



# Effects of Fiscal Options on Alaska Households and Families

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# Outline

- Fiscal options considered
- Review findings of previous studies
- Changes in economic conditions to 2019
- Covid 19 economic effects on households and families
- Implications of economic changes for findings about fiscal options
- Questions

# Fiscal Options Considered (broad-based measures affecting households)

- Income taxes
  - Percentage surcharge on federal income taxes
  - Flat rate tax on income
- Sales taxes
  - Including food
  - Excluding food
  - Including taxes on services
- Reduced Permanent Fund Dividend payments
- Other revenue options
  - Property taxes
  - Excise taxes

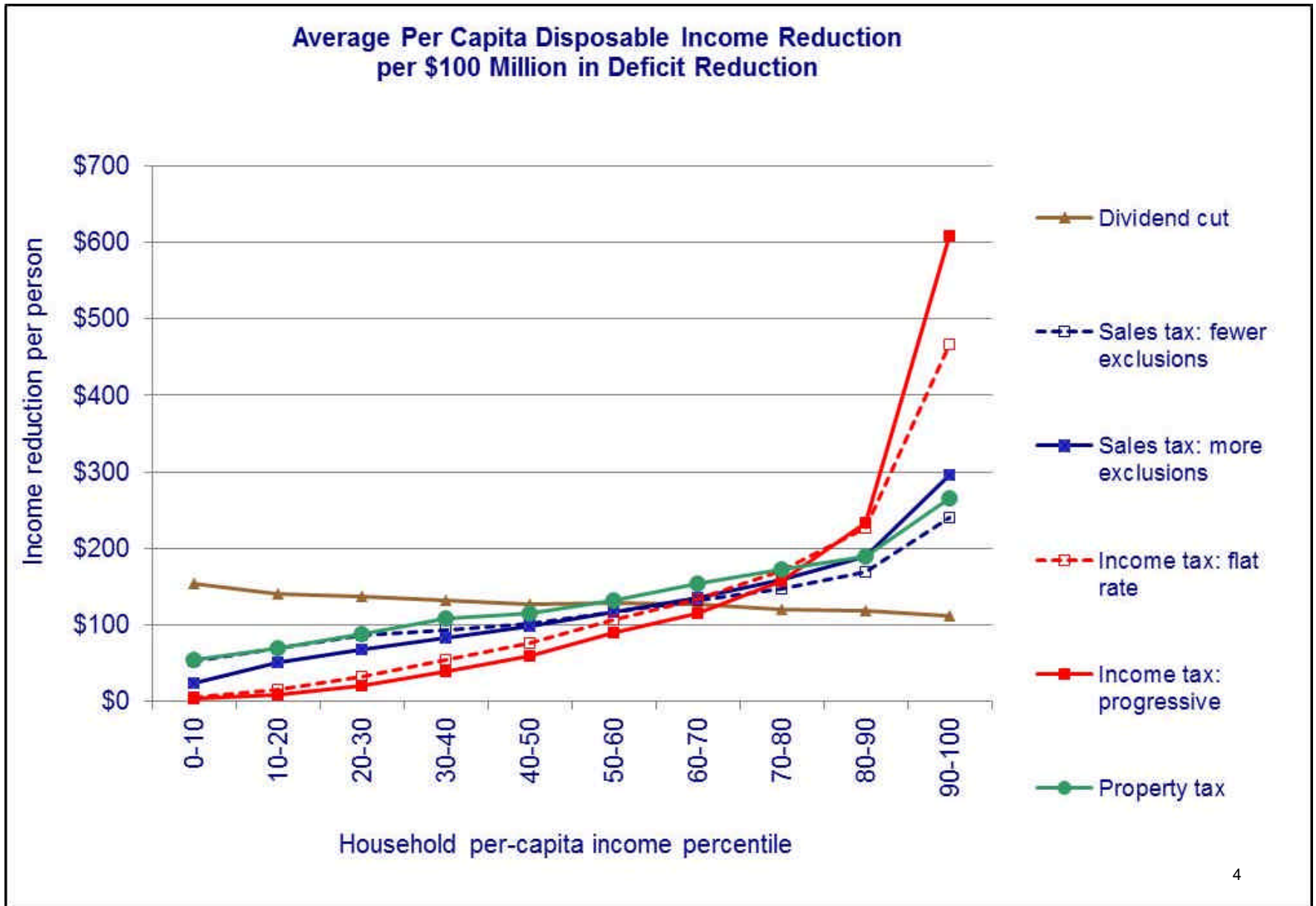
\* Gunnar Knapp, Matthew Berman, and Mouhcine Guettabi, *Short-Run Economic Impacts of Alaska Fiscal Options*, Institute of Social and Economic Research, March 2016.

Matthew Berman, "Resource Rents and Universal Basic Income: The Permanent Fund Dividend and Poverty among Alaska's Indigenous Peoples," *World Development*, 106 (2018) 161–172.

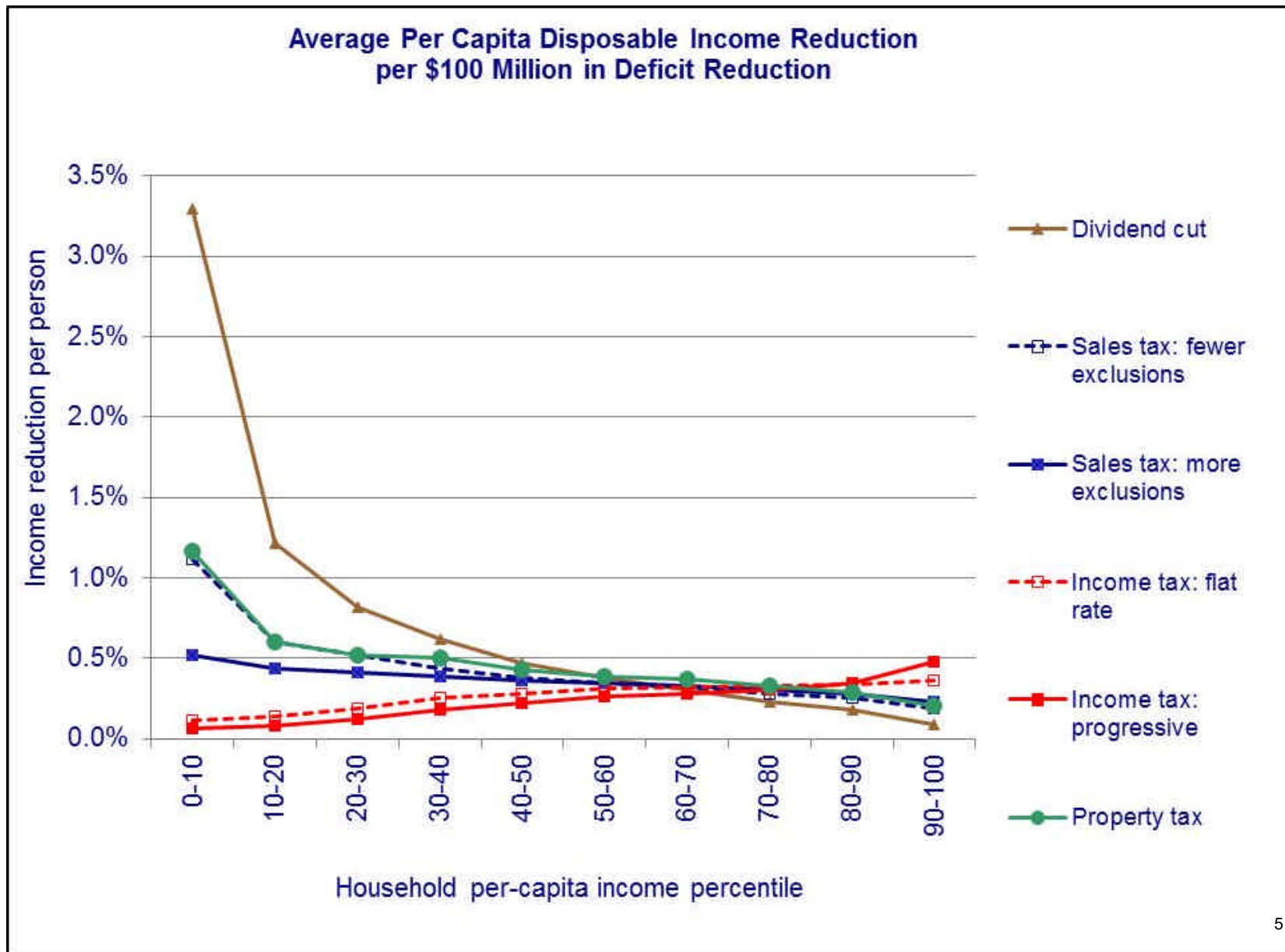
Matthew Berman and Random Reamey, *Permanent Fund Dividends and Poverty in Alaska*, Institute of Social and Economic Research, December 2016.

Matthew Berman and Random Reamey, *Effect of Alaska Fiscal Options On Children and Families*, ISER, February 2017.

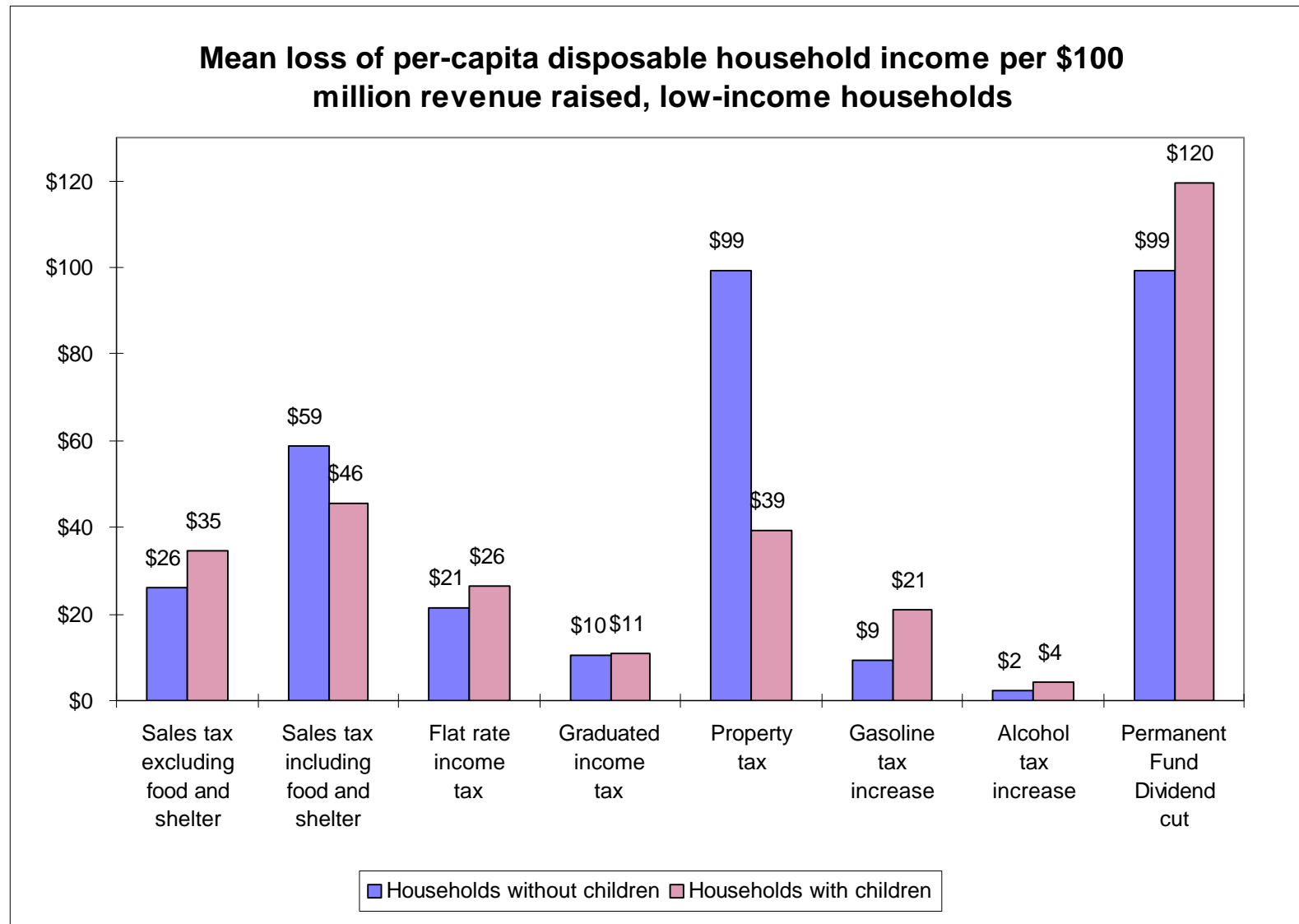
## How options affect different groups: income reduction per person



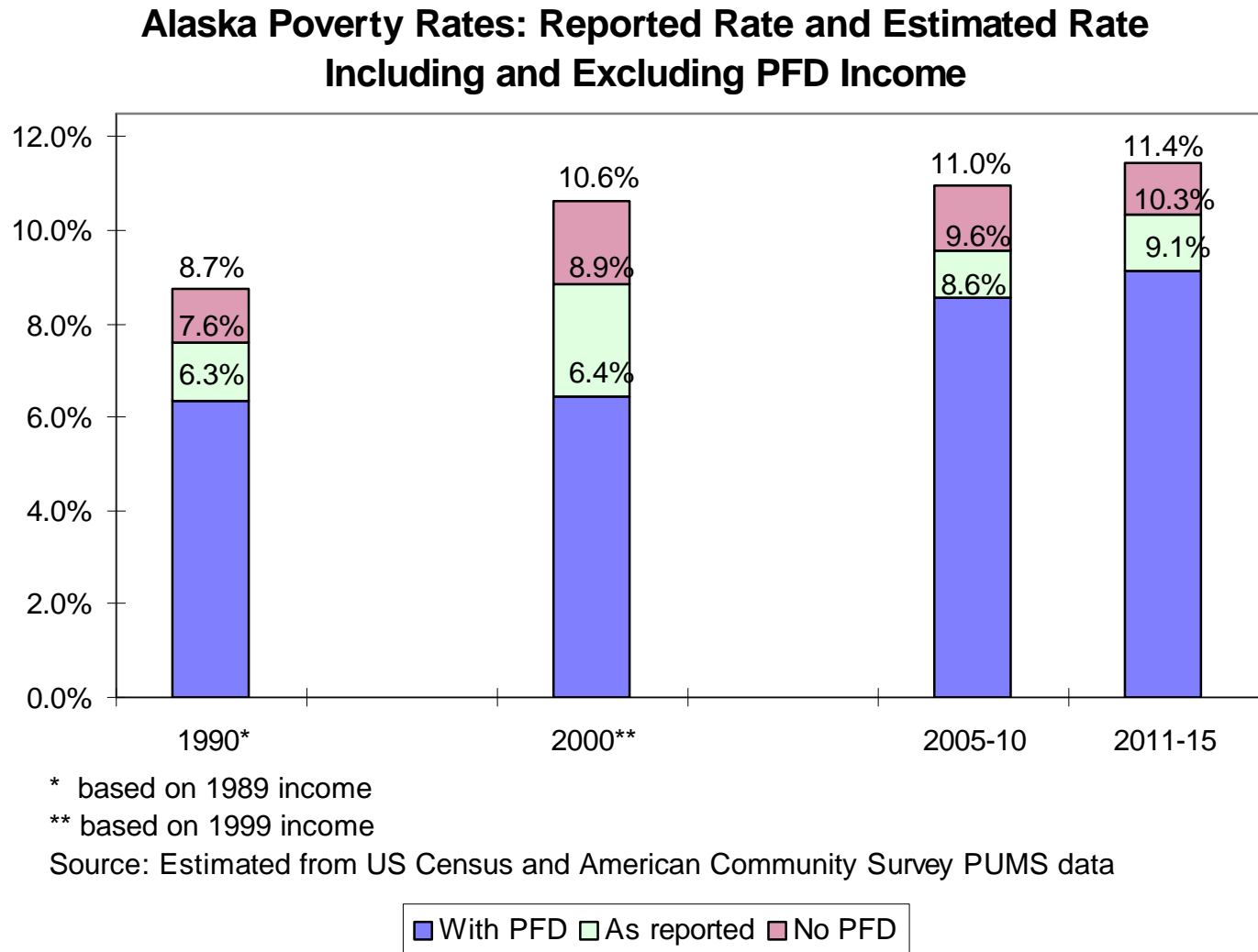
## How options affect different groups: percentage income reduction per person



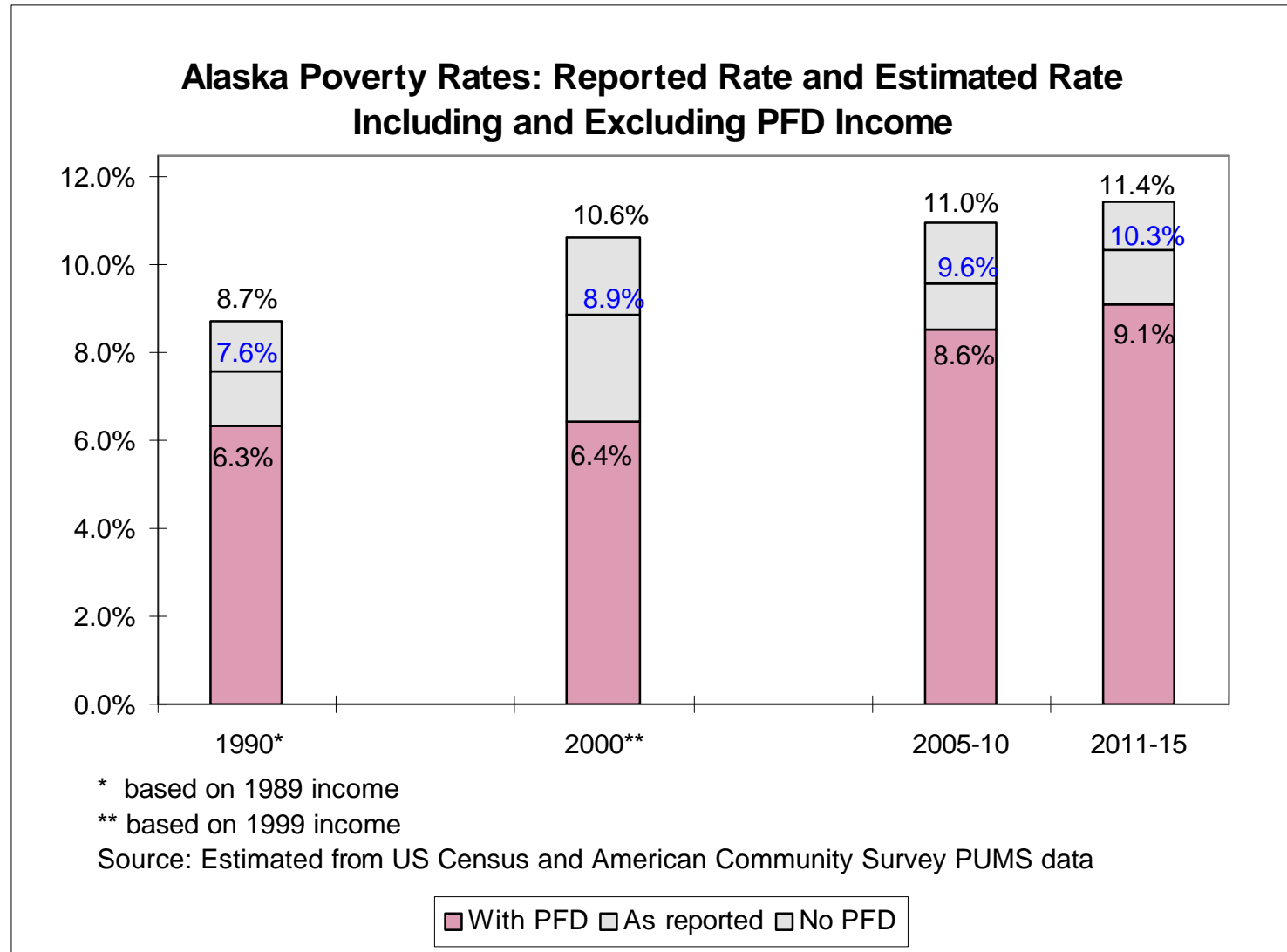
# PFD reductions affect families with children more than other households, especially low income families with children



PFD reduces poverty by 20 percent (about 2 percentage points).  
However, PFD increasingly less able to ameliorate poverty.



# Reducing PFD payments would increase poverty rates, but official data will underestimate the effect





# What we learned from previous studies: Other tax measures

- Property taxes
  - A statewide 20 mill property tax with credit for local tax revenues
  - Assumes landlords pass on tax to renters
- Excise taxes
  - Alcohol and tobacco tax increase
  - Marijuana tax increase
  - Gasoline tax increase
- Percentage of tax revenue raised from non-Alaska residents differ relatively little for all tax measures

# How would changes in economic conditions 2015-2019 affect results of previous studies?

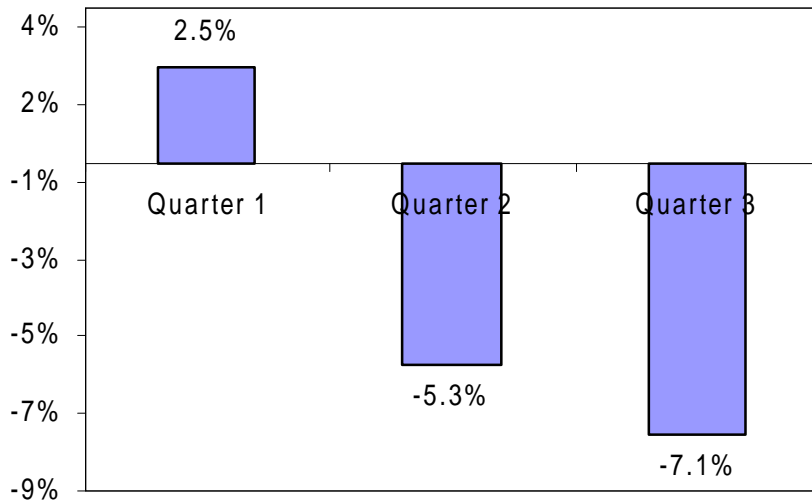
- Very little change in structure of employment and income
- Per-capita income rose about 10 percent
- Population declined about 5 percent
- Slight decline in non-resident workers
- Net effect small on potential revenues, distribution of effects

# Covid-19 economic effects on households and families

- Employment and wages fell between 2019 and 2020, as expected

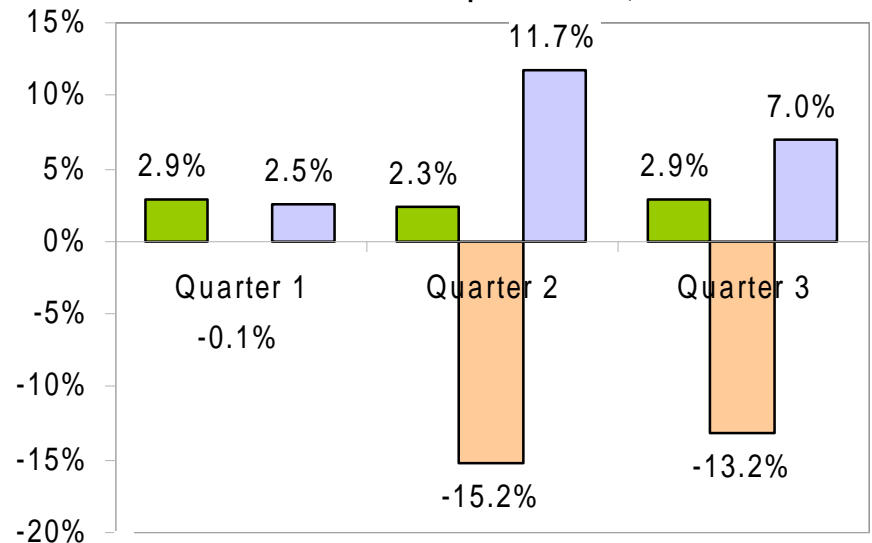
**Percentage change in earnings 2019 - 2020**

Source: Alaska Dept. of Labor, QCEW



**Percentage change in economic activity 2019-2020**

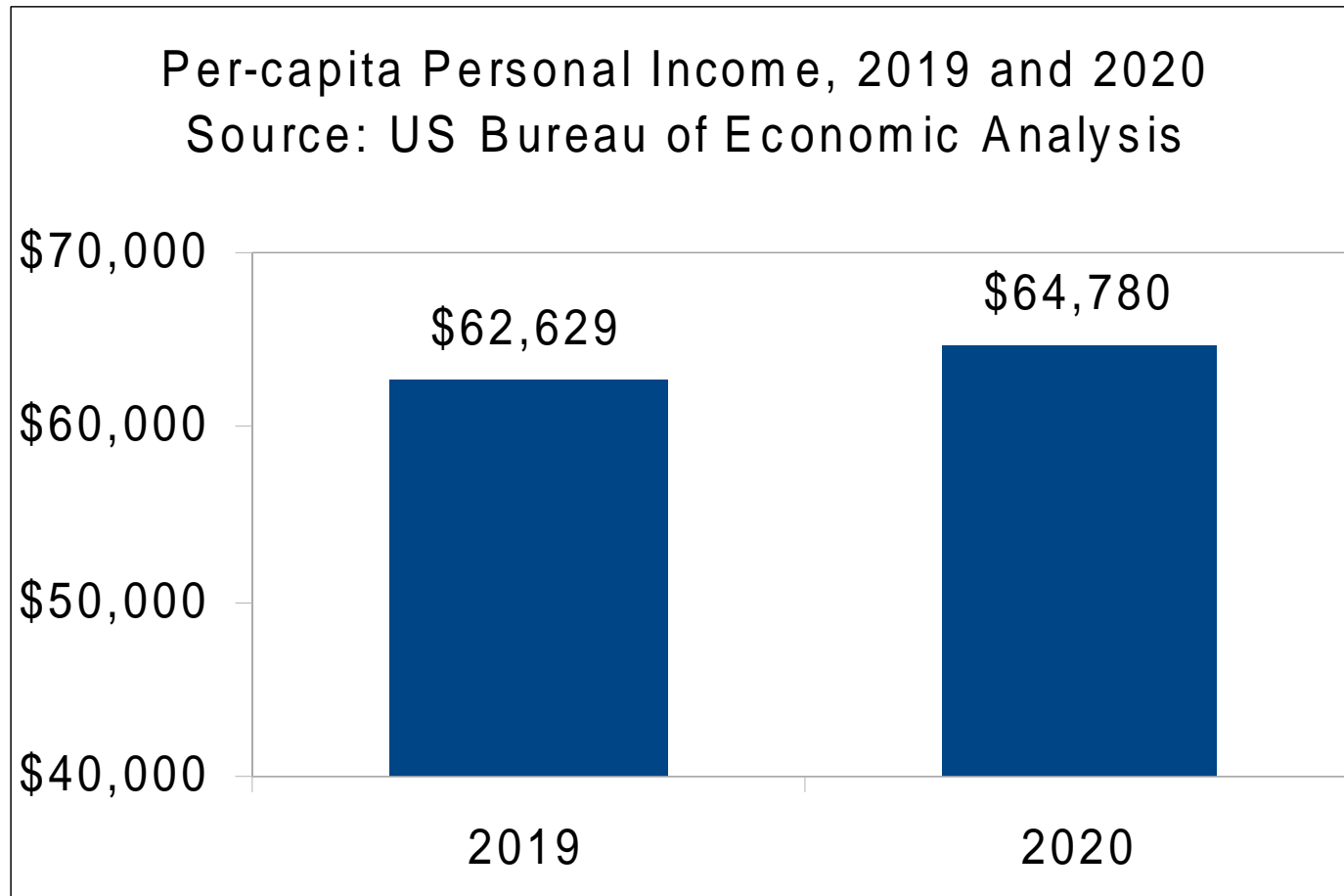
Source: Alaska Dept. of Labor, QCEW



■ % change in establishments ■ % change in employment  
■ % change in weekly wage

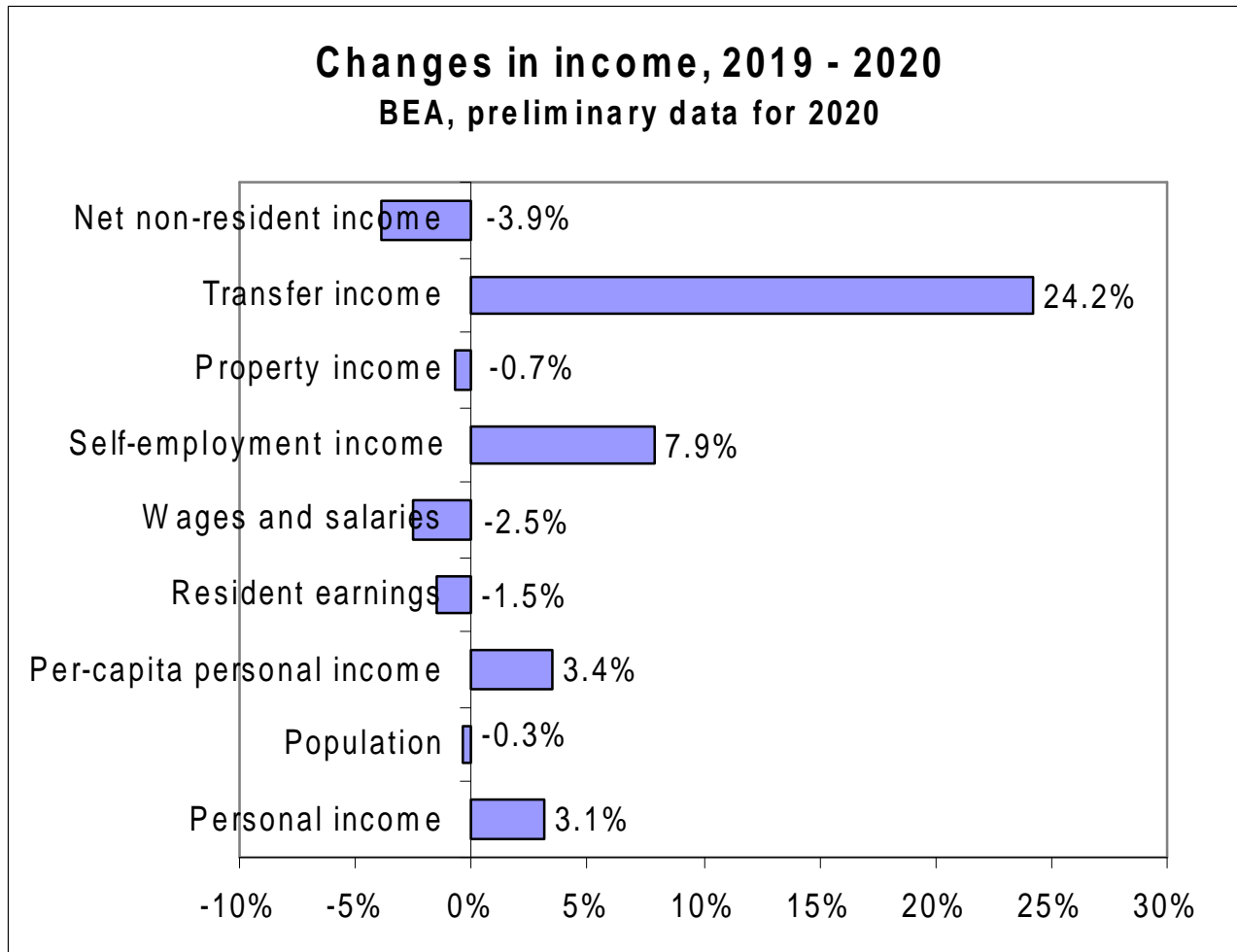
# Covid-19 economic effects on households and families

- However, per capita personal income actually increased slightly
- How could that happen?



## Covid-19 economic effects (continued)

- Wages and salaries declined
- Transfer income – Covid relief funds – and self-employment income more than replaced losses of wage and salary income



# Implications of structural changes for findings about fiscal options

- Recovery in 2021 and 2022 likely to be slow
- Federal recovery funding expected to phase out
- Tourism will take time to recover
- Recovery of consumer spending patterns are uncertain
- Future of child income tax credit a wild card
  - Child tax credit affects income taxes but not sales taxes or other revenue options
- Bottom line
  - Regressive effects on lower income families of sales taxes and PFD reductions likely to increase from 2015-2019
  - Other findings likely will be similar to those described in the earlier studies

# Questions?

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