

**ALASKA STATE LEGISLATURE**  
**HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS**

May 1, 2021

12:53 p.m.

**MEMBERS PRESENT**

Representative Ivy Spohnholz, Chair  
Representative Adam Wool, Vice Chair  
Representative Andy Josephson  
Representative Calvin Schrage  
Representative Andi Story

**MEMBERS ABSENT**

Representative Mike Prax  
Representative David Eastman

**COMMITTEE CALENDAR**

HOUSE BILL NO. 189

"An Act imposing an education tax on net earnings from self-employment and wages; relating to the administration and enforcement of the education tax; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 189

SHORT TITLE: EMPLOYMENT TAX FOR EDUCATION

SPONSOR(S): WAYS & MEANS

04/26/21	(H)	READ THE FIRST TIME - REFERRALS
04/26/21	(H)	W&M, EDC, FIN
05/01/21	(H)	W&M AT 11:30 AM DAVIS 106

**WITNESS REGISTER**

ROSE FOLEY, Staff  
Representative Ivy Spohnholz  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Introduced HB 189, on behalf of the House Special Committee on Ways and Means, prime sponsor.

**ACTION NARRATIVE**

[12:53:58 PM](#)

**CHAIR IVY SPOHNHOLZ** called the House Special Committee on Ways and Means meeting to order at 12:53 p.m. Representatives Story, Josephson, Schrage, and Spohnholz were present at the call to order. Representative Wool arrived as the meeting was in progress.

**HB 189-EMPLOYMENT TAX FOR EDUCATION**

[12:54:03 PM](#)

CHAIR SPOHNHOLZ announced that the only order of business would be HOUSE BILL NO. 189, "An Act imposing an education tax on net earnings from self-employment and wages; relating to the administration and enforcement of the education tax; and providing for an effective date."

[12:54:18 PM](#)

ROSE FOLEY, Staff, Representative Ivy Spohnholz, Alaska State Legislature, on behalf of the House Special Committee on Ways and Means, briefly introduced HB 189. She explained that the proposed legislation would establish an education tax. The bill seeks to raise a small portion of the overall funding needed to meet the constitutional obligation. She stated that Section 7, Article 1, of the Alaska Constitution requires the establishment and maintenance of a system of public schools. HB 189 would help fulfill that. She noted that Alaska had some form of an education tax from 1919 to 1980; therefore, the proposal is not a new idea. The bill is estimated to raise \$65-66 million annually once fully implemented with approximately 20 percent of the tax base attributed to nonresident workers. She added that the measure contains an element of progressivity in the income brackets that would determine the tax due.

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MS. FOLEY briefly summarized the sectional analysis of HB 189 [included in the committee packet], which read in its entirety as follows [original punctuation provided]:

Section 1 adds a new chapter to AS 43 creating an Education Tax.

Sec. 43.45.011 authorizes the Department of Revenue to collect an education tax on wages and self-employment earnings from a source in Alaska. The amount of tax due is based on an individual's income and established in statute.

Sec. 43.45.021 directs employers to withhold one-half of the estimated tax due from each of an employee's first two payrolls of the year and to maintain records of the withholdings. The employer is required to withhold the tax from the employee unless the employee can prove they have already paid the tax due for the calendar year.

Sec. 43.45.031 stipulates that a self-employed individual will remit the tax required under AS 43.45.011.

Sec. 43.45.041 provides a mechanism for a taxpayer to request a refund if an overpayment is made.

Sec. 43.45.051 requires a person to report to the Department of Revenue any payments made to a self-employed individual if reporting of that payment is required by the Internal Revenue Service.

Sec. 43.45.061 directs proceeds from this tax to the public education fund within the general fund.

Sec. 43.45.099 provides definitions for key terms in this chapter.

Section 2 is uncodified law allowing the Department of Revenue to adopt regulations to implement this act.

Section 3 provides an immediate effective date for Section 2, the adoption of regulations.

Section 4 provides an effective date of January 1, 2022 for the Education Tax.

[12:56:57 PM](#)

CHAIR SPOHNHOLZ announced that HB 189 was held over.

[12:57:28 PM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at 12:57 p.m.