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Governor Bill Walker
STATE OF ALASKA

September 22, 2017

The Honorable Bryce Edgmon
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Edgmon:

Under the authority of art. III, sec. 18, Constitution of the State of Alaska, I am transmitting a bill relating to taxation of wages and earnings in the state.

The bill would impose a tax on wages and net self-employment income earned in Alaska by resident and nonresident individuals. The tax rate would be 1.5 percent annually, and would be capped at the greater of \$2,200 (adjusted for inflation) or two times the amount of the permanent fund dividend distributed in the previous calendar year. The tax would take effect in calendar year 2019 and is expected to raise \$300-325 million by FY2020.

Under this bill, employers would be required to pay to the Department of Revenue withholdings that approximate the amount of the tax. Through regulation, the withholding would stop when the statutory cap is reached. This protects individuals working multiple jobs and insulates vulnerable populations, such as single parents, by limiting each Alaskan's tax burden, and keeps us the lowest-taxed state in the nation.

This tax is a simple and efficient measure to address our state's budget shortfall. Over the past six years, state budgets have been reduced by 44 percent, but state revenues have fallen faster. To cover the gap, key state savings accounts have been drawn down by \$14 billion, and are expected to be depleted by the end of FY 2019. It is vital that these savings accounts not go any lower and in accordance with the constitution must be replenished over time. New revenues are needed to support critical public services such as education, public safety, and reliable transportation.

We need a fiscal plan that includes prudent operating and capital budgets, the judicious use of investment earnings, and revenues necessary to balance the budget. This tax will get us closer to balancing the state's budget and enable Alaska's economy to grow.

Sincerely,

A handwritten signature in black ink that reads "Bill Walker".

Bill Walker
Governor

Enclosure

House Bill No. 4001