



Alaska State Legislature

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House Bill 146 Sponsor Statement

An act imposing a school tax on certain income of residents, part-year residents, and nonresidents and allowing payment from the permanent fund dividend disbursement.

This session, we need to make tough choices and formulate a responsible action plan for Alaska's financial challenges. Article VII, Section 1 of the Alaska Constitution requires the Alaska Legislature to "establish and maintain a system of public schools" in Alaska. Additionally, funding for education during in the midst of a deficit continues to be a major public concern. House Bill 146, a school tax bill, helps address Alaska's financial challenges and supports our public schools.

House Bill 146 taxes adjusted gross income on federal tax returns for every person who earns income in Alaska. Through this bill, all Alaskans and out-of-state residents who work in Alaska would help solve our financial challenges. This bill provides clarity to the public about their school tax liability depending on their income. The minimum tax would be \$100 a year. The tax increases on a graduated scale based on income, with a cap of \$8,500. Those making between \$50,000 and \$75,000 a year would pay a school tax of \$750. The revenue collected from the school tax would be designated to support public education in Alaska. Taxpayers who itemize their federal tax return could deduct the school tax from federal income taxes. Rather than collect the revenue through a payroll deduction, HB 164 requires a single annual payment of the school tax with penalties and interest for those who fail to pay the tax. The bill includes a provision allowing use of future Permanent Fund Dividends to pay the school tax. The school tax proposal is an alternative to a statewide income tax.

At full implementation, the school tax bill is projected to raise \$540 million—approximately one third of the state funding for education. We believe that if the public has a more direct investment in the cost of education, they will become more involved in the education that we deliver.

The school tax is not a proposal to increase education funding. The intent is to raise revenue to help close the budget deficit, designate those funds to support education, and reduce the undesignated general fund appropriation for education on a dollar-for-dollar basis.