

# Revenue Options

## House Ways & Means Committee

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Department of Revenue – Tax Division

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**Colleen Glover**

Director, Tax Division

Alaska Department of Revenue

**Brandon Spanos**

Deputy Director, Tax Division

Alaska Department of Revenue



THE STATE  
of **ALASKA**  
GOVERNOR MIKE DUNLEAVY

## Agenda

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1. Disclaimer
2. New Revenue Options:
  - Sales Taxes
  - Income Taxes
3. Existing Revenue Options
  - Petroleum Corporate Income Tax
  - Oil and Gas Production Tax



## Potential Revenue: 4% State Sales Tax (styled on South Dakota Sales & Use Tax)

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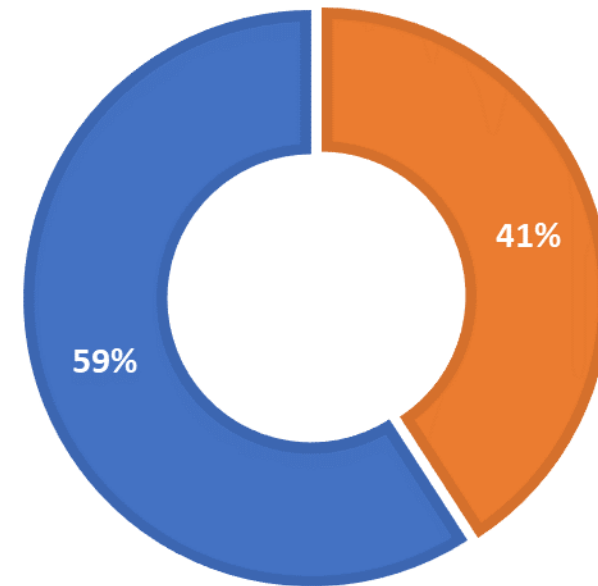
**Description:** A tax levied at 4% of purchase price on the sales of goods and services to consumers and businesses, taxing a range of activities similar to that of the South Dakota Sales & Use Tax. This is a very broad-based tax that extends to a wide range of services and business inputs. There are few exemptions, which includes prescriptions and medical equipment.

**First Full Year Impact:** \$1.83 billion

**Costs:** Implementing this tax would add \$12.8 million in annual administration costs and require an additional 74 FTE personnel.

### 4% SD SALES TAX SCENARIO

- Estimated Revenue Increase
- Total FY2022 Tax Revenues



## Potential Revenue: 4% State Sales Tax (styled on Wyoming Sales & Use Tax)

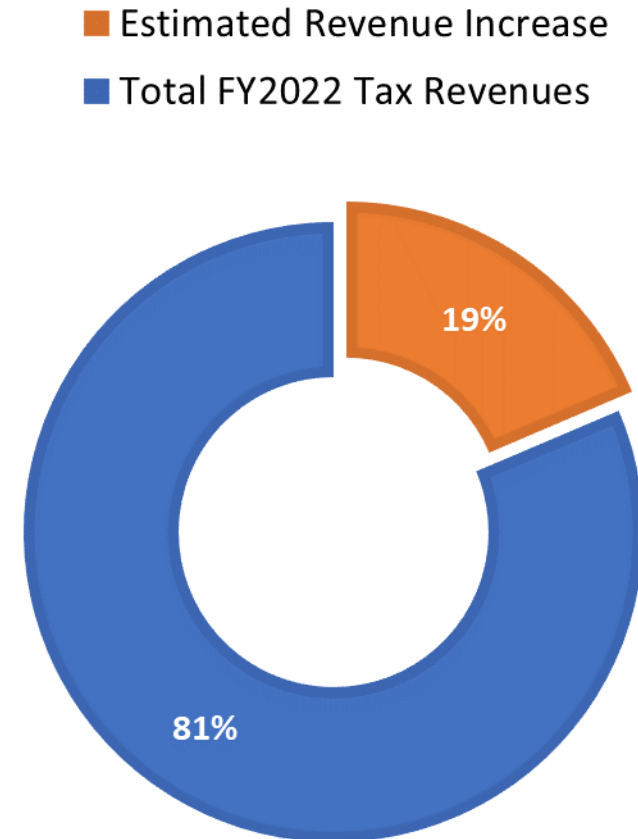
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**Description:** A tax levied at 4% of purchase price on the sales of goods and services to consumers and businesses, taxing a range of activities similar to that of the Wyoming Sales & Use Tax. This is a broad-based tax that extends to many, but not all, services and business purchases. Exemptions include groceries, prescriptions, and medical equipment

**First Full Year Impact:** \$619 million

**Costs:** Implementing this tax would add \$12.8 million in annual administration costs and require an additional 74 FTE personnel.

### 4% WY SALES TAX SCENARIO



## Potential Revenue: 4% State Sales Tax (Narrower Base)

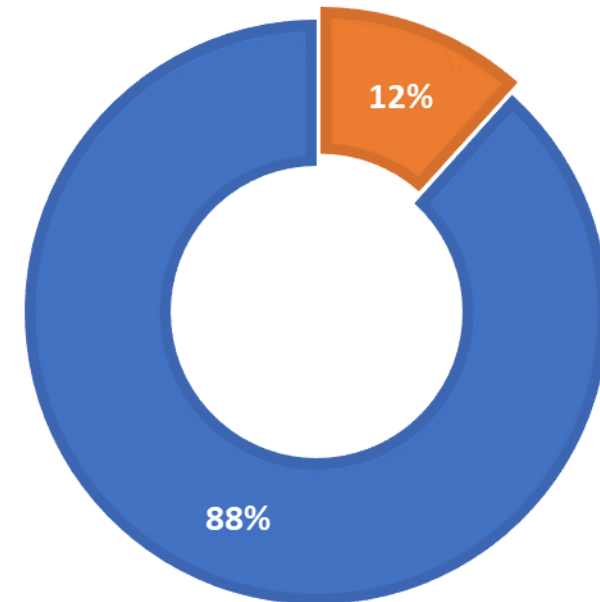
**Description:** A tax levied at 4% of purchase price on the sales of goods to consumers. This is a narrower broad-based tax option than the previous two that excludes all services, and targets brick and mortar retail and online sales.

**First Full Year:** \$358 million

**Costs:** Implementing this tax would add \$12.8 million in annual administration costs and require an additional 74 FTE personnel.

### 4% NARROW BASE SALES TAX SCENARIO

- Estimated Revenue Increase
- Total FY2022 Tax Revenues



## Potential Revenue: Personal Income Tax (1% of Federal Adjusted Gross Income)

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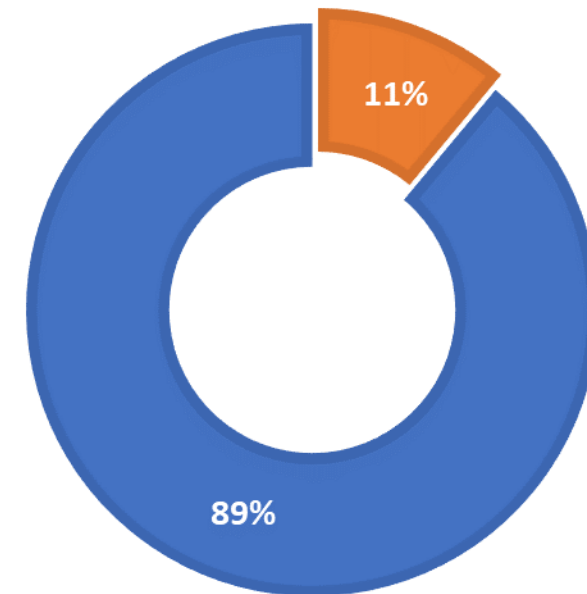
**Description:** A tax on the individual wages, tips, and incomes earned in Alaska by individuals, levied at 1% of Federal Adjusted Gross Income via employer withholding. Includes business income from pass-through entities.

**First Full Year:** \$337 million

**Costs:** Implementing this tax would add \$8.8 million in annual administration costs and require an additional 45 FTE personnel.

### 1% PERSONAL INCOME TAX (ADJUSTED GROSS INCOME BASE)

■ Estimated Revenue Increase  
■ Total FY2022 Tax Revenues



## Potential Revenue: Personal Income Tax (1% of Federal Income Tax Liability)

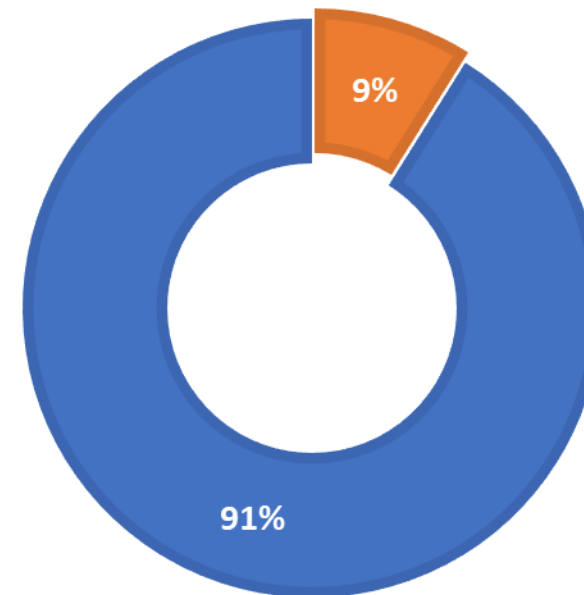
**Description:** A tax on the individual wages, tips, and incomes earned in Alaska by individuals, levied at 1% of Federal Individual Income Tax Liability via employer withholding. Includes business income from pass-through entities.

**First Full Year:** \$264 million

**Costs:** Implementing this tax would add \$8.8 million in annual administration costs and require an additional 45 FTE personnel.

### 1% PERSONAL INCOME TAX (FEDERAL TAX LIABILITY BASE)

- Estimated Revenue Increase
- Total FY2022 Tax Revenues





## Existing Revenue: Expand Corporate Income Tax to Oil and Gas Pass-through Entities

**Description:** This option expands the current Petroleum Corporate Income Tax on C-Corporations to oil and gas pass-through entities at the same rate. This option defines “entities” to mean sole proprietorships, partnerships, and S-Corporations. This option would apply to any business who files a return, claim for credit or report under AS 43.55 (oil and gas production tax).

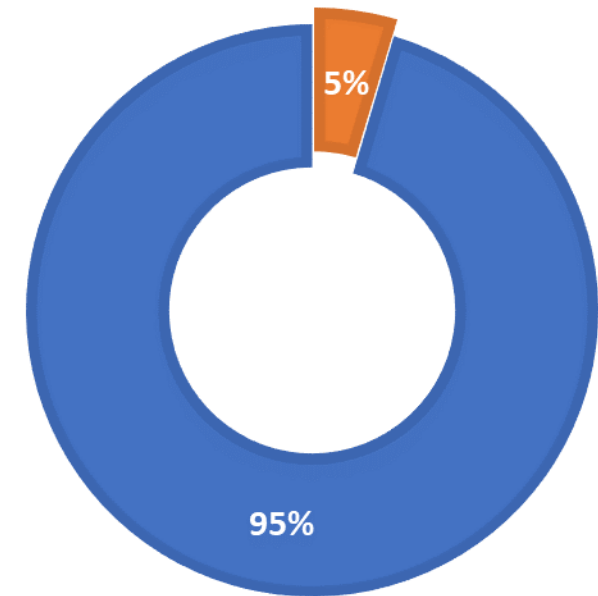
### **First Full Year Impact: \$131 million in FY 2024**

Using our Spring 2023 ANS price forecast as the basis, the estimate is that this could increase corporate income revenue by \$99 to \$131 million per year from FY 2024 to FY 2032. The FY 2024 estimate assumes a full-year application. The range is due to forecasted changes in production, oil prices, and anticipated company profitability this period.

**Costs:** There are no incremental costs to implement this change.

### **OIL & GAS PASS-THROUGH ENTITIES CORPORATE INCOME TAX**

■ Estimated Revenue Increase  
■ Total FY2022 Tax Revenues





## Existing Revenue: Reduce Sliding Scale per Barrel Tax Credit from \$8.00 to \$5.00

**Description:** This option enables an adjustment to the production tax value for the sliding scale per barrel credit in AS 43.55.024(j). This credit ranges from \$0 to \$8 per barrel depending on Alaska North Slope (ANS) oil prices. This tax credit is available for "legacy" oil produced on the North Slope. The option reduces the amount of the maximum tax credit for each taxable barrel of oil from \$8 to \$5 when the average gross value at the point of production for the month is less than \$110 a barrel. The credit would scale down to zero if the average gross value at the point of production for the month is \$150 or more.

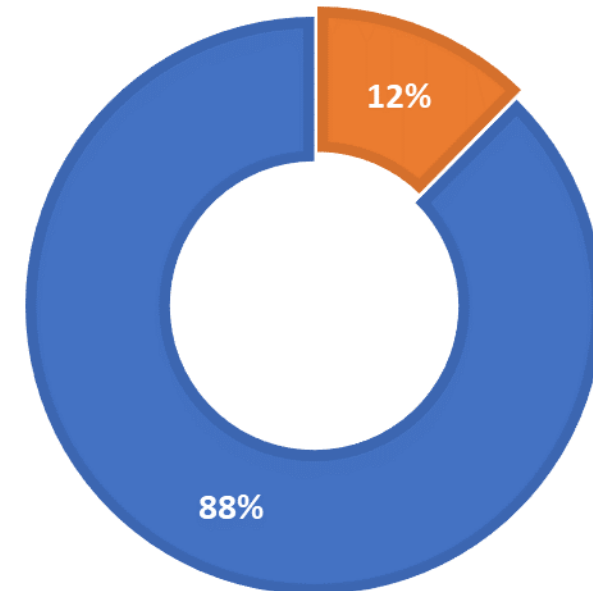
### **First Full Year Impact: \$383 million in FY 2024**

Using our Spring 2023 ANS price forecast as the basis, the estimate is that this could increase production tax revenue by \$144 to \$383 million per year from FY 2024 to FY 2032. The range is due to forecasted changes in production, oil prices, and anticipated company spending during this period.

**Costs:** There are no incremental costs to implement this change.

### PER BARREL CREDIT REDUCTION PRODUCTION TAX

- Estimated Revenue Increase
- Total FY2022 Tax Revenues



## Resources: Fiscal Plan Model

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### Fiscal Plan Model on DOR Website:

- ❑ Provides policymakers and the public users with a tool to model revenue and spending options.
- ❑ Provides flexibility for users to design own solution with their assumptions.
- ❑ Outputs include spreadsheets and graphs of critical financial data.
- ❑ Intent is to create a collaborative tool for all to users.
- ❑ Updated after each official forecast release (Fall and Spring)

Link to Current Model: [Fall 2022 Forecast Revenue & Spending Fiscal Model](#)

Spring 2023 Forecast Model coming soon....



# THANK YOU

Colleen Glover  
Director, Tax Division  
Department of Revenue  
[colleen.glover@alaska.gov](mailto:colleen.glover@alaska.gov)  
(907) 269-1033

Brandon Spanos  
Deputy Director, Tax Division  
Department of Revenue  
[Brandon.spanos@alaska.gov](mailto:Brandon.spanos@alaska.gov)  
(907) 269-6736

[dor.alaska.gov](http://dor.alaska.gov)

