

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

March 29, 2023

6:32 p.m.

MEMBERS PRESENT

Representative Ben Carpenter, Chair
Representative Jamie Allard
Representative Tom McKay
Representative Kevin McCabe
Representative Cathy Tilton
Representative Andrew Gray
Representative Cliff Groh

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Senator Robert Myers

COMMITTEE CALENDAR

HOUSE BILL NO. 110

"An Act relating to the Alaska permanent fund; relating to permanent fund dividends and the dividend fund; transferring the dividend program from the Department of Revenue to the Alaska Permanent Fund Corporation; relating to the duties of the Department of Revenue; relating to the duties of the Alaska Permanent Fund Corporation; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 142

"An Act relating to a state sales and use tax; authorizing the Department of Revenue to enter into the Streamlined Sales and Use Tax Agreement; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 110

SHORT TITLE: PERM FUND; XFER DIVIDEND PROG TO APFC

SPONSOR (s) : REPRESENTATIVE (s) CARPENTER

03/13/23	(H)	READ THE FIRST TIME - REFERRALS
03/13/23	(H)	W&M, FIN
03/27/23	(H)	W&M AT 6:00 PM DAVIS 106
03/27/23	(H)	Scheduled but Not Heard
03/29/23	(H)	W&M AT 6:00 PM DAVIS 106

BILL: HB 142

SHORT TITLE: STATE SALES AND USE TAX

SPONSOR (s) : REPRESENTATIVE (s) CARPENTER

03/27/23	(H)	READ THE FIRST TIME - REFERRALS
03/27/23	(H)	W&M, FIN
03/27/23	(H)	W&M AT 6:00 PM DAVIS 106
03/27/23	(H)	<Bill Hearing Canceled>
03/29/23	(H)	W&M AT 6:00 PM DAVIS 106

WITNESS REGISTER

KENDRA BROUSSARD, Staff
Representative Ben Carpenter
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided the sectional analysis of HB 110, on behalf of Representative Carpenter, prime sponsor; provided the sectional analysis of HB 142 on behalf of Representative Carpenter, prime sponsor.

ACTION NARRATIVE

[6:32:29 PM](#)

CHAIR BEN CARPENTER called the House Special Committee on Ways and Means meeting to order at 6:32 p.m. Representatives Gray, Groh, McCabe, McKay, Allard, Tilton, and Carpenter were present at the call to order.

HB 110-PERM FUND; XFER DIVIDEND PROG TO APFC

[6:33:38 PM](#)

CHAIR CARPENTER announced that the first order of business would be HOUSE BILL NO. 110, "An Act relating to the Alaska permanent fund; relating to permanent fund dividends and the dividend fund; transferring the dividend program from the Department of Revenue to the Alaska Permanent Fund Corporation; relating to

the duties of the Department of Revenue; relating to the duties of the Alaska Permanent Fund Corporation; and providing for an effective date."

[6:34:04 PM](#)

The committee took a brief at-ease.

[Chair Carpenter passed the gavel to Vice Chair McCabe.]

[6:34:37 PM](#)

CHAIR CARPENTER, as prime sponsor of HB 110, read the following sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

For almost thirty years, Alaskans could count on their annual dividend checks as the state legislature followed the law that directed the dividend to be paid by a statutory formula. Since 2017, the permanent fund dividend has been subjected to the budget process, where the dividend competes with government spending and cutting the dividend often becomes the deficit reduction solution.

HB 110 returns the permanent fund dividend to a statutory transfer and takes it out of the appropriation process.

HB 110 ensures the growth of the permanent fund. HB 110 eliminates one of two potentially conflicting sections of statute that calculate income available for distribution from the permanent fund. The remaining calculation of income available for distribution from the permanent fund will be a five-year average of five percent of market value of the fund.

HB 110 preserves Governor Hammond's vision of the dividend being the first call on the distribution from the fund. The first call on the distribution will be for the required payment of dividends of fifty percent of the POMV draw.

HB 110 preserves the corpus of the permanent fund. After the required dividend payment, the remainder of the fifty percent POMV allowable draw, or the balance of the earnings reserve fund, whichever is less, will be available for government spending.

HB 110 transfers the administration of the permanent fund dividend from the department of revenue to the

permanent fund corporation. The dividend fund will therefore be transferred to the permanent fund corporation.

While an amendment to Alaska's Constitution is needed to enable a constitutional dedication of income from the permanent fund, HB 110 makes the intent of the legislature to pay a dividend by statute clear.

[6:36:57 PM](#)

KENDRA BROUSSARD, Staff, Representative Ben Carpenter, Alaska State Legislature, on behalf of Representative Carpenter, prime sponsor, provided the sectional analysis of HB 110 [included in the committee packet], which read as follows [original punctuation provided]:

Sections 1-21

Conforming language for the transfer of the permanent fund dividend program from the Department of Revenue to the Permanent Fund Corporation.

Section 22

Removes the District Court's jurisdiction over review of the constitutionality of the dividend payment.

Sections 23-28

Conforming language for the transfer of the permanent fund dividend program from the Department of Revenue to the Permanent Fund Corporation.

Section 29

Amends Public Finance statute to eliminate one of two conflicting calculations for the income available for distribution from the permanent fund earnings reserve account. The income available for distribution from the account is five percent of the average market value of the fund (POMV) (permanent fund balance, including the earnings reserve fund) for the first five of the preceding six years.

Section 30

Requires the Permanent Fund Corporation to make the annual permanent fund dividend payment without appropriations. The dividend amount is calculated as 50 percent of the amount available for distribution, or 50 percent of the five percent average POMV from Section 29 but shall never exceed the balance in the earnings reserve fund.

Section 31

Conforms the Amerada Hess language that does not allow income from the settlement to be available for distribution for the dividend or general fund.

Section 32

Allows the legislature to appropriate an amount from the earnings reserve account to the state general fund to spend on government.

Section 33

Limits the combined total transfer from the earnings reserve fund to the dividend fund and to the general fund to the lesser of 5% POMV and the balance of the earnings reserve fund.

Section 34

Conforms the mental health trust language that does not allow the net income from the trust to be available for distribution for the dividend or the general fund.

Section 35-45

Conforming language for the transfer of the permanent fund dividend program from the Department of Revenue to the Permanent Fund Corporation.

Section 46

Provides for a transition for the transfer of administration of the dividend program to the permanent fund corporation and transfers the balance of the dividend fund to the permanent fund on July 1, 2024.

Section 47

Provides for an effective date of July 1, 2024.

[6:39:27 PM](#)

The committee took a brief at-ease.

[6:39:50 PM](#)

CHAIR CARPENTER, addressing the fiscal notes, pointed out the Office of Management and Budget (OMB) component 981 would allocate funds to the Permanent Fund Dividend (PFD) division. He stated that transferring the permanent fund program from the Department of Revenue (DOR) to the Alaska Permanent Fund Corporation (APFC) would result in a reduction of \$8.5 million in fiscal year 2024 (FY 24). He read the analysis to the fiscal note [included in the committee packet], which read as follows [original punctuation provided]:

This bill transfers the duties of administering the Permanent Fund Dividend (PFD) program from the Department of Revenue to the Alaska Permanent Fund Corporation (APFC). This includes determining the value of each dividend and the payment of each dividend. The bill also moves the Dividend Fund to APFC as a separate fund within the Corporation. This fiscal note assumes the Permanent Fund Dividend Division moves from the Taxation and Treasury appropriation to the Alaska Permanent Fund Corporation appropriation.

CHAIR CARPENTER explained the second DOR fiscal note, OMB number 109. He said that there are asterisks in the space for FY 24, which represents that the figure is indeterminate. He read the analysis of the second fiscal note [included in the committee packet], which read as follows [original punctuation provided, with some formatting changes]:

HB 110 seeks to make several changes to the state's permanent fund dividend program (PFD program). Among these is transfer of the management of the PFD program from the Commissioner of the Department of Revenue to the Executive Director of the Alaska Permanent Fund Corporation. This fiscal note pertains only to this element of HB 110.

An important dynamic to understand is that the Department of Revenue is an integral part of the administrative enterprise of the State of Alaska. The Alaska Permanent Fund Corporation (APFC) is a quasi-public corporation that is almost entirely segregated from the State's administrative enterprise. As a division in the Department of Revenue, the Permanent Fund Dividend Division (PFDD) is reliant on certain services provided by multiple state agencies, including the Department of Revenue, Office of Information Technology, Division of Finance, Division of Shared Services, and the Criminal Investigations Unit. Removing PFDD from the State's administrative enterprise would require APFC to replicate the administrative infrastructure on which the PFD Division currently relies.

While this is not an impossible transition project, it is a project that would require substantial resources, planning and care in project execution. APFC would

need to create and provide IT, cybersecurity, accounting, and administrative support and infrastructure to PFDD. Since PFDD maintains the confidential personal and banking information of most Alaskans, the highest degree of care must be taken during the transition to ensure the information remains secure and its integrity maintained.

At this time, APFC's assessment of the costs of this project are necessarily rough estimates, and therefore this fiscal note is indeterminate. To achieve any degree of accuracy in budgeting for the costs of such a project, APFC would likely need to procure a project manager experienced in major data and system transition and implementation. APFC estimates the cost of a project manager to scope this project and prepare a project plan would be approximately \$100,000-\$250,000.

The following is a summary of projected costs that APFC can currently envision that would be in addition to the current budget of PFDD.

IT Costs

Replace Office of Information Technology Functions.

PFDD currently budgets \$200.0 Inter-Agency for OIT support services. APFC estimates incremental costs of \$409.0 to add four new positions to cover all core IT services (user administration, helpdesk, cloud server administration etc.):

\$217.0 Personal Services. Two helpdesk positions (IT Specialist) needed to match a doubled workforce.

\$392.0 Personal Services. Two infrastructure positions (IT Specialist) needed to match a doubled workforce and manage the new workload in Azure and cloud administration.

Licensing for SQL servers, Windows workload servers, M365 cloud Software as a Service licensing, Azure services and Data Storage.

PFDD currently budgets \$111.7 Inter-Agency to OIT for licenses and IT infrastructure. APFC estimates incremental costs of \$109.0 Services.

Network. PFDD currently pays \$15.0 for network access. APFC anticipates a doubling of its current network cost from \$12.0 to \$24.0. This would represent a savings of \$3.0. Horizon Virtual Desktop Interface licensing. APFC anticipates a doubling of its current costs. This would be an incremental cost of \$90.0 Services.

PFDD Workstations.

APFC would add PFDD to its three-year refresh cycle. APFC estimates an incremental cost of \$300.0 Commodities.

PFDD Applications Security.

PFDD has a number of applications: Dividend Application Information System (DAIS), Revenue Permanent Fund Information System (RPFI), and the ILINX imaging system. APFC would need to evaluate each application for security as well as determination whether to locate the application in the Microsoft Azure Cloud. APFC does not have a cost estimate at this time for this item.

PFDD Application Portal.

PFDD currently relies on the OIT myAlaska portal to manage online applications and identity verification. APFC would need to replicate a secure and resilient portal to replace myAlaska. APFC does not have a cost estimate at this time for this item.

PFDD Applications Upgrade.

APFC anticipates a need for a rebuild of PFDD applications into a contiguous and agile ecosystem. A goal here is increased security, increased automation, improved PFD application processing time, and enhanced flexibility on PFD distribution. APFC does not have a cost estimate at this time for this item.

Finance and Investment Costs

Modifications to Accounting System.

Consulting time will be required to export and import data files. APFC estimates one-time incremental costs of \$20.0 Services.

Align Accounting Positions for Management of the PFD Fund.

Investment management of the PFD Fund would have to be done under a different asset allocation with separate reporting and tracking of expenses. The PFDD accounting positions would need to be aligned with the APFC accounting positions. APFC estimates an incremental cost of \$50.0

Personal Services.

Financial Audit.

APFC would assume the responsibility to obtain an independent audit of PFDD and the PFD Fund. APFC estimates incremental costs of \$75.0 Services.

Other Costs

Office Rent.

APFC does not anticipate any changes to PFDD's Anchorage and Fairbanks office space. To the extent

that removal of PFDD from the State's administrative enterprise requires relocation of PFDD out of the State Office Building, there may be incremental costs for rent, moving and office build-out. APFC does not have a cost estimate at this time for these items.

[6:50:38 PM](#)

REPRESENTATIVE GRAY, having reviewed the second fiscal note, expressed the opinion that moving the PFD program from DOR to APFC would be extraordinarily difficult, expensive, and risky for the Alaska public. He questioned whether the proposed legislation could accomplish the intent without moving the program.

CHAIR CARPENTER responded that dividends would continue to be paid from DOR; however, the bill would solve a political problem by stabilizing the way the state carries out dividend distributions. It would take the dividend out of the appropriation process and change the way the legislature manages the PFD program. He said that the proposed legislation would be moving the program "one step further away" from the legislature and the executive branch. He explained that this would be done by sequestering the fund under the purview of APFC.

CHAIR CARPENTER said there are many unknowns in the fiscal note, and the "headspace" is about \$8 million from the first fiscal note, which he explained would be the savings generated from DOR and available for the costs to move the permanent fund program to APFC. As to the costs above the \$8 million, he said, this is currently unknown and will be unknown until the fund transfer is underway. He reiterated that the policy aim of HB 110 would be to solve the political equation by removing the PFD program from the legislative and executive processes and have the program be a function of APFC; thus, APFC would annually cut checks to Alaskans and the state. He pointed out that to carry out the change, there would need to be a constitutional amendment which repeals Wielechowski v. Alaska, 403 P.3d 1141, (2017). He spoke to the section of HB 110 which would remove jurisdiction of the lower courts. He said this would send the message that the PFD program issue needs to be solved without the legislative, executive, or judicial branch being involved.

[6:55:16 PM](#)

REPRESENTATIVE GROH expressed the understanding that HB 110 would remove district court jurisdiction over the

constitutionality of the dividend payments; therefore, lawsuits could only be held in the superior court. He questioned whether Section 22 of the proposed legislation would be a "messaging section."

CHAIR CARPENTER responded in the affirmative, explaining that the constitution prevents the legislature from directing the superior court or supreme court on their jurisdiction. However, he said, Section 22 would be more than just "messaging," as it also conveys that no case could be brought into the lower courts against the state for how the state is managing the APFC dividend program. He offered that this would not likely happen; nonetheless, it would send a message from the legislature to the courts that all three branches of the government are separate from the PFD program and the legislature, "so that we stop fighting over that money."

REPRESENTATIVE GROH referred to language within the sectional analysis which relates that APFC would be required to make the annual PFD payment without appropriations. He expressed the understanding of this intention; however, he pointed out that the sponsor statement relates that an amendment to the state's constitution is needed to enable a constitutional dedication of income from the permanent fund. He questioned whether the language is sending the wrong message, in that, the intent of what the legislature wants to do would require a constitutional amendment in order to require annual payments of dividends without legislative appropriation.

CHAIR CARPENTER explained that a constitutional amendment would be presented both as a resolution and an accompanying bill, and this would constitutionalize and dedicate the PFD program outside of the appropriations process.

REPRESENTATIVE GROH expressed concern that moving the PFD program from DOR and into APFC would confuse or divide the fund's mission by adding an additional function of paying PFDs to APFC.

CHAIR CARPENTER related that members of APFC have indicated it would be a new role, but doable.

[7:00:59 PM](#)

VICE CHAIR MCCABE announced that HB 110 was held over.

HB 142-STATE SALES AND USE TAX

7:01:06 PM

VICE CHAIR MCCABE announced that the final order of business would be HOUSE BILL NO. 142, "An Act relating to a state sales and use tax; authorizing the Department of Revenue to enter into the Streamlined Sales and Use Tax Agreement; and providing for an effective date."

7:01:27 PM

CHAIR CARPENTER, as prime sponsor, read the sponsor statement for HB 142 [included in the committee packet], which read as follows [original punctuation provided]:

State leaders should naturally be motivated to grow Alaska's private economy. The prospect of jobs and opportunity would allow our children to stay in Alaska, would attract development that would bring infrastructure investment, and would make retiring here comfortable for all employees—not just those who had government jobs.

Inertia in the state Capitol, however, keeps the state legislature focusing on government growth without corresponding economic growth. We can change that with a long-term fiscal plan for the state that incentivizes such growth. The Alaska legislature has the opportunity this session to pass a package of bills and resolutions that will:

- Take the permanent fund dividend payment out of the annual budget process and require the PFD to be paid by the formula in law,
- Place a limit on government spending in a manner that incentivizes economic growth,
- Reform our state government management and budgeting practices, and
- Promote economic growth with business tax cuts, make carbon credits available to Alaska resource developers, streamline regulations, make obtaining licenses easier.

As part of a package of bills that includes all these structural reforms, we can institute a low rate, broad-based sales tax that will bring a small share of the ensuing economic activity to government, and

further incentivize legislators to pursue economic growth.

HB142 imposes a two-cent tax on all sales of goods and services purchased in Alaska and allows the legislature to share half of the tax revenue with certain municipalities that meet certain criteria, including low property taxes.

According to the Tax Foundation, forty-five states and the District of Columbia collect statewide sales taxes. Local sales taxes are collected in 38 states. In some cases, they can rival or even exceed state rates. The five states with the highest average combined state and local sales tax rates are Louisiana (9.550 percent), Tennessee (9.548 percent), Arkansas (9.46 percent), Alabama (9.25 percent), and Oklahoma (8.98 percent). Sales tax rates differ by state, but sales tax bases also impact how much revenue is collected from a tax and how the tax affects the economy.

HB142 is designed after the South Dakota system as the broadest-based tax in the nation. Broad-based systems keep rates low, keep compliance simple, and create as few economic distortions as possible. Except for the five states that have no sales tax, a two-cent statewide sales tax would maintain Alaska's ranking as the lowest state and locally combined sales tax rate in the nation.

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CHAIR CARPENTER, in response to a question from Representative McKay as to whether the sponsor statement should state "two-cent," said that a two percent tax would be literally a two-cent per dollar tax.

[7:05:27 PM](#)

KENDRA BROUSSARD, Staff, Representative Ben Carpenter, Alaska State Legislature, on behalf of Representative Carpenter, prime sponsor, provided the sectional analysis of HB 142 [included in the committee packet], which read as follows [original punctuation provided]:

Section 1

HB 142 amends AS 28.10.021 to add sales and use taxes for vehicles.

Section 2

HB 142 amends AS 43.05.240 (a) to add sales tax collectors to those who may file for grievance if their seller's permit or resale exemption certificate is revoked.

Section 3

AS 43 is amended by adding a new chapter to institute a statewide sales tax of two percent of sale or lease of tangible property or services and a two percent use tax on tangible personal property. The use tax is applied to tangible personal property acquired outside of Alaska as the result of a transaction that would have been subject to the sales tax if it had occurred in Alaska. The use tax is also applied to tangible personal property that has been converted to a use that is subject to tax. The use tax is additionally applied to services in Alaska that would be subject to a sales tax if purchased in this state (remote purchases).

HB 142 provides exemptions to the sales tax for sales that are exempt by federal law 26 USC (Internal Revenue Code): government, tax-exempt corporations, employee wages, interest on loans and deposits, stock dividends, financial services fees, insurance premiums, personal uses of property or between business partners, the sale, lease, or construction of real property.

HB 142 provides tax credits for sales or use taxes paid to another state.

HB 142 requires businesses to acquire a seller's permit before doing business in Alaska.

HB 142 exempts resales from taxation.

HB 142 allows the department of revenue to suspend or revoke a seller's permit if the person who holds the

permit fails to comply with the provisions of this law.

HB 142 requires the department of revenue to enter the Streamlines Sales and Use Tax Agreement, a multi-state agreement for processing of cross-state transactions.

HB 142 allows for a municipal share. The legislature may appropriate half the revenue collected from this tax to municipalities. A municipality may receive an appropriation under this section if the municipality does not collect either:

- o Property taxes in excess of ten mills; or
- o An oil and gas production tax or gas pipeline property tax.

Section 4

Contains conforming language.

Section 5

Provides for a transition to allow the department of revenue to adopt regulations under the Administrative Procedures Act.

Allows for services contracted before the effective date of the tax to be exempt from the tax.

Allows for persons to apply for a seller's permit or a resale permit before the effective date of this act.

Section 6

Provides an immediate effective date for Section 5.

Section 7

Provides an effective date for the remainder of this act of January 1, 2025.

[7:08:53 PM](#)

CHAIR CARPENTER expressed the understanding of the gravity of putting forward a bill instituting a sales tax. He advised that in order to move the state forward in the direction of pro economic growth in the non-oil, private sector economy, the state would need to start moving in this direction. He said

that, as a compromise, he is presenting HB 142 as an option for a broad-based revenue source, tying the legislative budget decisions to economic activity in the state. He argued that people in the state work in the private sector economy, and this is critical to why Alaskans want to be in the state. He said a sales tax, or broad-based tax, which ties the economy to government spending is important. He stressed that HB 142 is not the only item being presented, rather, it is one component of a policy package intended to have a positive economic benefit to the state.

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REPRESENTATIVE GRAY raised the concern of higher costs for expenses, like groceries, in rural Alaska. He stated that the average price of milk in Anchorage is \$4.20, while it is \$8.80 in Bethel; therefore, he deduced that if people in rural Alaska are paying twice as much for groceries, the tax would be twice as much. He expressed the understanding that, under the proposed tax program, those who can least afford the tax would be the ones paying most of it.

[7:12:35 PM](#)

REPRESENTATIVE MCKAY advised Representative Gray that the tax would have to be based on population. He expressed the understanding that most people live on the Railbelt, while about a quarter of the population live in rural areas. Furthermore, he illustrated an example where 75 percent of the state's population live in the \$4.50 per gallon of milk region while 25 percent live in the \$16 per gallon of milk region.

REPRESENTATIVE GRAY, interjected, expressing the belief that it is unfair for people in Bethel to pay more.

[7:13:27 PM](#)

VICE CHAIR MCCABE, referring to the comment that the tax would not be fair for rural populations, questioned whether the concern is that the revenue generated would be less.

REPRESENTATIVE GRAY clarified that rural residents would be paying a disproportionately high amount of tax compared to Anchorage residents. He asked if there is a way to implement the program without rural Alaskans paying a disproportionate amount of the tax.

[7:14:14 PM](#)

CHAIR CARPENTER suggested that the legislature investigate ways to reduce the cost of a gallon of milk in rural Alaska. He suggested that modernizing transportation in the region would be a better solution.

REPRESENTATIVE GRAY concurred.

CHAIR CARPENTER said, "If there is a will there's a way." He suggested that the only way would be to grow the state's economy, as solutions to big problems do not come without a growing economy. He advised that a two-cent tax on an \$8 gallon of milk would be 16 cents. He explained that if municipalities can share in the state revenue, then a portion of the state's tax would be distributed to these municipalities. He suggested that this could somewhat alleviate the higher cost of goods.

[7:16:13 PM](#)

REPRESENTATIVE GROH inquired about the emphasis on boosting the economy and pointed out that HB 142 would apply a tax on commerce. He recounted an article regarding the complexity and resource-heavy process, and how this would impact small businesses. He asked if Representative Carpenter shared his concern that a sales tax would burden Alaska's small businesses.

CHAIR CARPENTER responded that a business collecting sales tax and passing the tax onto the consumer would not be a business paying the tax, rather the consumer would be paying it. He argued that regardless of whether the policy is income tax or sales tax, the cost would be passed on to the consumer.

REPRESENTATIVE GROH commented about the compliance cost, which he said is the actual cost of collecting the taxes. He acknowledged that a few cities in the state collect sales tax, but his community of Anchorage has never had such a tax. He asked Chair Carpenter if he would seek a sales tax compliance exemption for small and local businesses.

CHAIR CARPENTER pointed out that Anchorage is currently struggling with finances. He said the concept of a sales tax that works in partnership with small businesses is not unattainable; it is a cost of doing business. He said he is not concerned about the business community being able to figure this out since larger corporations, for example, can figure out larger and more complex corporate income taxes. He said, if the

state were going down the path to eliminating the permanent fund dividend as a way to continue funding state services, this would hurt small businesses more than the compliance cost of a sales tax.

REPRESENTATIVE GROH suggested that an alternative to a sales tax would be a high-earner tax. He relayed that, according to the federal reserve, the median household income is \$81,000. He asked how much an average household is expected to pay annually in sales taxes.

CHAIR CARPENTER expressed uncertainty and stated he would follow up to the committee.

REPRESENTATIVE GROH asked if each household would get a sales tax return showing how much it paid in sales taxes throughout the year.

CHAIR CARPENTER expressed uncertainty.

[7:20:11 PM](#)

REPRESENTATIVE ALLARD commented that, although Anchorage does not have sales tax, there is a 10-cent per gallon tax on fuel.

[7:20:40 PM](#)

VICE CHAIR MCCABE said there are many cities in Alaska that have a sales tax, including Wasilla. For example, if the city needs to construct a new library, the city could put a question to the voters as to whether they approve an increase in sales taxes for a set period of time. Furthermore, he said Wasilla has zero debt, explaining that, despite not having outside traffic with tourists, for example, the sales tax in the city would work "fabulously." He expressed the understanding from the data presented from the fiscal policy working group, there are not enough high earners in Alaska to satisfy the amount of money the state needs; therefore, as regressive as it may seem, the only possibility is a broad-based sales tax. He asked if Chair Carpenter agrees with this statement.

CHAIR CARPENTER answered that he has spent time looking at a sales tax and does not prefer an income tax. He commented that states with income taxes, or progressive income taxes, are not as competitive as states which have sales taxes. He advised that if the committee is going to make a good decision, it should have a conversation comparing the two types of taxes.

[7:22:46 PM](#)

REPRESENTATIVE GROH referred to a study by the Institute of Social and Economic Research at the University of Alaska Anchorage, which showed that more than 70 percent of Alaskans would do better and pay less under an income tax over a sales tax. Furthermore, he suggested that if the legislature had passed an income tax in 2017, \$700 million would have been generated. He questioned whether these factors have been considered in the decision of a sales tax, which focuses on nonresidents, versus an income tax, which focuses on high earners.

CHAIR CARPENTER expressed uncertainty concerning the options. He said that the only thing before the committee right now is a sales tax; however, he suggested that it is more likely the permanent fund dividend will be taxed instead, and this would be the most regressive tax. He said that, if the options are either the most regressive tax or a less regressive tax, and he has political agreement to "pass the lesser of those two evils," then he would suggest passing the sales tax.

[7:24:50 PM](#)

VICE CHAIR MCCABE announced that HB 142 was held over.

[7:25:01 PM](#)

The committee took an at-ease from 7:25 p.m. to 7:26 p.m.

[Vice Chair McCabe returned the gavel to Chair Carpenter.]

[7:29:21 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at 7:29 p.m.