

HOUSE FINANCE COMMITTEE
March 25, 2002
9:27 A.M.

TAPE HFC 02 - 64, Side A
TAPE HFC 02 - 64, Side B
TAPE HFC 02 - 65, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 9:27 A.M.

MEMBERS PRESENT

Representative Bill Williams, Co-Chair
Representative Eldon Mulder, Co-Chair
Representative Con Bunde, Vice-Chair
Representative Eric Croft
Representative John Davies
Representative Richard Foster
Representative John Harris
Representative Bill Hudson
Representative Ken Lancaster
Representative Carl Moses
Representative Jim Whitaker

MEMBERS ABSENT

None

ALSO PRESENT

Representative Gary Stevens; Representative Lisa Murkowski;
Representative Peggy Wilson; Denny Dewitt, Staff,
Representative Eldon Mulder

SUMMARY

HB 229 An Act imposing a tax on employment; and providing for an effective date.

HB 229 failed to move out of Committee.

HB 303 An Act relating to the levy and collection of a sales tax; and providing for an effective date.

CS HB 303 (FIN) was reported out of Committee with a "do not pass" recommendation and with a new fiscal note by the Department of Revenue.

HB 304 An Act relating to disposition of income of the permanent fund; and providing for an effective date.

CS HB 304 (FIN) was reported out of Committee with a "do pass" recommendation and a new fiscal note by the Department of Revenue.

#HB304

HOUSE BILL NO. 304

An Act relating to disposition of income of the permanent fund; and providing for an effective date.

Co-Chair Mulder MOVED to RESCIND previous action taken on moving CS HB 304 (FIN) from Committee. There being NO OBJECTION, action was rescinded.

Co-Chair Mulder advised that an amendment was being drafted. He stated that the amendment for next year, FY03, would limit the draw on the permanent fund. The amendment would provide for taking language from HB 304 and delaying action for one year, which would provide a FY03 earnings reserve draw in the amount of \$300 million dollars.

Representative Davies questioned what the "delay for one year" meant.

Co-Chair Mulder explained that the FY02 dividend would be paid from 2003 earnings. He wanted to understand that the mechanics were correct before he walked through the change.

Representative Croft inquired if the percentage amount discussed at the previous meeting would be changed.

Co-Chair Mulder thought that there could be an amendment, which would address percentages.

Representative Hudson asked if the State would be sticking with the 7%-6%-5% and then starting it a year later.

Co-Chair Mulder replied that was correct and that the draw would be \$300 million dollars. It would be consistent to have \$300 million dollars come from the Permanent Fund Earnings. That was a decision made by the Majority caucus.

HB 304 was HELD in Committee for further consideration.

RECESS: 9:30 A.M.
RECONVENED 10:15 A.M.

#HB229

HOUSE BILL NO. 229

An Act imposing a tax on employment; and providing for an effective date.

Co-Chair Mulder MOVED to ADOPT work draft, #22-LS0842\O, Kurtz, 3/23/02, as the version of the bill before the Committee.

Co-Chair Williams stated that the cruise ship head tax had been removed from the proposed version. He insisted that was the only change made to the draft.

CS HB 229 (FIN) was HELD in Committee for further consideration.

RECESS: 10:17 A.M.
RECONVENED: 10:23 A.M.

#HB303
HOUSE BILL NO. 303

An Act relating to the levy and collection of a sales tax; and providing for an effective date.

Co-Chair Mulder MOVED to ADOPT Amendment #1, #22-LS1206\W.1, Kurtz, 3/25/01. Representative Lancaster OBJECTED for the purpose of discussion.

Co-Chair Mulder explained that Amendment #1 was a trigger mechanism on sales tax. If the applicable tax rate was 3% as of September 30th of the previous year and the Capital Budget Reserve (CBR) is less than \$2 billion dollars, it would change the amount to 2%. If the CBR were between \$2 and \$2.5 billion dollars, then the tax would be 1%; if the CBR were between \$2.5 and \$3 billion dollars, the percentage would be zero. Co-Chair Mulder assured members that the trigger mechanism would provide the Alaskan public that should there be higher oil prices, tax would decrease.

Representative Lancaster inquired if Amendment #1 this year would be tied to the Earnings Reserve Account.

Co-Chair Mulder responded that there are many moving parts, which need to be tied. There is a potential trigger drafted in Amendment #3, which ties it to the price of oil. He noted that tying it to the price of oil would not address the production of oil and estimated that the shock absorber would tie it to the CBR.

Representative Hudson acknowledged that would be the correct tie because the government has a constitutional responsibility to pay any draws from the CBR. Any new infusion of revenue has to go to the CBR. If the oil prices or production increased, or new oil was struck, all the new revenue would pile up into the general fund and at

the end of the year would sweep back over into paying the CBR. He noted his support that process.

Representative Davies argued that the problem with that concept is that the permanent fund would continue to be depleted. He stated that the only revenue measure would be the earnings from the permanent fund and that acceptance of the trigger should be a similar draw from the permanent fund.

Representative Croft objected because the total amount would be taken out from the permanent fund. He noted that Ex-Governor Jay Hammond recommended that there should be a pure dividend tax bracket. Representative Croft suggested that Alaska should rest somewhere between those two concepts. The entire taxation picture should now be addressed. The proposal would take out the only tax Alaska has left, removing it from the permanent fund earnings. There must be a broad-based tax and there should be a reestablished connection with economic development. Economic development alone would do nothing for the State coffers. Representative Croft objected to any tax triggers.

Representative Hudson agreed with Representative Croft. He thought if possible #4, Line 16, should be eliminated: "Zero if, on September 30 of the previous year, the unedited balance in the budget reserve fund created by art.IX, sec.17, Constitution of the State of Alaska, was more than \$3,000,000,000." Making that change would mean that the tax would never be less than 1%, however, it could be graduated down. Leaving it at 1% would make forever-combined collection requirements.

Representative Hudson recommended removing Section #4.

Co-Chair Mulder recommended that action would require deleting language in Section #3, Line 15: "But not more than \$3,000,000,000; or".

Representative Hudson noted that then conceptually, there would never be less than 1%, which would always keep the tax enforced.

Co-Chair Mulder restated the amendment. Representative Whitaker OBJECTED in order to read it through.

Recognizing that the work draft had not yet been adopted, Co-Chair Mulder WITHDREW his MOTION to adopt Amendment #1.

Co-Chair Mulder MOVED to ADOPT the work draft #22-LS1206\W, Kurtz, 3/23/02, as the version of the bill before the Committee. Representative Davies OBJECTED for purposes of discussion.

Co-Chair Mulder explained that the technical amendments had been incorporated into the work draft and that nothing had been included which was not previously discussed, except for the "small vendor" clause. Everything else had been proposed by the Department of Revenue.

DENNY DEWITT, STAFF, REPRESENTATIVE ELDON MULDER, listed the changes made to the work draft.

- Page 2, Line 26, extensive discussion of the boroughs ability to levy "special" taxes.

Representative Lancaster questioned if the cities would collect and retain that tax.

Mr. DeWitt replied that the intent was to leave those activities as they are today.

Representative Croft referenced Sections 6 & 7, and asked if a borough could levy a general tax and then a special tax. He thought that they could claim any special exemptions such as utilities and then claim again that sales tax.

Mr. DeWitt advised that they would have to enact a special sales tax relative to that specific item. They could collect it themselves. He added that another example would be a bed tax, which would be a special tax.

Representative Croft understood that there will be the same taxes and exemptions across the State. The way that the language is written, particularly in Section 7, there is a potential for a "patchwork" of taxes and exemptions.

Co-Chair Mulder agreed that there will be a tax patchwork, however, the exemptions would be uniform.

Representative Croft discussed that the exemptions could be removed by the special taxes.

Mr. DeWitt acknowledged that there is the potential for doing that for the exemption. An additional tax such as alcohol would be allowed over the general sales tax in a community. He restated that if there was a general sales tax, there could be a special tax on alcohol. In reference to the general broad-based sales tax, the State would collect it and it would be uniform across the State. The municipality buying into it would have the same exemptions on the broad-based sales tax that the State would have. It would also reserve the opportunity for the community to add and collect their own special taxes.

Representative Croft asked if alcohol was a "special" issue. He advised that the State has always prohibited the communities from doing that.

Mr. DeWitt interjected that Juneau currently has a special alcohol tax.

Representative Davies inquired if current language would allow cities to enact special taxes.

Mr. DeWitt clarified that it would allow cities to enact special taxes for places that have the authorization under Title 29 and that they would continue to be able to do that.

Co-Chair Mulder thought that there was confusion and that the bill would retain the cities and boroughs ability to do what they are now doing even with the implementation of the proposed bill.

Representative Davies asked why Section 7 referred only to "boroughs" and not cities.

Mr. DeWitt understood that to be a drafting decision and that it would accomplish the same thing.

Mr. DeWitt discussed the changes made to the draft:

- Section 8 - the power of the levy.
- Section 9 begins the use tax, dropping language on Line 24, "in the State". He added that Sections (b) & (c) had been reworded. Section 2 was reworked on Line 15 to include transportation and goods that are used in connection with or would become an ingredient.
- Added in Section 7, "brokerage firms and interested earned or paid".
- Added a technical correction in sub-Section (8), Page 6, Line 10, "sales and purchases by governmental entities".
- Referenced Page 8, collection of sales taxes, adding language to Line 7: "However, a seller that collects less than \$1,000 in tax in a calendar quarter may remit the tax within 30 days following the last day of the calendar quarter in which the tax was collected."
- Added "taxi cab" to sub-Section (d) on Page 8, Line 18.
- On Line 25, regarding the exemption certificate now indicates that the Department should provide an exemption certificate for both buyers and sellers.

- In Sections (a) & (b), language was added as recommended by the Department.

Representative Hudson referenced Page 8, Line 7, commenting that the change would indicate from a monthly to a calendar quarter; it would also address the small vendor as long as they collect less than \$1,000 dollars in a calendar quarter.

Co-Chair Mulder MOVED to ADOPT the committee substitute, #22-LS1206\W, Kurtz, 3/23/02, as the document before Committee members. There being NO OBJECTION, it was adopted.

Co-Chair Mulder noted a language change in Amendment #1, deleting language from Line 15 following "\$2,500,000,000;" though Line 18. Co-Chair Mulder MOVED to ADOPT the changed Amendment #1. Representative Croft OBJECTED.

Representative Croft stated that when the collection goes down to 1%, the amount collected would only be \$100 million dollars. He advised that would never reach the anticipated 50/50. That number moves further from any parity between what is taken from the permanent fund earnings and what is taxed back.

Representative Croft noted that most of the proposals that the Fiscal Policy Council started with recognized some of the lessons learned in 1999:

- By starting with substantial taxes; and
- Narrowing it to 1, now moving it to ½.

He stressed that a tax rate must be established for the appropriate economy.

A roll call vote was taken on the motion to adopt Amendment #1.

IN FAVOR: Foster, Harris, Hudson, Lancaster, Whitaker,
Bunde, Williams, Mulder
OPPOSED: Davies, Moses, Croft

The MOTION PASSED (8-3).

Co-Chair Mulder advised that Amendment 3, #22-LS1206\W.3, Kurtz, 3/25/02, would no longer apply as it was triggered to the price of oil. Amendment 2, #22-LS1206\W.2, Kurtz, 3/25/02, would make the sales tax a seasonal sales tax. He stated that Amendment 2 would not be offered at this time.

RECESS: 10:55 A.M.
RECONVENED: 1:55 P.M.

Co-Chair Mulder reiterated that he would not be offering Amendment 2.

Representative Croft spoke to the seasonal sales tax provision.

Co-Chair Williams interrupted, requesting that the discussion be kept to the amendments before the Committee.

Representative Davies stated that the list of exemptions should include unprepared foods. He MOVED to ADOPT that as a conceptual amendment. Co-Chair Mulder OBJECTED.

Representative Davies stressed that the proposed sales tax disproportionately affects the lower income person. In particular, that tax will impact their necessities as opposed to discretionary expenditures. One of the most important expenditures is food. He proposed that unprepared foods be exempt.

Representative Croft advised that 36 states have a sales tax and of those, 29 exempt food. Only 9 states tax food at the same rate without other mitigating measures. Representative Croft voiced support to exempt food. He pointed out that taxing food is a regressive sales tax and could be interpreted as targeting the poor.

Representative Lancaster spoke against adding any additional exemptions. He stressed that the boroughs are already allowed so many exemptions that the State will end up where they started.

Representative Whitaker spoke against the amendment. He pointed out that Page 5(b) exempts food coupons and stamps. He claimed that allowance would provide an exemption for the least fortunate Alaskans by exempting them from paying tax on food.

Representative Croft acknowledged that those on welfare would be exempted, but emphasized that the working poor would not be exempted. He referenced the graph provided by the Legislative Finance Division. [Copy on File].

Representative Davies reiterated that the enclosed language would impact the working poor. The nature of the language is aggressive to the poor people of the State.

Co-Chair Mulder clarified for the record that the sales tax collected for the State would be 3% not 5.6%.

Representative Whitaker countered and asked what would happen if the proposed sales tax were as high as the

proposed income tax. He pointed out that the proposed sales tax was a lower rate. While the percentage of income might be higher, the dollars involved are somewhat minimal.

Representative Hudson asked further clarification of what "unprepared foods" are.

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Representative Davies replied that milk would be included in the exemption.

Vice-Chair Bunde spoke against the amendment. He stressed how complicated it would be for the sales clerks. He added that all Alaskans need to have ownership of the State government and that by paying taxes, it would then be fair.

Representative Croft stated that with a sales tax of 3%, the poor Alaskans would be paying 2% of their income and rich Alaskans would be paying less than 1%. He referenced the handout, Chart #2, which more clearly defines the differences. He stressed that the numbers provided by the Division of Legislative Finance indicates a definite disproportionate impact on poor Alaskans.

Representative Whitaker asked what that percentage meant. He believed that the real numbers indicate how much the working poor would be charged with a State income tax. He stated that those in the upper income brackets would be paying more. Representative Whitaker noted that he quoted from a statement provided by the Department of Revenue. [Copy on File]. He discredited the argument that the proposed tax was a regressive tax effort.

Co-Chair Williams requested that the discussion be kept to the amendment.

Representative Davies advised that his "principle concern" is regarding whether the proposed tax would be regressive. The sales tax is disproportionate to those with less income as compared to those with more income. The proposed sales tax has the property of taxing the people with relatively less income, a higher percentage of their income. That, by definition is regressive. He stressed that is the meaning of "regressive". He offered the amendment because sales tax is regressive and it will impact people's ability to buy food.

Representative Croft claimed that the key point is that the amendment addresses the regressive nature of the proposed tax and that unprepared food is the key point. He stressed that the argument proposed by Representative Whitaker is

wrong. The number he proposes to use, the sales tax would raise somewhere around \$250 million dollars as compared to an income tax that would raise \$360 million dollars. The statistics do not tell an accurate story. Also, there is a Department of Revenue proposal, which analyzes it differently, indicating that the numbers cannot be compared. There is a hole, which needs to be filled, and the question is about how to fill it most fairly.

A roll call vote was taken on the motion.

IN FAVOR: Croft, Davies, Harris, Hudson, Moses
OPPOSED: Foster, Lancaster, Whitaker, Bunde, Mulder,
Williams

The MOTION FAILED (5-6).

Representative Croft MOVED to ADOPT Amendment 2, which would add an exemption that would make the tax, a seasonal sales tax. Vice-Chair Bunde OBJECTED.

Representative Croft explained that many Alaskans have the impression that the fiscal gap could be solved with a seasonal sales tax. He admitted that the seasonal sales tax would most likely not be able to fill the gap, but more importantly, the seasonal nature of the tax does not have all the consequences that people assume. He added that many constituents have discussed the option as a possible remedy to the State's dilemma.

Vice-Chair Bunde testified in opposition to the amendment. He stated that the amendment perpetuates the notion that someone else can pay for the services of this State. He claimed that is a mythical concept.

A roll call vote was taken on the motion.

IN FAVOR: Moses, Croft, Mulder
OPPOSED: Davies, Foster, Harris, Hudson, Lancaster,
Whitaker, Bunde, Williams

The MOTION FAILED (3-8).

Co-Chair Mulder MOVED to REPORT CS HB 303 (FIN) out of Committee with individual recommendations and with the accompanying fiscal note. Representative Davies OBJECTED.

Representative Croft stated that the legislation would be paired with a reduction to the permanent fund. He noted that the proposed legislation is regressive and not fair. The Committee has rejected amendments that would make the legislation more progressive. He added that it would preempt other communities that have a sales tax, and that would provide an additional burden. The legislation will hurt

poor Alaskans and Alaskan communities that already have a sales tax.

Representative Davies echoed the comments made by Representative Croft. He emphasized that the draw on the permanent fund paired with the legislation makes it extremely regressive. The revenue that would be generated is too small and that more revenue will need to be determined. He spoke in support of a broad-based tax.

Representative Whitaker commented that the two proposals before the Committee are for either a 3% sales tax or a 4% income tax. He believed these were valid comparisons. The least fortunate Alaskans will pay no tax on life essentials. The more wealthy Alaskans will pay nine times more than the least fortunate. He agreed that it is not the perfect tax because every person in the State will pay. The perfect tax is the one where someone else pays. He stressed that the least fortunate will be protected and that the proposed legislation is "fair".

Co-Chair Mulder spoke in favor of moving the bill from Committee. He added that the proposed legislation would work well with the permanent fund proposal. He claimed that his basic objection to having a permanent fund dividend and an income tax would be that the dividend would then become a welfare payment. With implementing a sales tax provision, everyone pays. He claimed that the more a person makes, the more they spend. The very nature of that demonstrates that the wealthy will be paying more.

Co-Chair Mulder commented that the State would be surprised at the amount received from the seasonal sales tax. He thought that a sales tax could stand the "public muster". He added that a sales tax has more public support than an income tax.

Representative Lancaster supported the comments of Representative Whitaker. He indicated his concern with the exemption process. He noted that he would support the bill so that the debate could occur on the House Floor.

Representative Davies rejected Co-Chair Mulder's statement that the dividend has become a welfare payment. He stressed that the payment of the dividend is related to an ownership that Alaskans have to the State's resources. Few Alaskans do much to deserve the dividend. He thought that it was fair since all Alaskans own that resource that the dividend is distributed equally.

He disagreed with comments made by Co-Chair Mulder that there is more acceptance for a sales tax versus an income tax. He clarified that statement entered into the category of a "big lie" and that most public's communication to the

legislator's office has proven that. More people have come to the conclusion that an income tax would be a better way to go for Alaska over a sales tax. The impact of a sales tax will be dramatic on the municipalities.

Vice-Chair Bunde noted that his constituents do not want taxes, however, they would prefer a sales tax to an income tax. He explained how the proposal would reduce the dividend; next year, the dividend would remain the same and then in the future, the dividend would change.

Co-Chair Mulder commented on the resale exemption and that the intent of that exemption was not to hurt businesses which have "value added" in the State of Alaska. The components that go into a finished product would not be taxed.

Representative Davies asked if that would include sales outside the State of Alaska such as logs and fish.

Co-Chair Mulder understood that they would be taxed.

Representative Lancaster disagreed with Co-Chair Mulder. He stated that neither would be taxed.

Representative Davies clarified that it is not a question of whether the retail occurs within the State.

A roll call vote was taken on the motion.

IN FAVOR: Harris, Hudson, Lancaster, Whitaker, Bunde,
Williams, Mulder

OPPOSED: Foster, Davies, Moses, Croft

The MOTION PASSED (7-4).

CS HB 303 (FIN) was reported out of Committee with a "do not pass" recommendation and with a new fiscal note by Department of Revenue.

#HB304

HOUSE BILL NO. 304

An Act relating to disposition of income of the permanent fund; and providing for an effective date.

Co-Chair Mulder MOVED to ADOPT the work draft, #22-LS1207\B, Cook, 3/25/02. Representative Davies OBJECTED for discussion purposes.

Representative Davies inquired the changes made to the work draft.

Co-Chair Williams outlined the changes that had been made to the draft:

- Delay effective date for changing to POMV until June 29, 2003.
- Intend to transfer \$300 million dollars from the earnings reserve to the general fund in 2002 (for the FY03 budget).
- Language referring to the dividend as being \$1540 this October, since the State will be leaving the current formula in effect until next year. He emphasized that nothing would change with this year's dividend.

Representative Croft observed that the changes would delay it for a year and the 7% would then be in effect. He asked if it would change the percent of distribution from 45% to 55% mix-government.

Co-Chair Mulder restated the MOTION to ADOPT the work draft "B" as the working document before the Committee. Co-Chair Williams OBJECTED.

Representative Lancaster observed that the rate of return had been changed from 7.95% to 8.25%. He noted information listed on the spreadsheets. [Copies on File].

Discussion followed amongst Committee members regarding information contained on the spreadsheet.

Co-Chair Williams stated that the payout 7.65% would be delayed starting in FY04.

Representative Davies commented on the delay and how that would affect the Capital Budget Reserve (CBR). One of the tests used was determining what would be left in the CBR and what the impact would be.

Representative Hudson commented that this is a work in progress. The Committee had passed the sales tax, which would generate \$250 million dollars. Taking that into consideration and the \$300 million proposed dollars from the legislation, the State would be about \$250 million dollars short. He commented that with all the pieces of legislation passed, the State would be down to a \$300 million dollar draw rather than \$750 million dollar draw.

Co-Chair Williams WITHDREW his OBJECTION to adopting the work draft. There being NO further OBJECTION, the work draft was adopted.

Representative Hudson MOVED to report CS HB 304 (FIN) out of Committee with individual recommendations and with the accompanying fiscal note. Representative Croft OBJECTED.

Representative Croft indicated his concern that there is not a spreadsheet available regarding how it would affect the CBR and reiterated his concern with how the legislation will affect poor Alaskans.

Co-Chair Williams noted that the bill previously passed had a pay out of 7.65%, which was agreed to by the Permanent Fund Corporation. He claimed, with that amount, there is enough remaining in the general fund to not have to deal with taxes of any kind. He reiterated that he did not support any taxation and believed that the proposed solution would be appropriate.

Co-Chair Williams stated that the manner in which the original bill was written, there was \$258 million dollars in FY05 to cover the capital projects. He added that those projects would be cut back. The State should not be taxed economically when the State is depressed. He recommended keeping the original numbers. He claimed that it is not right to tax the people of the State when there exists a dividend. Co-Chair Williams emphasized that Alaska is the largest, socialist State in the world. Alaska should be able to manage it finances. He urged that the bill not be passed.

Co-Chair Mulder provided the idea of the legislation and the spreadsheet. With CS HB 304 (FIN) and if HB 303 and HB 229 were to be put in place, the estimated \$300 million from HB 304 and \$150 million dollars additional tax revenues, the net amount would total \$450 million dollars. Offsetting that is the fact that the oil revenue spring forecast for FY03, if spending is held in line, the oil market is now healthier, the State would be considering a draw estimate of about \$750 million dollars absent any new revenues. The \$750 million minus the \$450 million dollars would be about a \$300 million dollar draw from the CBR. The balance in the CBR would be in excess of \$2 billion dollars.

Representative Davies claimed that the only way that is a "healthy" outlook for the CBR is if people are willing to consider that the State will not be able to do anything in the future to address infrastructure concerns.

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Representative Davies stated that is not a "rosy" picture for the State of Alaska.

Co-Chair Mulder stated that was only a "capsule" view of where the State would be at the conclusion of FY03. There will be a 2% growth allotment, and with the percent of market value (POMV) provisions related to permanent fund earnings, as well as the additional revenue generated from State tax dollars, those amounts would go a long way to filling that gap.

Co-Chair Mulder asked if a spreadsheet would be needed to move the bill from Committee.

Representative Croft replied that it was not needed as he assumed that there were enough votes to move the bill from Committee. He indicated for the record that he did not want the proposal to move forward.

Representative Whitaker asked about the infrastructure development in the capital budget.

Co-Chair Mulder responded that in relation to HB 304 and because it has been delayed for a year, there will be no effect on the upcoming capital budget. He claimed that in the future, there would be a \$250 million dollar stream moving toward infrastructure development. He added that there would be capital to provide more than an adequate stream for school construction, maintenance and road construction.

Representative Whitaker asked if for FY03, the capital budget would be somewhere in the range of \$100-\$150 million dollars.

Co-Chair Williams noted that the capital budget would be \$114 million dollars, which would be rolled to \$193 million dollars. He thought that it would be a 50/50 split.

Representative Whitaker asked if it were a fair conclusion, that given the adoption of HB 304, there would be a significant growth in the capital budget this year for the State of Alaska.

Representative Davies asked if that growth would be general fund dollars.

A roll call vote was taken on the motion.

IN FAVOR: Foster, Harris, Hudson, Lancaster, Whitaker,
Bunde, Mulder
OPPOSED: Williams, Davies, Moses, Croft

The MOTION PASSED (6-4).

CS HB 304 (FIN) was reported out of Committee with a "do pass" recommendation and a new fiscal note by the Department of Revenue.

#HB229

HOUSE BILL NO. 229

An Act imposing a tax on employment; and providing for an effective date.

Representative Croft noted the three amendments contained in the member's packets. He thought that it would make more sense to move amendment labeled #3 first, as Amendments 1 and 2 make technical changes to the income tax. If Amendment 3 passes, it would not make sense to submit the other two amendments.

Co-Chair Williams indicated that all the amendments should be discussed. He welcomed the amendments proposed by Representative Croft.

Representative Croft MOVED and spoke to Amendment #1, S22-LS0842\0.1, Kurtz, 3/25/02. He noted that his amendment would make technical changes to the income tax. Co-Chair Williams OBJECTED for the purpose of discussion.

Representative Croft explained that the amendment would provide the necessary technical changes. He indicated that he had worked with Larry Persily from the Department of Revenue to help address those technical concerns.

Co-Chair Williams WITHDREW his OBJECTION. There being NO OBJECTION, Amendment 1 was adopted.

Representative Croft MOVED to ADOPT Amendment 2, #22-LS0842\0.2, Kurtz, 3/25/02. Co-Chair Williams OBJECTED.

Representative Croft explained that the amendment would remove the "trigger" provision. He stated that the clearer the language, the better it will be.

Co-Chair Mulder voiced his OBJECTION. He stated that he liked the trigger mechanism and that it would provide Alaskans some level of assurance that if the State does not need the money, and if there is more revenue from a higher price of oil or more production, then Alaskans would not need to be taxed.

Representative Lancaster asked if item #3 had been removed.

Co-Chair Mulder responded that the 1% had been left in the bill.

Co-Chair Mulder spoke against removing the trigger mechanism in the bill. He believed that the State should have never gotten rid of the tax so that the mechanics would be in place. He claimed that was what the trigger mechanism would do. He assumed that Alaskans would be frustrated if that did not occur. Co-Chair Mulder believed that there would be a move to repeal any income tax.

Representative Croft WITHDREW Amendment 2.

Representative Whitaker WITHDREW Amendment 3.

Representative Hudson MOVED to report CS HB 229 (FIN) out of Committee with individual recommendations and with the accompanying fiscal note. Co-Chair Williams OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Hudson, Lancaster, Moses, Croft, Davies
OPPOSED: Whitaker, Bunde, Foster, Harris, Mulder,
Williams

The MOTION FAILED (5-6).

CS HB 229 (FIN) FAILED to move out of Committee.
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ADJOURNMENT

The meeting was adjourned at 3:29 P.M.