

REPRESENTATIVE BEN CARPENTER

Session:

State Capitol Building,
Room 24
Juneau, AK 99801



Interim:

145 Main St. Loop,
Room 223
Kenai, AK 99611

House of Representatives DISTRICT 8

House bill 142 STATE SALES AND USE TAX

Sponsor Statement

State leaders should naturally be motivated to grow Alaska's private economy. The prospect of jobs and opportunity would allow our children to stay in Alaska, would attract development that would bring infrastructure investment, and would make retiring here comfortable for all employees—not just those who had government jobs.

Inertia in the state Capitol, however, keeps the state legislature focusing on government growth without corresponding economic growth. We can change that with a long-term fiscal plan for the state that incentivizes such growth. The Alaska legislature has the opportunity this session to pass a package of bills and resolutions that will:

- Take the permanent fund dividend payment out of the annual budget process and require the PFD to be paid by the formula in law,
- Place a limit on government spending in a manner that incentivizes economic growth,
- Reform our state government management and budgeting practices, and
- Promote economic growth with business tax cuts, make carbon credits available to Alaska resource developers, streamline regulations, make obtaining licenses easier.

As part of a package of bills that includes all these structural reforms, we can institute a low rate, broad-based sales tax that will bring a small share of the ensuing economic activity to government, and further incentivize legislators to pursue economic growth.

HB142 imposes a two-cent tax on all sales of goods and services purchased in Alaska and allows the legislature to share half of the tax revenue with certain municipalities that meet certain criteria, including low property taxes.

According to the Tax Foundation, forty-five states and the District of Columbia collect statewide sales taxes. Local sales taxes are collected in 38 states. In some cases, they can rival or even exceed state rates. The five states with the highest average combined state and local sales tax rates are Louisiana (9.550 percent), Tennessee (9.548 percent), Arkansas (9.46 percent), Alabama (9.25 percent), and Oklahoma (8.98 percent). Sales tax rates differ by state, but sales tax bases also impact how much revenue is collected from a tax and how the tax affects the economy.

HB142 is designed after the South Dakota system as the broadest-based tax in the nation. Broad-based systems keep rates low, keep compliance simple, and create as few economic distortions as possible. Except for the five states that have no sales tax, a two-cent statewide sales tax would maintain Alaska's ranking as the lowest state and locally combined sales tax rate in the nation.