

# House Special Committee on Ways and Means

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## **Members:**

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## **House Bill 189** Sponsor Statement

Alaska has a long history of supporting public education through financial contributions collected from wages earned within the state. In 1919 a school tax was enacted and flat \$5 was collected from every employed male aged 21-50. This tax evolved over the years, and by statehood in 1959 a \$10 tax was collected from every employed person over the age of 19. During the 1980 legislative session the education head tax was eliminated after high oil revenue provided amply for state needs.

HB 189 would reinstate a form of the antiquated head tax as a wage tax to collect revenue from all Alaskan workers and nonresidents earning income in the state for the purpose of funding schools. The levy would start at \$50 for an individual earning less than \$20,000 per year and crest at \$500 for an earner making more than \$500,000 a year. Half the estimated tax due would be withheld from each an employee's first two paychecks. Self-employed individuals would be required to remit the tax to the Department of Revenue.

According to the most recent data from the Alaska Department of Labor and Workforce Development there are approximately 408,606 employed people in Alaska. Of those, nearly 21% are nonresidents who earn a living in Alaska and likely pay taxes on that income to the state where they reside. This measure would capture a portion of the wealth that would otherwise leave the state and our local economy.

It is estimated this tax would generate \$66 million each year. These funds would be deposited into the general fund and accounted for separately to help pay for the services required under Article VII of Section 1 of the Alaska Constitution – the establishment and maintenance of a system of public schools open to all children of the State.