

**ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE**

February 24, 2022

3:05 p.m.

MEMBERS PRESENT

Representative Jonathan Kreiss-Tomkins, Chair
Representative Matt Claman, Vice Chair
Representative Geran Tarr
Representative Andi Story
Representative Sarah Vance
Representative David Eastman

MEMBERS ABSENT

Representative James Kaufman

COMMITTEE CALENDAR

HOUSE BILL NO. 37

"An Act relating to deposits into the dividend fund; relating to income of and appropriations from the earnings reserve account; relating to the taxation of income of individuals, partners, shareholders in S corporations, trusts, and estates; relating to a payment against the individual income tax from the permanent fund dividend disbursement; repealing tax credits applied against the tax on individuals under the Alaska Net Income Tax Act; and providing for an effective date."

- MOVED CSHB 37(STA) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 37

SHORT TITLE: INCOME TAX; PERMANENT FUND; EARNINGS RES.

SPONSOR(S): REPRESENTATIVE(S) WOOL

02/18/21	(H)	PREFILE RELEASED 1/8/21
02/18/21	(H)	READ THE FIRST TIME - REFERRALS
02/18/21	(H)	CRA, STA, FIN
04/28/21	(H)	W&M REPLACES CRA REFERRAL
04/28/21	(H)	BILL REPRINTED
05/11/21	(H)	W&M AT 11:30 AM DAVIS 106
05/11/21	(H)	-- MEETING CANCELED --
05/13/21	(H)	W&M AT 11:30 AM DAVIS 106
05/13/21	(H)	Heard & Held

05/13/21	(H)	MINUTE (W&M)
05/15/21	(H)	W&M AT 11:30 AM DAVIS 106
05/15/21	(H)	Heard & Held
05/15/21	(H)	MINUTE (W&M)
05/18/21	(H)	W&M AT 11:30 AM DAVIS 106
05/18/21	(H)	Moved CSHB 37(W&M) Out of Committee
05/18/21	(H)	MINUTE (W&M)
05/19/21	(H)	W&M RPT CS (W&M) 5DP 2DNP
05/19/21	(H)	DP: SCHRAGE, STORY, JOSEPHSON, WOOL, SPOHNHOLZ
05/19/21	(H)	DNP: PRAX, EASTMAN
01/27/22	(H)	STA AT 3:00 PM GRUENBERG 120
01/27/22	(H)	Heard & Held
01/27/22	(H)	MINUTE (STA)
02/17/22	(H)	STA AT 3:00 PM GRUENBERG 120
02/17/22	(H)	Heard & Held
02/17/22	(H)	MINUTE (STA)
02/22/22	(H)	STA AT 3:00 PM GRUENBERG 120
02/22/22	(H)	<Bill Hearing Postponed>
02/24/22	(H)	STA AT 3:00 PM GRUENBERG 120

WITNESS REGISTER

REPRESENTATIVE ADAM WOOL
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided introductory remarks during the hearing on CSHB 37(W&M), as the prime sponsor.

KEN ALPER, Staff
Representative Adam Wool
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced two amendments to CSHB 37(W&M) on behalf of Representative Wool, prime sponsor.

ACTION NARRATIVE

[3:05:49 PM](#)

CHAIR JONATHAN KREISS-TOMKINS called the House State Affairs Standing Committee meeting to order at 3:05 p.m. Representatives Story, Eastman, Claman, Vance, and Kreiss-Tomkins were present at the call to order. Representative Tarr arrived as the meeting was in progress.

HB 37-INCOME TAX; PERMANENT FUND; EARNINGS RES.

3:07:24 PM

CHAIR KREISS-TOMKINS announced that the only order of business would be HOUSE BILL NO. 37, "An Act relating to deposits into the dividend fund; relating to income of and appropriations from the earnings reserve account; relating to the taxation of income of individuals, partners, shareholders in S corporations, trusts, and estates; relating to a payment against the individual income tax from the permanent fund dividend disbursement; repealing tax credits applied against the tax on individuals under the Alaska Net Income Tax Act; and providing for an effective date." [Before the committee was CSHB 37(W&M).]

3:08:01 PM

REPRESENTATIVE ADAM WOOL, Alaska State Legislature, prime sponsor, provided brief introductory remarks.

CHAIR KREISS-TOMKINS moved to adopt Amendment 1 to CSHB 37(W&M), labeled 32-LS0275\B.3, Nauman, 2/10/22, which read as follows:

Page 2, lines 20 - 31:
Delete all material.

Renumber the following bill sections accordingly.

Page 3, line 1:
Delete ", as amended by sec. 2, ch. 16, SLA 2018,"

Page 24, line 11:
Delete "2020"
Insert "2022"

Page 30, line 22:
Delete "2021"
Insert "2022"

Page 30, line 23:
Delete "2022"
Insert "2024"

Page 30, line 27:
Delete "sec. 10"
Insert "sec. 9"

Page 30, line 28:
Delete "sec. 10"
Insert "sec. 9"

Page 31, line 3:
Delete "Section 18"
Insert "Section 17"

Page 31, lines 4 - 5:
Delete all material.

Renumber the following bill sections accordingly.

Page 31, line 6:
Delete "1 - 8, 11 - 13, 15, and 17"
Insert "1 - 7, 10 - 12, 14, and 16"
Delete "2021"
Insert "2022"

Page 31, line 7:
Delete "secs. 20 - 22"
Insert "secs. 19 and 20"

Page 31, line 8:
Delete "2022"
Insert "2024"

REPRESENTATIVE CLAMAN objected for the purpose of discussion.

[3:08:45 PM](#)

KEN ALPER, Staff, Representative Adam Wool, Alaska State Legislature, on behalf of Representative Wool, prime sponsor, explained Amendment 1, which proposed an effective date change.

CHAIR KREISS-TOMKINS invited questions from committee members.

[3:10:22 PM](#)

REPRESENTATIVE CLAMAN removed his objection. There being no further objection, Amendment 1 was adopted.

[3:10:42 PM](#)

CHAIR KREISS-TOMKINS moved to adopt Amendment 2 to CSHB 37(W&M), as amended, labeled 32-LS0275\B.4, Nauman, 2/11/22, which read as follows:

Page 10, line 13:

Delete "The"

Insert "Subject to adjustment under (d) of this section, the"

Page 10, line 15:

Delete "\$12,550"

Insert "\$12,950"

Page 10, line 17:

Delete "\$18,800"

Insert "\$19,400"

Page 10, line 18:

Delete "\$25,100"

Insert "\$25,900"

Page 10, line 19:

Delete "\$12,550"

Insert "\$12,950"

Page 10, line 24:

Delete "\$12,550"

Insert "\$12,950"

Page 10, line 27:

Delete "\$18,800"

Insert "\$19,400"

Page 11, line 1:

Delete "\$18,800"

Insert "\$19,400"

Page 11, line 2:

Delete "\$25,100"

Insert "\$25,900"

Page 11, line 7:

Delete "\$25,100"

Insert "\$25,900"

Page 11, following line 11:

Insert a new subsection to read:

"(d) Each year, the department shall adjust the amounts of the standard deduction under (b) of this section for inflation. The adjustment for inflation is equal to the adjustment for inflation calculated for the standard deduction against the federal income tax as set out in 26 U.S.C. 63."

Reletter the following subsection accordingly.

REPRESENTATIVE EASTMAN objected.

REPRESENTATIVE CLAMAN objected for the purpose of discussion.

[3:10:58 PM](#)

MR. ALPER explained that Amendment 2 would adjust the standard deduction to maintain consistency with current federal law, which updates each year.

[3:12:19 PM](#)

REPRESENTATIVE EASTMAN, referencing the legal memorandum, titled "HB 37 Amendment B.4 (standard deduction)" [included in the committee packet], wondered whether other options had been considered.

MR. ALPER indicated that Legislative Legal Services wanted to avoid tying state law to federal code. Nonetheless, he pointed out that there were "dozens" of instances in Alaska Statute where that occurred. He believed that giving Alaskans the same benefit of nontaxable income as the federal government would be the easiest path forward.

[3:14:12 PM](#)

MR. ALPER, in response to a follow-up question from Representative Eastman, said adding "not less than" language would mean that someone at the Department of Revenue (DOR) would need to assign a standard deduction each year, which would be an unconstitutional delegation of legislative power to the executive branch.

[3:14:50 PM](#)

REPRESENTATIVE STORY asked for the bill sponsor's opinion on the legal memorandum.

REPRESENTATIVE WOOL believed it was wise to link the standard deduction to the federal amount, as it would change over time with inflation. In agreement with Mr. Alper, he reiterated his lack of concern with the legal memorandum, as "dozens" of state laws were linked to federal code.

REPRESENTATIVE CLAMAN shared his understanding that with respect to the topic of indexing for inflation and tying certain state statutes to the national standard, the legal memorandum should be perceived as a warning. He believed that Amendment 2 offered a reasonable approach.

[3:17:39 PM](#)

REPRESENTATIVE EASTMAN withdrew his objection.

REPRESENTATIVE CLAMAN withdrew his objection. There being no further objection, Amendment 2 was adopted.

CHAIR KREISS-TOMKINS invited closing comments pertaining to CSHB 37(W&M), as amended.

[3:18:29 PM](#)

REPRESENTATIVE TARR said she would not object to moving the bill from committee today; however, she did not support the proposal in its entirety. Specifically, she expressed concern regarding the dividend provision and the proposed PFD amount.

[3:19:09 PM](#)

REPRESENTATIVE EASTMAN characterized the proposed legislation as a "different approach" to the state's financial problems. He indicated that he disagreed with the argument that Alaskans were taxed the lowest in the nation. He opined that the bill would solve the state's problem at the expense of the people.

[3:20:26 PM](#)

REPRESENTATIVE STORY appreciated the hard work put into the bill, opining that Alaska needed certainty about its financial future. She believed that the lack of a fiscal plan was costing the state investment revenue and talented individuals. She expressed her support for the proposed legislation.

REPRESENTATIVE CLAMAN echoed Representative Tarr's comments, explaining that he was undecided on his stance on the bill but happy to move it from committee today.

REPRESENTATIVE VANCE said she would be opposing the bill to stay consistent with her word and her constituents.

[3:22:49 PM](#)

REPRESENTATIVE CLAMAN moved to report CSHB 37(W&M), as amended, out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE EASTMAN objected.

[3:23:07 PM](#)

A roll call vote was taken. Representatives Tarr, Story, Claman, and Kreiss-Tomkins voted in favor of moving CSHB 37(W&M), as amended, from committee. Representatives Vance and Eastman voted against it. Therefore, CSHB 37(STA) was reported out of the House State Affairs Standing Committee by a vote of 4-2.

[3:25:26 PM](#)

ADJOURNMENT

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 3:25 p.m.