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414

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
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POUCH Y - STATE CAPITOL
BUREAU, ALASKA 99811
907-465-3800

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House Hess:

February 18, 1988

March 30, 1988

HOUSE COMMITTEE REPORT

(7)

Date referred: 1/29/88

FURTHER REFERRALS: Finance

DATE: 3-30-88

The Health, Education and Social Services Committee has considered HB 414

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

RECOMMENDS:

- replace with CS HB 414 (HESS) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

Walter E. Kosman

ROD E. GREGG

Bill Hudson - No Rec

Max Humberg - no rec

Gene Kealey - No Rec

Ch Ellis - no rec

Ch Ellis
Co Chairman's signature

Walter E. Kosman



NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

ANCHORAGE REGIONAL OFFICE

1411 W. 33RD AVENUE
ANCHORAGE, ALASKA 99503
(907) 274-0536

JUNEAU OFFICE

105 MUNICIPAL WAY, SUITE 302
JUNEAU, ALASKA 99801
(907) 586-3090

FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET
FAIRBANKS, ALASKA 99701
(907) 456-4435

February 19, 1988

To: Rep. Ellis & Rep. Koponen, Co-Chairs
Members, House HESS Committee

Re: HB 414; "An Act imposing a school tax; and providing
for an effective date."

NEA-Alaska supports and encourages passage of HB 414.

Because public education has been underfunded by nearly \$100 million over the last 2 years it is essential that every reasonable effort be made to restore essential programs and services which have been eliminated as a result of the funding cuts.

Revenue enhancements through the income tax and other measures are appropriate means of increasing funding to public education as well as by giving it a greater share in the budget priority process. While HB 414 is only one means of revenue enhancement it is appropriate that it be used at least until other and more comprehensive options are available and acceptable.

We encourage the Committee to give serious consideration to increasing the amount of the school tax beyond the proposed \$10 level. We also encourage that consideration be given to broadening the effect of a school tax to include "passive" income such as that derived from rentals and investments.

Thank you for your consideration of our concerns.

Respectfully submitted,

Bob Manners
Executive Secretary

cc: Reps. Wallis, Herrmann, Adams

z19feb4



Official business

Alaska State Legislature

HOUSE OF REPRESENTATIVES

Committee on Finance

P.O. Box V
State Capitol
Juneau, Alaska 99811

January 28, 1988

P R E S S R E L E A S E

JUNEAU -- A bill to reimpose a \$10 annual school tax on all employed Alaskans was filed today by Rep. Kay Wallis, D-Fort Yukon, co-sponsored by Representative Adelheid Herrmann, D-Naknek.

The tax, which would raise an estimated \$3.5 million for educational programs each year, would take effect next January 1. Under the bill (HB 414), employers would deduct the tax from their employees' first paycheck each year and the tax would be due to the state by April 15 the following year.

Only military personnel on active duty would be exempt from the tax, Wallis said.

"This is a fair and equitable tax, and it is a way for all Alaskans to participate in supporting education," Wallis said.

Alaska imposed an identical school tax until 1980, when the Legislature saw it as unnecessary in view of the then-high state revenues and repealed it. The tax generated \$2.6 million the last year it was in effect, according to the Department of Revenue.

For Further Information Contact Representative F. Kay Wallis
465-3732

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act Imposing a School Tax

Agency Affected: Revenue
BRU: _____

Sponsor: Wallis, Herrmann & Adams
Requestor: HESS & Finance

Components: _____

EXPENDITURES/REVENUES: (MILLIONS of Dollars)

	FY 86	FY 85	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	3.5	3.5	3.6	3.7

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: (Attach a separate page if necessary)

Projected revenues are based on historical school tax collections applied against Department of Labor employment/population trends.

Prepared By: Bob Elliott ^{BE} Phone: 465-2173
Division: Revenue - Research Date: 02/16/88

Approved by Commissioner: Hugh Malone ^{H Malone} Date: 02/16/88
Agency: Department of Revenue

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

FISCAL NOTE

REQUEST: _____

Revision Date: _____
Title: "An Act imposing a school tax; and providing for an effective date."
Sponsor: Wallis, Herrman and Adams
Requestor: Health, Education & Finance

Agency Affected: Revenue
BRU: Income and Excise Audit Division

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES	-	56.6	56.6	56.6	56.6	56.6
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	32.6	8.2	8.2	8.2	8.2
SUPPLIES	-	2.0	2.0	2.0	2.0	2.0
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	91.2	66.8	66.8	66.8	66.8
CAPITAL						
	-	-	-	-	-	-
REVENUE						
	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	91.2	66.8	66.8	66.8	66.8
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	2	2	2	2	2
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel, Director Phone: (907) 465-2320
Division: Income and Excise Audit Division Date: February 17, 1988

Approved by Commissioner: [Signature] Date: 2/17/88
Agency: _____

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

HB 414

Prepared By: Steven E. Kettel
Income and Excise Audit
February 17, 1988

Personal Services

<u>Position</u>	<u>Location</u>	<u>Annual Salary/Benefits</u>
Clerk IV	Juneau	\$29.0
Clerk III	Juneau	\$27.6

Contractual

Two Wang PC Terminals (\$3.5)	\$7.0 *
Communications	\$1.2
Forms Design and Printing	\$7.0
VS Memory Upgrade	\$11.1 *
Modular Furniture/Chairs	\$2.8 *
Five 5-drawer legal file cabinets	<u>\$3.5 *</u>
TOTAL	\$32.6

* One time item

Supplies

Office and Wang Supplies	\$2.0
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Analysis

House Bill 414 would essentially reinstate in 1989 the \$10 school tax that was repealed in 1980. The provisions of the Bill are nearly identical to the provisions under AS 43.45 prior to repeal.

House Bill 414 would impose a \$10 tax on each individual 19 or older employed in the state. An employer would be required to deduct and withhold the school tax from an individual's compensation in the first payroll period after January 1 of each year, or in the first payroll period following employment. The school tax would be paid to the department by the employer by April 16 of the following year. Self employed individuals would also pay the school tax by April 16 of the following year. An employer would be required to give each employee a type of W-2 form showing the school tax deduction. The department would be required to develop forms for all these purposes. The school tax would be deposited into the general fund where the legislature could make appropriations for public education.

For instance, the individual income tax was required to be withheld and remitted to the department at various times. Payment to the department in the form of a required deposit was due for any month in which withheld taxes totaled \$500. Quarterly returns were required in all cases and undeposited taxes were due at that time. Yearly return reconciliations were then required to be filed with the department and tax balances, if any, were required to be paid. Penalties were applicable for the failure to make monthly deposits as well as penalties for the failure to file quarterly and annual returns and pay the appropriate taxes. A responsible party could be held personally liable for any failure to withhold and pay over the taxes. The school tax was simply incorporated into the individual income tax provisions as far as reporting and payment were concerned.

In contrast, HB 414 would require that the department implement similar procedures for the collection of only the school tax. This would involve developing a withholding program, drafting regulations, and the allocation of resources to the administration of the program, including developing and processing of forms and payments.

Employers would also be required to implement procedures in their payroll programs to insure the withholding and remittance of the school tax. While the employers now must withhold for federal income tax purposes, there is currently no withholding or reporting to the state for tax purposes. Employers would be required to make monthly deposits, quarterly returns, and annual reconciliations of the school tax to the department.

Department Position

The department opposes this bill because the administrative costs and burden to administer the school tax would be very high in relation to the revenues. Each year 15,541 Alaskan businesses would be required to file an annual report with the department. This additional time consuming requirement for these businesses is just plain not worth the effort. This would incur extensive paperwork and files maintenance.