

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

April 3, 2003

3:35 p.m.

MEMBERS PRESENT

Senator Gary Stevens, Chair
Senator John Cowdery, Vice Chair
Senator Fred Dyson
Senator Gretchen Guess

MEMBERS ABSENT

Senator Lyman Hoffman

COMMITTEE CALENDAR

SENATE BILL NO. 117

"An Act eliminating the longevity bonus program and making related conforming changes; and providing for an effective date."

MOVED SB 117 OUT OF COMMITTEE

SENATE BILL NO. 137

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

MOVED CS SB 137 (STA) OUT OF COMMITTEE

#SB 29

SENATE BILL NO. 29

"An Act establishing a sunset date for each department of state government; relating to the review of the functions of state agencies, certain instrumentalities of the state, and other persons and offices."

SCHEDULED BUT NOT HEARD

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#SB 148

SENATE BILL NO. 148

"An Act relating to allowable absences for certain members of the armed forces and their spouses and dependents for purposes of eligibility for permanent fund dividends; and providing for an effective date."

BILL POSTPONED TO 4/8/03

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PREVIOUS ACTION

SB 117 - See State Affairs minutes dated 3/27/03
SB 137 - No previous action to record.

WITNESS REGISTER

Lorilyn Swanson
415 Willoughby Avenue
Juneau, AK 99801
POSITION STATEMENT: Opposed to SB 117

Doris Peck
3250 Tongass Blvd,
Juneau, AK 99801
POSITION STATEMENT: Opposed to SB 117

Doris Robbins
P.O. Box 21011
Juneau, AK 99802
POSITION STATEMENT: Opposed to SB 117

Maxine Derr
701 Lori Dr.
Anchorage, AK 99504
POSITION STATEMENT: Opposed to SB 117

Patricia Barber
2060 Belmont Dr.
Anchorage, AK 99517
POSITION STATEMENT: Opposed to SB 117

J.R. Hank Langman
3921 Astro Circle
Anchorage, AK 99517
POSITION STATEMENT: Opposed to SB 117

John Webster
660 Coville Lane
Palmer, AK 99645
POSITION STATEMENT: Opposed to SB 117

Ernie Line
2645 Whispering Woods
Wasilla, AK 99645
POSITION STATEMENT: Opposed to SB 117

Louise Harris

P.O. Box 874287
Wasilla, AK 99645
POSITION STATEMENT: Opposed to SB 117

Nancy Mendenhall
1907 Yankovich
Fairbanks, AK 99709

John Boulette
P.O. Box 56896
North Pole, AK 99705
POSITION STATEMENT: Opposed to SB 117

Niilo Koponen
710 Chena Ridge Road
Fairbanks, AK 99709
POSITION STATEMENT: Opposed to SB 117

Geneneiva Pearson
P.O. Box 669
Kodiak, AK 99615
POSITION STATEMENT: Opposed to SB 117

Evan Cundiff
41115 Sterling Hwy
Homer, AK 99603
POSITION STATEMENT: Opposed to SB 117

Earl Glanville
38290 Sterling Hwy
Anchor Point, AK 99556
POSITION STATEMENT: Opposed to SB 117

Vi Jerrel
P.O. Box 938
Homer, AK 99603
POSITION STATEMENT: Opposed to SB 117

Ed Zastrow
3530 Denali Ave
Ketchikan, AK 99901
POSITION STATEMENT: Opposed to SB 117

Guy Townsend
830 Peterson Street
Ketchikan, AK 99901
POSITION STATEMENT: Opposed to SB 117

Lenore Jones
5125 Silver Salmon Drive
Kenai, AK 99611
POSITION STATEMENT: Opposed to SB 117

Vivian Swanson
P.O. Box 1483 Soldotna, AK 99669
POSITION STATEMENT: Opposed to SB 117

Monty Richardson
Seward, AK 99664
POSITION STATEMENT: Opposed to SB 117

Robert Montegue
Anchorage Pioneer Home
POSITION STATEMENT: Opposed to SB 117

Tom Davis
P.O. Box 877730
Wasilla, AK 99687
POSITION STATEMENT: Opposed to SB 117

Robert Thibodeau
1616 Glacier Ave
Juneau, AK 99801
POSITION STATEMENT: Opposed to SB 117

Larry Persily
Deputy Commissioner
Department of Revenue
PO Box 110400
Juneau, AK 99811-0400
POSITION STATEMENT: Testified on SB 137

Jim Sykes
P.O. Box 696
Palmer, AK 99645
POSITION STATEMENT: Testified on SB 137

ACTION NARRATIVE

TAPE 03-14, SIDE A

CHAIR GARY called the Senate State Affairs Standing Committee meeting to order at 3:35 p.m. Present were Senators Dyson, Guess and Chair Gary Stevens. Senator Cowdery arrived momentarily.

The first order of business was SB 117.

#SB 117

SB 117-ELIMINATING LONGEVITY BONUS PROGRAM

CHAIR GARY STEVENS announced this was the second hearing for SB 117 and he would take testimony for one hour. He asked individuals who spoke during the previous hearing to allow others the opportunity to express their views. He said he would rotate testimony among the different sites.

LORILYN SWANSON, the manager of Fireweed Place in Juneau, opposed SB 117 and read the following into the record:

Last week I presented written testimony to you but had to leave prior to testifying.

My one suggestion to you in that testimony was that you consider contacting the Longevity Office for addresses of constituents in your district so that you could contact them first hand and get an overall sense of how important this monthly income is to them. This went along with the fact that the Governor's office is stating and still is that they are hearing more on the pull-tab legislation and very little from seniors on the longevity bonus issue. I hope that you have been able to contact some of your constituents prior to making a decision to pass this bill out of your committee today.

This past week seniors receiving the longevity bonus received a letter from the Governor on the safety net programs. This letter offended many. They felt that they were being told to apply for welfare. Much has been said about the so-called safety nets that the state has in place for seniors. Much has not been said about the fact that any senior cannot make over \$914 up to \$1,025.01 and special income groups \$1,656 or they will not qualify for these safety nets. These safety nets are not going to help most seniors now receiving the longevity bonus as their income will not fall to this poverty level but it will be close.

The permanent fund is also at question this year. Yes this would affect all Alaskans but especially a major loss to low income seniors should they also lose the longevity bonus.

This program was an incentive to seniors in order to allow them to stay in Alaska. We need the seniors in Alaska. Listen to your constituents. Listen to the seniors. There is sense of panic from those who currently show the bonus as 20 to 30 percent of their income. You have and will hear more testimony on how the bonus is used for necessities such as rent, fuel, electricity, and prescriptions. It is true.

Sooner or later someone is going to have to step up to the plate and show seniors that he or she is willing to make a stand for them, let it be you, do not pass SB 117 out of your committee today.

SENATOR JOHN COWDERY questioned whether she would favor placing a question on the Permanent Fund Dividend application asking the applicant to contribute part of his or her dividend to seniors to continue the longevity bonus program.

MS. SWANSON thought that would be a good idea. She didn't think cutting the program completely on July 1 was fair.

DORIS PECK from Juneau spoke for those who are 75 and older to oppose SB 117. Many of these people are struggling with their own budgets. Few are able to move into the work force and none that she interviewed want to step into the welfare safety net. She said, "Please don't jerk the rug from beneath the elders. They live on budgets too."

DORIS ROBBINS from Juneau represented the Retired Public Employees of Alaska. She does not receive the bonus, but believes the state should keep its promise to seniors. The program is phasing itself out with the youngest recipient at 72 years old. Seniors are important to Alaska's economy because they keep most of their money circulating within the state. They are carriers of our Alaska heritage and serve as good role models. She said she would be willing to donate from her permanent fund to keep the bonus program alive.

MAXINE DERR from Anchorage opposed SB 117. She is thankful for the program because she has no pension even though she worked for many years. She favored a means based test.

PATRICIA BARBER has lived in Alaska for more than 40 years and her husband is a third generation Alaskan. She wanted to rebut the comments made by the Administration stating that the program

is inequitable. She doesn't receive the bonus but that is no reason to cut it for others; life isn't always equitable. The Administration's logic is personally offensive and others in her same situation have similar feelings.

"Our seniors are visible and in some communities, vital... It's a win-win situation. The seniors who now receive the bonus should continue to do so. Period, end of subject."

J.R. HANK LANGMAN has lived in Alaska since 1949 and his wife has been an Alaskan since 1944. He asked, "How can you believe that you can remove from the economy of Alaska, \$47 million and not hurt the economy?" The safety net programs couldn't possibly cushion the small communities across the state against this loss of revenue.

JOHN WEBSTER from Palmer is a 40 year resident of Alaska. He spent His career working for the U.S. Postal Service in Anchorage. He is distraught at the termination of the longevity bonus because it reduces his income 9 percent. He pointed out longevity dollars turn over many times creating jobs for others.

He closed saying, " Take my longevity and make an instant Democrat out of me."

ERNIE LINE from Wasilla opposed SB 117. He has been in Alaska since 1945 when Forth Avenue was the only paved road in town. He has recently suffered a number of illnesses and physical setbacks and the longevity bonus helps make ends meet.

He questioned why there is so much antipathy to an income tax. He said, "Don't pick on the seniors, we're not really as bad as some people make us out to be."

LOUISE HARRIS, President of Palmer Senior Center, is 89 years old. The bonus checks are spent in Alaska and provide economic stimulus to communities. In addition, the program probably costs the state less than public assistance and certainly it has a different meaning for older Alaskans. People in their 70s, 80s and 90s shouldn't be expected to reenter the workforce to replace the bonus checks.

NANCY MENDENHALL from Fairbanks opposed SB 117. The program has been successful in encouraging retirees to remain in Alaska. Seniors invest considerable time, money and resources to make their communities better places to live. She asked whether data was available to show the contributions made by seniors and

whether they wouldn't more than offset the longevity bonus program.

JOHN BOULETTE from North Pole opposed SB 117. He has lived in Alaska for 39 year, is 72 years old and gets the smallest bonus. It helps pay for his utilities and prescription drugs. He has spent the last 18 years volunteering in his community and he remembers when there were few volunteers because no one could afford to live in Alaska when they weren't working.

NIILO KOPONEN opposed SB 117. He is a former member of the Legislature and has lived in Alaska since 1952. He remembers when the program was instituted during the Hammond Administration. The phase-out was written as a contractual agreement with the people who were then receiving the bonus. Eliminating the program would break this contract, it would adversely impact small communities and it would impact families of seniors.

GENENEIVA DEE DEE PEARSON from Kodiak opposed SB 117. She does not receive the bonus but still doesn't want to see the program cut. She wondered whether the Governor and legislators weren't counting on seniors being around for the next election. An income tax would be fair.

EVAN CUNDIFF opposed SB117. He and his wife have lived in Homer for 45 years and they plan to die in Alaska. He believes eliminating the longevity bonus program is a travesty. The letter from the Governor stated that no one should be paid the bonus since more Alaskans over 65 don't receive the bonus than do elicited the suggestion to take everyone off the state payroll and start over again. This would include all state employees as well as all state legislators. He closed saying, "If we must conserve, let's put a little compassion in our conservatism."

EARL GLANVILLE from Anchor Point opposed SB 117. He moved to Alaska in 1943. Because there has been such a rapid growth in state government, he asked that the Governor eliminate all state employees that do nothing more than hold down a chair and shuffle papers.

VI JERREL from Homer opposed SB 117. Although she doesn't receive a bonus check, she feels it is necessary to protect those seniors who do get a check. There has been lots of good testimony given in defense of the program. There is a public perception that the salaries for the Governor and many of his

top administrators could be reduced and added to the bonus program. "If Governor Murkowski had campaigned on his request to eliminate the longevity bonus program, Fran Ulmer would be governor today."

ED ZASTROW from Ketchikan has lived in Alaska for 45 years. He spoke on behalf of 30 seniors from the Ketchikan Senior Center whose signatures were faxed to the Chair as an expression of opposition to SB 117.

He is also the president of the local AARP chapter and all those members are opposed to the bill. Representative Williams and Senator Taylor spent over two hours in a pre legislative hearing and are aware of the opposition.

GUY TOWNSEND from Ketchikan opposed SB 117. He arrived in Ketchikan in 1936 He wondered if this is the start of longevity recipients leaving Alaska.

LENORE JONES from Kenai opposed SB 117. When she read the Governor's letter that stated the bonus program was inequitable she was amazed that the Governor thought the Legislature could pass laws to make everyone equal. Seniors currently receiving the bonus have already paid their dues to the state.

VIVIAN SWANSON from Kenai opposed SB 117. She is the president of the local AARP chapter and they believe those receiving the bonus depend on it as part of their monthly budget.

MONTY RICHARDSON from Seward opposed SB 117. He and his wife receive the bonus and its elimination combined with new user fees will considerably impact their economic status. Although they won't be lined up at the welfare office, there are many Alaskan seniors who are barely scrimping by on incomes close to the poverty level. The children of these low-income seniors will suffer and do without if the bonus program is eliminated. He agreed with Mike Doogan; those not receiving the bonus have but one leg while those currently receiving it have two legs. The Governor's proposal is to see that everyone has just one leg.

ROBERT MONTEGUE spoke on behalf of the residents of the Anchorage Pioneer home to oppose SB 117. Many of the residents have sent public opinion messages to legislators and a letter to the Governor as well.

TOM DAVIS, the director of the Chugiak Senior Center, testified for the seniors at the center in opposition to SB 117. They

asked that the bill be thrown out as frivolous legislation. Many of the Governor's safety net programs can't really be supported as a safety net and the Governor's proposed budget recognizes that.

SIDE B
4:25 pm

ROBERT THIBODEAU from Juneau spoke as a member of the Juneau Commission on Aging in opposition to SB 117. He read the conclusions the McDowell Group reached regarding the economic impact of seniors.

Alaska seniors are one of the largest single sources of money flowing into the state. Senior retirement income and medical payments have a significant beneficial effect on the state economy. At the same time, more than half of Alaska seniors live precariously on the edge of solvency. For some, financial considerations may determine whether they continue to reside in the state. For many others, a combination of financial benefits available from state and municipal governments is critical to their well-being.

He said his parents came here in 1922 and they left in 1953 because seniors did not retire in Alaska. In 1988 just two percent of the senior population was in Alaska.

Seniors contribute a great deal to Alaska and if the state is interested in supporting the tourist industry and the fishing industry it should also support the senior citizen industry.

CHAIR GARY STEVENS said he would read the names of everyone that signed up to testify but didn't get the chance. He encouraged anyone who wanted to object to anything that was said previously to speak up. He read the following names:

JUNEAU: Barbara Deboff, Wallace Deboff, Ralph C. Hunt, Betty Hunt, Maxine McCoy, George Rogers, Maurice Long, Jim Carroll, Jean Clayton, Norma Sherwin, Alto Van Sickle, Ernestine Denny, Ethel Ryman, Julie Morris, Rosalee Walker, Judy Wygant, Mike Race

ANCHORAGE: John Stripe, Ron Hammett, Jesse Wooten, Ron Cowan, Madge Anderson, Ruth Talley, David Ring, Ervin McKenzie, John

Anderson, Gordon Geiss, Ed Barber, Nella Wooten and six observers

MAT SU: Jim Watenpaugh, Jim Fleming, Bill Church, Patricia Fleming, Jim Sykes,

FAIRBANKS: Ed Shellinger, Glenn Hackney, Betty Hufman, Joe Strunka, Glen Franklin, Charlotte Davis, George Taylor, Walter Shuros, Janette Hanneman and seven observers

KODIAK: Marjorie Thera

KETCHIKAN: Don MacMillan, Ernest Smeltzer, Mabel Smeltzer, Shirley Carlin

KENAI: Vivian Jolin, W.E. Jolin

SEWARD: Florita Richardson, Margaret Anderson

There was no one that disagreed with previous testimony on SB 117.

CHAIR GARY STEVENS stated the testimony in opposition to SB 117 was enormous. He thanked everyone for their testimony and he appreciated the stories and pioneer experiences in Alaska. He expressed appreciation for the service the seniors have given and continue to give to the state and nation.

He pointed out this is the Governor's bill and the committee was asked by both the Administration and the majority leadership to move the bill to the Finance Committee where it will be discussed with other fiscal items.

SENATOR COWDERY said he didn't believe there would be a do pass in the room but he was going to make a motion to move SB 117 from committee with individual recommendations.

CHAIR GARY STEVENS asked whether there were any objections.

SENATOR GUESS objected and asked to speak to her objection. She said:

I've actually been giving this a tremendous amount of thought and I appreciate everyone's testimony and thank you for recognizing what people put in.

The other day I told someone that I've never gotten more e-mail correspondence and testimony on an issue.

I've only been here three years, but dealt with most of the controversial issues in those three years.

Someone said, "Well they must be really organized." and I said no, they're scared. I really do think that's the fact. I don't honestly think the Governor has the support and Senator Cowdery pointed out there's not going to be a do pass on this bill. No one more than me knows the fiscal problems of this state. I think this is a shortsighted policy, honestly. I think it does break a promise and I honestly think it's just plain mean, but I don't want to impugn everything. I don't think it was meant to be that way.

I understand the pressure to support a Governor especially for the majority but I truly believe if there's a time to stop a bill it's this time. There are other bills that are more financial bills, but this one's keeping people up at night and I think we just need to say, "You know, we respect that you put it forward, but it needs to stop here." I disagree with moving it out. I don't think it's the right thing for the committee.

SENATOR COWDERY informed members he and his wife receive the bonus.

SENATOR GUESS informed members her mother-in-law receives the bonus.

CHAIR GARY STEVENS informed members his mother-in-law receives the bonus.

CHAIR GARY STEVENS called for a roll call vote on the motion to move SB 117 to the Finance Committee. Senators Cowdery, Dyson and Chair Gary Stevens voted yea and Senator Guess voted nay. The motion passed and SB 117 moved from committee.

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CHAIR GARY STEVENS called an at-ease at 4:40 pm and reconvened the hearing at 4:45 pm.

TAPE 03-15

SIDE A

4:45 pm

#SB 137

SB 137-EMPLOYMENT TAX FOR EDUCATION

CHAIR GARY STEVENS asked for a motion to adopt the committee substitute (CS).

SENATOR JOHN COWDERY made a motion to adopt the CS \S Kurtz for SB 137 for discussion purposes. There being no objection, it was so ordered.

CHAIR GARY STEVENS explained the bill would impose a \$100 a year tax on each employed individual age 19 or older. The money would be deducted in \$50 increments from an employees first two paychecks after July 1 of each year and after the first \$1,000 in wages was earned. The Department of Revenue estimates this bill would generate \$39 million this year and in every subsequent year. They project the need for ten full time permanent workers and ten temporary clerks during the tax season for operation. The estimated operating cost is \$1.2 million in year one and \$820 thousand in subsequent years.

It is intended to supplement educational funding and reduce the draw from the Constitutional Budget Reserve. It would apply to workers from out of state and would be part of a long-range fiscal plan.

SENATOR COWDERY asked if someone that started work in December and earned \$800 would be subject to the tax.

CHAIR GARY STEVENS explained the accounting would run through the fiscal year, from July 1 through June 30 and if the worker did not meet the \$1,000 threshold, they wouldn't be subject to the tax.

SENATOR COWDERY asked who would collect the tax.

CHAIR GARY STEVENS informed him the employer would collect the tax and remit it to the Department of Revenue. He then asked Mr. Persily to come forward to speak to the issue.

LARRY PERSILY, Deputy Commissioner of the Department of Revenue, explained it would be set up in much the same way as an income tax even though this was not an income tax. The employer would withhold the money and send in monthly reports to the Department of Revenue. For someone who works in two different jobs and had the money withheld both times, the department would process a refund for that person.

CHAIR GARY STEVENS asked if there would be a form available for the employee to show subsequent employers that they had already paid the tax.

DEPUTY COMMISSIONER PERSILY elaborated saying either the pay stub would show the money had been paid or there would be a form that the employer would fill out for subsequent employers. People holding down two jobs might be charged more than once and require a refund. The department would expect to process several thousand refunds, but they would do everything possible through employer education to keep the number to a minimum because there is a cost to a refund.

CHAIR GARY STEVENS asked if employers would be able to check on-line to determine that an employee had already paid.

DEPUTY COMMISSIONER PERSILY advised the department would make the process as automated as possible. Prior to 1980, the \$10 tax was added to the state income tax due which made collection very easy. Without an income tax, the department would have to set up a procedure.

SENATOR COWDERY asked if the employee couldn't carry a card showing they had paid just like those with insured cars.

DEPUTY COMMISSIONER PERSILY said they would develop a similar procedure that would save the state the expense of a refund and employers the expense of withholding when they didn't need to withhold.

SENATOR GRETCHEN GUESS asked if there was any estimate for the cost to businesses.

DEPUTY COMMISSIONER PERSILY said they did not have that information. Businesses are already withholding for state unemployment, federal taxes and FICA so it wouldn't be difficult to add another line to their withholding, but there would be the cost of one more form and one more government entity to send a payment to.

He pointed out the original fiscal note addressed the traditional January 1 to December 31 tax year and would take effect in January 1, 2004. This would give the department six or seven months to develop a tax program. Because the CS has a July 1, 2003 effective date, the department would need to amend the fiscal note to reflect increased FY 03 expenses to have the

program in place June 30. He warned this is a tight time frame and everyone needs to understand that all the pieces wouldn't be ready on June 30. Increased outsourcing would be necessary to fit the adjusted timeframe but the department would do its best to get the program in place in 60 days if that is the legislative intent so the revenue would be available in FY 04.

CHAIR GARY STEVENS asked Mr. Persily to confirm he would amend the fiscal note before the bill was heard in the Finance Committee.

DEPUTY COMMISSIONER PERSILY agreed to submit the revised fiscal note to the Chair by the following day.

SENATOR GUESS asked if sole proprietors and partnerships were included.

CHAIR GARY STEVENS replied they are responsible for paying as well.

DEPUTY COMMISSIONER PERSILY said anyone receiving compensation would have to pay. If not through wage withholding the individual would have to issue the department a check for \$100. He added, the self-employed people would be the biggest enforcement issue.

CHAIR GARY STEVENS followed up and asked if the self-employed paid the \$10 head tax the state collected in the 70s.

DEPUTY COMMISSIONER PERSILY replied they did pay. At that time there was a state income tax so it was easy for the state to collect when the return was filed. Anyone that receives compensation in the state would be subject to the tax.

SENATOR GUESS asked the Chair whether this would include trust fund income.

CHAIR GARY STEVENS replied the tax targets compensation for personal services.

DEPUTY COMMISSIONER PERSILY agreed.

SENATOR GUESS said she asked the question because Mr. Persily said this isn't an income tax. She added this seems to be worse than an income tax since it's collected only if you work and surmised that was why he made the comment.

DEPUTY COMMISSIONER PERSILY replied he made the comment because the Administration doesn't favor an income tax.

SENATOR GUESS asked why the \$1,000 figure was selected.

CHAIR GARY STEVENS said it was somewhat arbitrary, but they didn't want someone to lose \$100 from his or her first paycheck if that's all they earned.

SENATOR GUESS advised she took issue with the education smoke screen because this was about supplanting funds not additional funds. The bill contains no language that these are additional funds. This is a worker tax and not a tax for education, which is confusing to people because they are led to believe there would be more money for schools. However, because of the way the constitution is written, this money can't be used directly that way and it's unfortunate that perception is continued.

SENATOR COWDERY asked for further clarification of what revenue would be taxed.

DEPUTY COMMISSIONER PERSILY replied he was speaking to work draft Q that defines compensation as wages, salaries, commissions, tips or remuneration paid for personal services. Individuals living on a trust fund or retirement wouldn't pay this tax.

SENATOR COWDERY added Social Security would be exempt as would mortgage income.

DEPUTY COMMISSIONER PERSILY didn't believe those would apply because they aren't compensation for payment for personal services.

SENATOR COWDERY then asked how the department would enforce payment. For instance, what would happen if an employee paid twice and one of the employers withheld the money from the state?

DEPUTY COMMISSIONER PERSILY assured him employees seem to track their paychecks closely and the department would take action against any employer that collected the money and didn't remit it to the state.

SENATOR COWDERY commented he likes to hire youths for summer odd jobs and he pays them in cash and wondered how those payments would be handled.

DEPUTY COMMISSIONER PERSILY admitted those types of compensation would probably slip through. The department wouldn't target youths that wash cars, mow lawn and shovel snow because there are larger issues to go after.

SENATOR COWDERY said he agreed but wanted that stated.

CHAIR GARY STEVENS stated for the record that the \S version was being discussed.

SENATOR GUESS asked why 19 years of age was selected rather than 18.

DEPUTY COMMISSIONER PERSILY wasn't sure why that age was selected since 18 is the age of emancipation. It was an arbitrary decision.

JIM SYKES from Palmer advised he had version \H and realized this wasn't the latest draft, but wanted to know how the department would know that out of state workers hired by out of state corporations that operate in Alaska would collect and remit the tax. Although he doesn't agree with Senator Guess regarding dedicated funds, he thought perhaps the bill should be given a new title to call it a worker's tax. Second he wondered whether this was contemplated as part of another tax package because education and the elderly appear to be targeted. He doesn't see any kind of legislation to get extra windfall profits from the high price of oil. That would bring in much more than SB 137 could in every year that the price of oil exceeded \$18 per barrel. He would like to see a package of taxes so everyone, summer guest workers, residents and businesses that operate in Alaska share the tax burden fairly.

CHAIR GARY STEVENS asked Mr. Persily to respond to the first question.

DEPUTY COMMISSIONER PERSILY explained out of state corporations already pay a corporate income tax so the state knows who they are. Also they file quarterly returns with the Department of Labor for unemployment insurance. The Department of Revenue would run data checks with the Department of Labor and with corporate taxes, but employer compliance is generally good on this type of tax because it is so easy to catch companies that are non-compliant and the penalties are steep.

CHAIR GARY STEVENS added this is not part of a package of taxes. It is one tax requested by the Governor in his speech to the Legislature where he asked for consideration of a sales tax or this head tax for education.

There were no further questions and he asked for a motion.

SENATOR COWDERY made a motion to move CSSB 137 \S version from committee with unanimous consent and attached fiscal note.

SENATOR GUESS objected.

Senators Dyson, Cowdery and Chair Stevens voted yea and Senator Guess voted nay. The motion passed and CSSB 137 (STA) moved from committee.

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CHAIR GARY STEVENS adjourned the meeting at 5:00 pm.