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Revenue Dept. presents options to close deficit under 50-50 plan

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It's a long way between here and new taxes, but Gov. Mike Dunleavy's administration has taken the initial step towards generating the new revenue many in the Legislature have said is needed to pay for the "50-50" dividend plan he put forth earlier this year.

Revenue Commissioner Lucinda Mahoney presented members of the Legislature's joint Comprehensive Fiscal Plan Working Group with 10 conceptual options (https://www.alaskajournal.com/sites/alaskajournal.com/files/updated_dor_presentation_8.10.2021.pdf) for oil tax changes and a state sales tax proposal she said Dunleavy could support along with other ideas such as legalized gambling or utilizing the state's forests in carbon offset programs for generating state revenue.

"We are trying to present you with many different options as well as options related to spending so that we can collaborate and come together on a fiscal plan," Mahoney said during an Aug. 5 meeting that continued on Aug. 10 because of technical difficulties.

Mahoney said the administration would like to "accelerate" the typical timeline for any tax changes to capture as much revenue in fiscal year 2022, which started July 1.

"That helps us, first of all, balance the budget but it also starts building up reserves," she said.

The Legislature is set to convene Aug. 16 in Juneau after the leaders of all four caucuses requested more time from the governor to work on long-term budget solutions. The session was first set to begin Aug. 2.

Provided by Rep. Tarr

originally from the AK Journal of Commerce.

Topping the administration's list of revenue suggestions is a cutting the maximum per-barrel tax credit oil companies are allowed to claim to $5 per barrel from the current $8 per barrel credit.

Lowering the high end of the sliding scale per
barrel credit, which is $8 per barrel at prices averaging less than $80, to $5 at market prices of less than $80 per barrel would generate between approximately $165 million and $330 million annually over the next five full fiscal years, according to Revenue's calculations.

Many Democrats have long pushed for wholly eliminating the per-barrel credit, which effectively reduces the 35 percent base production tax at prices less than $150 per barrel, and Senate President Peter Micciche has been among the Republicans of late to propose changing the credit along with possibly reducing the base production tax rate.

The administration's informal proposal would also include lowering the high-end price at which the credits phase out from $150 to $120 per barrel.

Mahoney also laid out scenarios for statewide sales taxes of 4 percent that, depending on the exemptions, could raise between $600 million and nearly $1.3 billion per year.

"We are looking at something broad and low with few exemptions," she said.

Revenue officials have also unofficially added $373 million to the oil revenue outlook for the current fiscal year and $176 million to the state's projected 2023 total revenue based on mid-July prices in oil futures markets, according to Mahoney.

The department now anticipates the price for Alaska North Slope crude will average $72 per barrel in 2022 and $67 next year, compared to the spring forecast prices of $64 and $62 per barrel, respectively.

The new anticipated oil revenue means the state would have near-term deficits in the $800 million per year range if the Legislature approves Dunleavy's plan to utilize half of the annual $3 billion-plus draw on the Permanent Fund for dividends, and half for government services, a split first proposed by his 2018 election opponent Mark Begich.

Some lawmakers have questioned the administration's prior revenue projections and statements that new taxes aren't necessary given expected improvements in the state's fiscal picture, claiming the actual deficits are likely to be in the $1 billion per year range or more if currently strong oil and financial markets decline.

It's also unclear how the tax concepts mesh with the governor's proposal for a constitutional amendment requiring voter approval of all new state taxes.

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