, I applaud the statesmen and women who bravely face Alaska's greatest fiscal challenge in decades with a commitment to do what is right, even when it is difficult to do so.

It is heartening to see this committee take the bold step of introducing a bill that addresses two of the four needed elements of a comprehensive fiscal plan:

- 1) A long-overdue restructure of the Permanent Fund into a percent-of-market-value (POMV) model that both preserves the dividend and uses earnings to support the State's general fund; combined with,
- 2) A new broad-based revenue source.

The two elements contained within House Bill 115 are both bold and timely. To be sure, it is not enough on its own. The other remaining necessary elements of a comprehensive fiscal plan are:

- 3) Sensible budget reductions; and,
- 4) A revision of the state's oil and gas production tax credit system into one that encourages investment and production while also taking into account the necessity of long-term fiscal sustainability.

Each and every one of these four elements are well within your reach.

It should come as no surprise to any Alaskan who has driven on a road or attended public school or received the assistance of a first responder that those services do not come for free. And it should come as no surprise to any Alaskan who has watched the state economy for any length of time that our overreliance on a single source of revenue would eventually have a day of reckoning. That day has come. It is time for the people of Alaska to participate in supporting essential services. Today is that day. Carpe diem. It is time to act. I am hopeful that your colleagues in the other body will follow suit with a comprehensive plan. Changes to the Permanent Fund alone will not solve our fiscal problems.

I should note, also, in closing, that it is not lost on me that I would be among those who pay the highest annual income tax bills in the state, should this bill become law. I accept this responsibility. Like anyone who accumulates any wealth, great or small, I recognize that I have had it good for a long, long time and I am committed to be part of the solution. We are in this together. It is only appropriate for me to join with all Alaskans and shoulder my share of the burden of a sustainable, stable economy. I am willing to step up to the plate. I hope you are too. The time is now. Godspeed.

Thank you, Mr. Chairman



To: House Finance Committee

From: Susan Klein, Anchorage, AK 99508

About: House Bill 115

I am writing to express my support of Representatives Seaton and Foster's solution to the Alaska's fiscal crisis. I believe their restructuring the use of Permanent Fund earnings in order to better fund state government is a positive step to deal with Alaska's fiscal woes.

I am also in full support of an income tax for all who work in Alaska. We are missing out on revenue from workers whose state of residence is outside of Alaska. These workers use our services, our roads, our infrastructure but do not contribute in any way to help defray their costs. In addition, aside from property taxes and in some communities sales taxes most Alaskans do not help pay for the services we receive. Every since the income tax was abolished our services and infrastructure have been paid for by oil revenues. It is now time for us to step up and pay our share.

Thank you for reading my testimony.



# **An Introduction to Alaska Income Tax Options and Issues**

Maria Hanson

August 25, 2016

Project completed under the direction of Gunnar Knapp, Professor Emeritus of Economics, at the Institute of Social and Economic Research during the summer of 2016. Input and assistance were also provided by Cliff Groh and Gregg Erickson. A Kershaw Fellowship awarded by the Williams College Economics Department funded the project. Ms. Hanson can be contacted at maria.hanson.ak@gmail.com.

## Executive Summary

- **An individual income tax is being discussed as a potential new source of revenue to help close the \$3.2 billion deficit Alaska is currently facing.** The deficit has resulted from a combination of declining oil production and lower oil prices, and other factors.
- **There are many potential ways to structure an individual income tax.** Key design features include the extent to which the tax is “flat” (the same rates for everyone) or “progressive” (with rates increasing as income increases); the tax rates at given income levels; and how income is defined and what is deductible.
- **Alaska had an income tax for 31 years, between 1949 and 1980.** This tax provided the majority of the revenue for the Alaskan government.
- **The legislature ended the income tax in 1980.** For the past 36 years, from 1980-present, Alaska has relied upon oil revenues to fund most government expenditures.
- **Forty-three states have income taxes.** The structure of these income taxes vary significantly between states, as do tax rates. Thirty-three states have progressive income taxes and ten states have flat taxes. Alaska is the only state that does not have either a personal income tax or sales tax.
- **Two income tax proposals were introduced in the most recent legislative session.** One, a progressive tax by Representative Paul Seaton, would tax 15% of federal tax obligation, and bring in approximately \$500 million annually. The other, a progressive tax by Governor

Walker, would tax federal tax obligation at 6%, and bring in approximately \$200 million annually.

- **Non-residents of Alaska would pay an estimated 7% of a progressive income tax.** The Federal government would indirectly “pay” an estimated 10% (in the form of reductions in Alaskans’ federal income tax obligations because state income taxes would be deductible).

I am writing in support of HB 115. This is, finally, a realistic and achievable approach to the state's financial woes. I am sick of hearing nothing from the legislature except lies and platitudes about "saving the PFD", "no new taxes", "make the other guy pay", while legislators sit on their hands and pray to anything they can conceive for higher oil prices.

My family came to Alaska in 1938, long before oil wealth turned a large chunk of our population into a bunch of lazy whiners complaining about too much government while sticking their hands out for any benefits from it they could get. My family has always believed in hard work and paying for what you get. What I want is roads plowed on time, an effective public safety and judiciary sector, decent schools and an economy that has some stability to it—and I'm perfectly happy to pay an income tax to help support those things. While we obviously need to be constantly on the outlook to streamline our government and maximize its efficiency, saying we can cut our way out of the deficit doesn't cut it, if you'll pardon the bad pun.

Oil prices are in the dumper, and likely to stay there for the foreseeable future thanks to advances in the fracking industry, so the time for prayer is long over. In Chuck Sassara's memoir, he described his time in the legislature in 1965 as like "being in a boat with sixty sailors pulling together. Some had short oars and others long ones, but we all went in the same direction." It's past time for our representatives in Juneau to get in the same boat and pull together for a solid future, off the slippery seas of oil—the "Devil's excrement", in Jay Hammond's words. The only way to succeed is for EVERYONE to feel a little pain, so we can ALL enjoy the rewards.

Respectfully Yours,

Dan Lucas  
Palmer, Alaska 99645

Dear House Finance Committee,

I would like to express my support for HB115. We have been tied to highly volatile oil revenues and our communities have suffered for it through extreme periods of economic growth and contraction.

The cuts experienced recently have effected public safety, the courts, and basic services. If we continued as we are, cuts would guarantee we would never have the budget to maintain our education system and that is unacceptable.

Sincerely,

Angela Doroff  
Homer, AK resident

Peace, Joy, and Clarity



## ASSOCIATED GENERAL CONTRACTORS of ALASKA

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8005 SCHOON STREET, SUITE 100 • ANCHORAGE, ALASKA 99518 TELEPHONE (907) 561-5354 • FAX (907) 562-6118

February 17, 2017

Representative Paul Seaton, Co-Chair House Finance Committee  
State Capitol, Room 505  
Juneau, AK, 99801

Re: House Bill 115

Dear Representative Seaton,

The Associated General Contractors of Alaska (AGC) is a trade association representing over 640 Alaskan businesses in the construction industry. Within our membership is much of Alaska's construction industry. On behalf of the AGC and those businesses, I offer the following comments on House Bill 115.

Through cuts to the capital budget, the construction industry has shouldered the major share of cuts in the two budgets since this fiscal crisis began. These capital cuts, reduced oil-field spending and private investment has resulted in a 27% drop in the construction economy. We need a fiscal plan that will restore stability and predictability to the economy and give investors and business the confidence to continue to invest in Alaska. A successful fiscal plan must be fair, it must not bring undue burden to any one group and it must cause all Alaskan's to share in the solution.

AGC believes it must include a combination of spending cuts, revenue measures and use of Permanent Fund earnings to provide the basis of a sustainable fiscal plan. The Legislature must make measured cuts in government spending and implement a responsible revenue strategy this Legislative session. These actions, with a phased implementation strategy and combined with the use of Permanent Fund earnings will provide the basis for a sustainable fiscal plan for Alaska.

A fiscal plan for Alaska will require significant compromise by everyone. We recognize that a fiscal plan for Alaska will not be perfect - it will have something for everyone to like and something for everyone to dislike. HB 115 is a start.

The following page is our 2017 Legislative Priority Statement.

Sincerely,

Dear Congressmen Seaton and Foster,

I am writing an email in support of HB 115. Over the past several years, it has become clear that we cannot cut our way out of our budget crisis. In fact, many of the cuts already made have gone to making our community less viable. I am in favor of a reasonable, progressive income tax and the use of some earning from the PFD.

Thank you for your support,

Catherine Coward

Anchorage, AK 99507

To Whom it May Concern,

Please pass this bill... as an educator we are begging for fiscal stability. This bill seems designed to provide financing from two separate sources (not having all our eggs in one basket) it seems a small price to pay and one that can really stretch our money.

Thank You,

Cori McKay



Dear Representatives,

I am happy to see that HB115 will begin to address using the permanent fund AND issuing a state income tax. These are both measures that will help diversify and stabilize the Alaskan economy, and are long overdue. A state income tax is a method to create an equitable share of support for local services, and I am happy to contribute a percentage of my earnings toward the social well-being of our community.

Sincerely,

E Maya Salganek

Representatives -

I would like to voice my support of HB 115. As someone who grew up in Seldovia, lived in Anchorage for six years, and currently reside in Juneau, I understand what the State of Alaska does for its constituents. We are a state that is very much dependent on government subsidies and fiscal support. In most of Alaska, public schools are the only option for children and they are incredibly costly to keep going.

With that, I would like to voice strong support of dialing back unnecessary expenditures by the legislature. Alaskans are not going to support an income tax when it is clearly evident senators and representatives use their position to live and travel extravagantly. You should be the ones to set the example for budget cuts. There should be consequences for those of you that have taken advantage of using money without justification or approvals. You are asking State employees to take hiring freezes (in other bills) yet some of you spend inordinate amounts of money on "vacations" for your family. It is upsetting and shameful to say the least.

Your request of 15% of federal taxes is not excessive and I would happily pay that to support our government expenses, including, but not limited to, public schools and healthcare. I have been fortunate to not have an income tax within my 23 years as a resident and I believe, in our current financial state, we have to find new revenues.

In addition, I would like to say that I do *not* support a State sales tax. Those who earn less here have already been negatively impacted by the PFD cuts; there is no need to further the financial stress for them. The higher earners of this state will not go hungry with an income tax but there are many poorer people who would if a sales tax were introduced.

Thank you for your time,

Emily Haynes

This bill seems like the optimum balance financially, the result of careful research by expert economists. Rejecting it would be the result of just political interests..in this case only in the individuals interests not in the interests in all Alaskans, in the future as well as for today. Those against this bill are having to base their argument on the unlikely probability that in the near and distant future we will continue to make the big 'strike it rich' booms that oil has given us. Their philosophy is to milk our reserves for the limited interests of the individual few who are just interested in maximizing their wealth.

We have let big oil develop a large hold on the state politically, the way Anaconda Copper did Montana in the middle of the 1900s. It is time we take it on our selves to develop a broad base support from its citizens who can pay their way.

Sincerely,  
Dale Guthrie, a long time Alaskan.

I am in support of HB 115 including a state income tax, and permanent fund income and credits.

Thank you.

M. Sanders  
Soldotna, AK 99669

Dear Alaska House Finance Committee--

Please re-establish a graduated income tax in Alaska. We support HB 115. We understand the possible reduction of the PFD in the administration of this tax.

Those of us who lived in Alaska before 1980 paid an income tax, as well as a school head tax. This was not difficult to pay, and it served to invest ourselves and our neighbors in the necessary infrastructure of a healthy state: roads, public safety, education, a world-class university system, facilities and resources for visitors, adequate land management and oversight for the private sector helping to grow our young state. This was a partnership between the residents, the businesses, the administrators of our state.

We want that public-partnership back. We are small business people. We are community volunteers. We are long time members of local boards and advisory committees. We have watched the services and infrastructure of Alaska decay around us as you refuse to invest in the proper operations of a state government.

We want an income tax, not to solve the financial crisis by itself because we know that it cannot, but as the fairest of the options that will help us solve the crisis. We need to spread responsibility for maintaining a healthy state back onto the people who benefit from living in a healthy state-- which is everyone who earns a wage or contract here.

To oppose an income tax on ideological grounds is not valid. What it tells people who are listening is that Senators of our state are unwilling to examine a solution that has been made politically unpopular by an inflamed anti-government rhetoric. Yes, it is possible to rise to power on such a rhetoric, and to keep political power by perpetuating it. But you are now in a truth-teller's seat--you are responsible for Alaska's present and future.

Do your jobs; risk losing your seats if need be as you find true budget solutions; remember that your constituents are all Alaskans, not just the wealthy ones. Many Alaskan voices are telling you to re-institute a broad-based tax now. Please listen to them.

We thank the Glennallen LIO for giving us the information necessary to get this testimony to you today via email.

Sincerely,

Jim and Mary Odden  
Nelchina, Alaska

## HB115 Written Testimony by Barry Santana 2/17/2017

Let me start by stating HB115 (and SB21-new) are reasonable frameworks to start investigating a POMV draw on the Permanent Fund to pay dividends to state residents and to help fund state government. I also believe that a state personal income tax derived from federal income tax paid is a reasonably source of additional revenue. I do believe, however, that the funding provided by this bill should be contingent on a bill passed simultaneously that modifies the current form of SB21(old) to increase the floor of oil taxes to 6 percent of gross revenue at the wellhead, eliminate the designation of untaxed "new oil", and eliminate all oil and gas tax credits starting with FY 2018 until we have the budget deficit eliminated with provisions passed this year.

I have some comments on HB115 as written:

- I believe that the bill should incorporate annual inflation-proofing of the Permanent Fund (PF).

Looking back over 20 years of PF Rolling 10-year Return graphs [2016 Annual PF Report], it appears that pre-2008 inflation reported in returns was 2.5-3.0%. Recently inflation for the 10-year rolling fund returns has dropped from 2.5 to 1.5%. **I recommend an annual PF inflationproofing**

**of 1.5% from the POMV draw going forward.** Since the PFD/Govt. Services split is 1/3 PFD to 2/3 Govt. Services in HB115, the inflation proofing share should be divided similarly, 0.5% from the PFD share, 1.0% from the Govt. Services share.

- I do not understand how you can consider the PF as having any semblance of inflation-proofing by stating "when the earnings reserve account is larger than four times the calculated annual POMV draw, that excess is placed into the fund's principal to help protect the fund against inflation." **This will trigger only on an occasional basis and has only the requirement that the legislature "may" appropriate to the PF.** Personally, I agree with Senator Dunleavy, and would like to see any POMV draw Constitutionalized.

- To make up for the 1.5% draw for inflation proofing **during the next 3 years**, I recommend the POMV draw be increased to 5.25%. First, 1/3 goes to the PFD (1.75%), then 2/3 to Govt. Services (3.5%). The PFD share is then reduced by an inflation proofing share of 0.5%, or **1.25% for the PFD**; the Govt. Services share of 3.5% is then reduced by 1% resulting in **2.5% for Govt. Services**. On a \$50 billion PF, the PFD share is \$625 million; Govt. Services \$1.25 billion; and inflation proofing of \$750 million is plowed back into the PF.

- I like the semi-simplicity of the state personal income tax derived from the federal tax paid.

**Fifteen percent as written.**

- I like a **minimum state tax** (\$25 seems too low, but I would not go beyond \$100) as long as the PFD is in play. **Every resident in the state should file a state income tax if they get the PFD.** This simple process may provide more interest on how you spend everyone's money!

- I believe that a **Capital Gains surcharge is unnecessarily complicated**, but I see where you may be after wealthy investors who derive most of their incomes from capital gains rather than earned income interest or dividends. Capital Gains can be complicated, however, and this surcharge will likely see pushback.

- I like the fact that the **federal government will receive less tax revenue on the Alaska PFD.** If

we can have state income tax taken from our PFD, it appears we will not be taxed on our federal returns even if we take the standard deduction (good for seniors and others with simple

financial situations).

- I would like to see a **detailed estimate of how much it will cost to implement a state income tax** and how much it will **cost annually to manage and enforce the tax**. This is simply good policy making.

- My final recommendation is that you **keep the public posted on your deliberations** and explain more clearly how the PF and PFD will be affected as we siphon off money to pay for government services. Run your models if necessary, but let us understand that models are always developed on assumptions. Sometimes very uncertain assumptions.

- Also, I would like to reiterate that **this bill needs to be passed in conjunction with an oil/gas tax credit reversal, elimination of “untaxed oil” and a minimum gross tax on oil priced at the wellhead.**

Thank you for consideration of my thoughts on our fiscal dilemma and HB115.

I am writing in support of HB115 as a way to a sustainable fiscal future. I have lived in the state for over 25 years and married into a family that pre-dates statehood. I have raised children in Anchorage, and they have been well-educated in our public schools and been given much opportunity. I work for the local university and enjoy the privilege of serving the men and women who enroll in the institution. I am further integrated into many other northern city groups who enjoy living in this place. The time has come to address the future and to make the tough decisions. I agree with the message written by co-sponsors Seaton and Foster in terms of the collective vision for our future and the four pillars of the bill.

A sustainable plan will need to distribute the responsibility as equitably and proportionally as possible so that no one group is overburdened in relation to their income. It should also take into account that a number of workers travel from out of state and likely have no interest in state and local services. However, they benefit from having a state with infrastructure and should share responsibility for those costs. The number of outside hires is up, as I read in the news. An income tax as part of the plan would draw contributions from this group. An income tax would also be less regressive. A recent citizen poll suggests that public opinion has shifted in favor of a broader base of solutions to our fiscal gap.

Even though I believe we will need to rely on an income tax, I also believe it's time to rely on permanent fund earnings, not principle, in a way that will allow us to maintain that investment income into the future. We will need as well to address the costs of government and will need to restructure oil and gas credits and taxes.

In the interest of Alaska's long term future, please support a plan that will enable our children and future residents of Alaska to enjoy the same beauty and opportunity that we have enjoyed to date.

Sincerely,

Jackie Cason  
Anchorage, AK 99517



Dear Alaska House Finance Committee Members,

I wanted to take a moment to thank you for your work on HB 115. I'm unable to attend public testimony this afternoon, so please add this e-mail to the official record. I believe this bill represents a great start to a balanced approach to our enormous revenue problem. Most notably, I want to add my voice to the chorus of Alaskans calling for a statewide personal income tax. We need to find ways for everyone who benefits from our amazing state services to pay their fair share. With such high nonresident employment rates in the extractive industries like fishing, mining, and oil and gas, an income tax will insure we don't disproportionately burden Alaska residents, as we would if approached the fiscal gap by primarily cutting the permanent fund.

Thank you again for your service, and I look forward to following your difficult but imperative work as you strive to resolve our fiscal crisis in this legislative session.

Sincerely,

Kevin

Kevin Maier  
Juneau AK 99801

I am writing in support of HB115. It is time for us *all* to be responsible and get behind this plan. The state does not have another windfall, and we are not working our way out of this. Our source of revenue is ourselves. It won't come from industry, or the Federal Government.

I would like to congratulate the Governor on his plan, and your sponsorship of HB115, Representatives Seaton and Foster.

I am a small business owner in Ketchikan and will definitely be affected by the income tax. I look at living and owning a business in this great state a privilege. I pay fees to the Federal Government for land use, and pay taxes. As far as the Permanent Fund is concerned, I can't think of a better investment in our children's future.

Through the years I have watched the legislature cut services in a feeble effort to slow this train that is running out of control. The wreck is imminent. This should be THE priority of this legislative session.

This is a sustainable and practical plan. Let's all get behind it! Go!!!!

Sincerely,

Betsey Burdett  
owner, Southeast Exposure Outdoor Adventure Center  
Ketchikan

To the House Finance committee:

While I don't totally understand the way the permanent fund earnings and amount for distribution is set up in this bill, I support an approach whereby an amount calculated such that it maintains the value of the fund is used for both the purposes of funding state government and for the PFD every year. I believe that a dividend that remains at about the \$1,000 level with the rest of the earnings available for state government is reasonable and necessary to help fill the budget deficit.

I also heartily support a state income tax as a very needed source of revenue in addition to PFD earnings to help close the budget deficit. I believe a state income tax is the fairest and the most easily implementable way to raise revenue for the state both from state residents and from out of state workers who make a living in part or whole in the state of Alaska.

I do not think that there is any possible way that the state budget can be cut enough to erase a significant portion of the current deficit and I believe it is highly irresponsible to put off any longer an approach such as is embodied in this bill, as we are rapidly depleting the Constitutional Budget Reserve.

Elizabeth Senear  
Cordova, Alaska

Feb. 17, 2017

To the Honorable Representative Paul Seaton

RE: Thank you for your sponsorship of HB 115

Dear Paul Seaton,

Thank you for HB 115. Alaskans needs this legislation to balance Alaska's budget in an equitable, realistic and sustainable manner.

The progressive income tax is vital for smaller towns, villages and remote families. Further utilization of the permanent fund, tax cuts to corporations and budget reductions do not help maintain the Alaskan way of life so vital to our collective identity. So many non-residents benefit from our infrastructure, services and dividend. We need them to participate in the upkeep of our magnificent state.

As a parent, nurse, coach, fisherwomen and proud Alaskan, I applaud your leadership in this and other matters. My priority and that of most Alaskans (according to the majority poll) is to provide sustained, reliable, and adequate education funding for Alaska's students. Diverse revenue growth is the key to our robust and diverse education infrastructure. From pre-K to vocational and graduate degree programs, Alaska's future needs growth in our education system from bottom to top.

Thank you,

Melisa Miller

