HB
252

Item 2

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: HB 252
PUBLISH DATE:

FISCAL NOTE

REQUEST:

Revision Date:
Title: An act relating to the taxation of income derived by individuals
Sponsor: Koponen, Spohnholz, Ulmer et.al
Requestor: State Affairs and Finance

Agency Affected: Revenue
BRU: I & E Audit, Administrative Svcs., Commissioner's Office and Treasury
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
PERSONAL SERVICES	892.1	2180.9	2180.9	2180.9	2180.9	2180.9
TRAVEL	46.4	73.5	73.5	73.5	73.5	73.5
CONTRACTUAL	645.8	1415.4	1415.4	1415.4	1415.4	1415.4
SUPPLIES	11.7	37.5	37.5	37.5	37.5	37.5
EQUIPMENT	221.1	289.1	289.1	289.1	289.1	289.1
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	1817.1	3996.4	3996.4	3996.4	3996.4	3996.4
CAPITAL	0	0	0	0	0	0
REVENUE	LessThan $125mill	LessThan $250mill	LessThan $250mill	LessThan $250mill	LessThan $250mill	LessThan $250mill

FUNDING: (Thousands of Dollars)

GENERAL FUND	1817.1	3996.4	3996.4	3996.4	3996.4	3996.4
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	1817.1	3996.4	3996.4	3996.4	3996.4	3996.4

POSITIONS:

FULL-TIME	34	62	62	62	62	62
PART-TIME	1	2	2	2	2	2
TEMPORARY	0	27	27	27	27	27

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel Steven E. Kettel
Division: Income and Excise Audit
Phone: (907) 465-2320
Date: April 26, 1989

Approved by Commissioner: Hugh Malone FOR
Agency: Department of Revenue
Date: April 26, 1989

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

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: HB 252
PUBLISH DATE: 3/24/89

FISCAL NOTE

REQUEST:

Revision Date:
Title: An act relating to the taxation of income derived by individuals
Sponsor: Koponen, Spohnholz, Ulmer et.al
Requestor: State Affairs and Finance

Agency Affected: Revenue
BRU: Income & Excise Audit Division
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
OPERATING						
PERSONAL SERVICES	275.7	982.8	982.8	982.8	982.8	982.8
TRAVEL	34.9	64.0	64.0	64.0	64.0	64.0
CONTRACTUAL	158.4	269.6	269.6	269.6	269.6	269.5
SUPPLIES	5.3	18.6	18.6	18.6	18.6	18.6
EQUIPMENT	51.1	130.9	130.9	130.9	130.9	130.9
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	525.4	1465.9	1465.9	1465.9	1465.9	1465.9
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
GENERAL FUND	525.4	1465.9	1465.9	1465.9	1465.9	1465.9
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	525.4	1465.9	1465.9	1465.9	1465.9	1465.9

POSITIONS:

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
FULL-TIME	13	32	32	32	32	32
PART-TIME	0	1	1	1	1	1
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel
Division: Income and Excise Audit

Phone: (907) 465-2320
Date: April 10, 1989

Approved by Commissioner:
Agency:

Date:

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

Individual Income Tax
Fiscal Note Analysis

The Income and Excise Audit division has prepared this fiscal note using three broad categories to accomplish administration. The Audit function, Collections and Public Service.

Audit Services Branch

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ASSUMPTIONS

The Income and Excise Audit Division will administer the individual income tax laws to insure compliance with Alaska Statutes. Although calendar year tax returns will not be due until 1991, a withholding tax system must be in place and operative by January 1, 1990. Additional staff must be hired and fully trained to accomplish the following:

1. Compliance. This function will be accomplished by utilizing both tax examiner and auditor staff. Tax examiners, more typically, will handle desk review and less complex issues. Auditors will complete field audits and deal with more sophisticated and complex tax issues.

2. Appeals Coordination. These positions will be staffed by both tax examiners and auditors depending on the complexity and issues involved.

3. Payroll Withholding. This function will be accomplished by staffing of tax examiners to reconcile employers quarterly withholding, returns, monthly deposits and annual statements. They will maintain and reconcile the employees W-2's to the employers returns.

4. Return Examination and Processing. This function will be completed by clerks and tax examiners. The filed returns will be checked for accuracy and completeness. Payments will be posted to the appropriate returns, and desk reviews will be completed to process the returns. Selected returns will be forwarded to an auditor for examination.

5. Public Education and Staff Training. This function will be performed by audit level staff members. Public education of the individual income tax laws and filing requirements will be accomplished through seminars conducted in various locations throughout the state and by training staff members dealing with the public. Staff training is necessary to maintain a competent level of employee and educate staff to the new and changing tax laws.

A schedule of estimated costs to operate the Audit Division programs are as follows. These costs are based on 1989 dollars and do not attempt to factor in inflation. These estimates are preliminary and presented solely to present to the reader a basic idea of the areas within this division which will be impacted by passage of this legislation.

	FY 90	FY 91
Personal Services		
1 Revenue Auditor IV	41.4	55.2
1 Tax Examiner III	27.3	36.4
1 Tax Examiner II	24.1	32.2
1 Tax Examiner I	21.3	28.4
1 Clerk IV	20.1	26.8
1 Clerk Typist III	19.1	25.4
1 Clerk Typist II	17.9	23.9
2 Revenue Auditor III		96.4
2 Tax Examiner II		64.1
2 Clerk Typist III		50.9
2 Revenue Auditor I		72.8
1 Appeals Officer III		48.2
	$171.2	$560.7
Travel and Per Diem		
	$ 6.5	$ 14.0
	$ 6.5*	$ 14.0
Contractual		
Training	4.0	14.5
Wang Terminals & Software	50.0	99.1
	$ 54.0	$113.6

*This figure reflects a one time travel cost for employer training to be conducted in various locations throughout the State in conjunction with the Public Services Division.

A. System Requirements

1.	Technical Analysis	No expenditures
2.	Generate Forms	No expenditures
3.	Educate and Assist Public	Expenditures covered by regular audit functions
4.	Receive Returns	No expenditures
5.	Process Cash for Deposit	No expenditures
6.	Microfilm Returns	No expenditures
7.	Establish Edit Selection Criteria	Expenditures covered by regular audit functions
8.	Perform Visual Edit	No expenditures
9.	Data Capture Return Information	No expenditures
10.	Perform Computer Edit	No expenditures
11.	Ensure Compliance with Filing Requirements	No expenditures
12.	Establish Refund/Credit to next Program	No expenditures; Expenditures covered by regular audit functions
13.	Document Filing or Destruction	No expenditures
14.	Perform Office Audit	7 positions

a) Personal Service Costs

POSITIONS	RANGE	MONTHLY SALARY	ANNUAL SALARY WITH BENEFITS
Revenue Auditor IV	20	3,564	55,170
Tax Examiner III	14	2,353	36,424
Tax Examiner II	12	2,072	32,075
Tax Examiner I	10	1,835	28,405
Clerk IV	9	1,731	26,796
Clerk Typist III	8	1,631	25,448
Clerk Typist II	7	1,545	23,917

TOTAL PERSONAL SERVICE EXPENDITURES $228,235

b) Contractual:	6 terminals, IOP, Memory upgrade, Communications	$ 50,000	
c) Supplies:	miscellaneous	4,500	
d) Training		4,000	
e) Equipment:	microfilm r/p, printer desks, chairs, etc.	23,000	
TOTAL EXPENDITURES			$309,735

15. Perform Field Audit

a) Personal Service Costs

JUNEAU - 3 POSITIONS

POSITIONS	RANGE	MONTHLY SALARY	ANNUAL SALARY WITH BENEFITS	
Revenue Auditor III	18	3,113	$ 48,189	
Tax Examiner II	12	2,072	32,075	
Clerk Typist III	8	1,631	25,448	
TOTAL PERSONAL SERVICE EXPENDITURES				$105,712

b) Contractual:	3 terminals, Communications	$ 18,000	
c) Supplies:	miscellaneous	2,000	
d) Training		3,000	
e) Equipment:	desks, chairs, etc.	11,000	
f) Travel		5,000	
TOTAL EXPENDITURES			$144,712

ANCHORAGE - 4 POSITIONS

a) Personal Service Costs

POSITIONS	RANGE	MONTHLY SALARY	ANNUAL SALARY WITH BENEFITS	
Revenue Auditor I	14	2,353	$ 36,424	
Revenue Auditor I	14	2,353	36,424	
Revenue Auditor III	18	3,113	48,189	
Clerk Typist III	8	1,631	25,448	
TOTAL PERSONAL SERVICE EXPENDITURES				$146,485

b) Contractual:	4 terminals, Communications	$ 20,500	
c) Supplies:	miscellaneous	3,500	
d) Training		5,000	
e) Equipment:	desks, chairs, etc.	13,000	
f) Travel		6,000	
TOTAL EXPENDITURES			$194,485

APPEALS - 2 POSITIONS

a) Personal Service Costs

POSITIONS	RANGE	MONTHLY SALARY	ANNUAL SALARY WITH BENEFITS	
Appeals Officer III	18	3,113	$ 48,189	
Tax Examiner II	12	2,072	32,075	
TOTAL PERSONAL SERVICE EXPENDITURES				$ 80,264

b) Contractual:	2 terminals, Communications	$ 10,625	
c) Supplies:	miscellaneous	1,000	
d) Training		2,500	
e) Equipment:	desks, chairs, etc.	5,000	
f) Travel		3,000	
TOTAL EXPENDITURES			$102,389

GRAND TOTAL EXPENDITURES $751,321

ASSUMPTIONS

1. There are approximately 15,000 employers and 100,000 families which will be required to file under an income tax bill.

2. Withholding will begin January 1, 1990. A significant number of delinquencies on first quarter returns will not appear until June 1, 1990.

3. Individual returns will begin January 15, 1991. A significant number of delinquencies will not appear until July 1, 1991.

4. The Audit Division estimates they will generate 5,000 billings per year. Approximately 10% will be appealed; 30% will be paid; and the remaining 60% (or 3,000 billings) will become delinquent.

5. The average taxpayer case consists of 2.5 billings resulting in 1,200 additional taxpayer cases. Old case work levels will decrease by approximately 100 cases by July 1, 1991.

Current Number of Taxpayer Cases	785
Projected Inventory Decline	(100)
Subtotal	685
Additional Inventory	1,200
Expected Inventory at July 1, 1991	1,885

6. The maximum workable inventory for Tax Collection Specialist and Revenue Enforcement Officer II positions is 120 taxpayer cases. The maximum workable inventory for a Revenue Enforcement Officer III is 70 taxpayer cases. (Please see the attached workload analysis.)

7. The necessary travel by each field Revenue Enforcement Officer will be one week long trip per quarter. Accordingly, travel for each current Revenue Enforcement Officer will increase by one week long trip per quarter.

8. Workstations are currently available for the new position in Juneau and for two of the new positions in Anchorage.

COMPUTATIONS--FY '90

Personal Services

1 Revenue Enforcement Officer III	(range 18, @ 49.0/year)	16.9
1 Revenue Enforcement Officer II	(range 16, @ 42.8/year)	14.8
2 Tax Collection Specialist II	(range 12, @ 33.6/year)	23.0
1 Accounting Clerk III	(range 10, @ 30.0/year)	10.3
Total FY '90 Personal Services		65.0

Travel

2 Revenue Enforcement Officers to IRS Phase I training		
Transportation	(2 trips @ $500)	1.0
Per Diem	(2 trips X 42 days @ $80/day)	6.7
3 Revenue Enforcement Officers X 1 trip @ quarter		
Transportation	(5 trips @ $1,000)	3.0
Per Diem	(3 trips X 5 days @ $80/day)	1.2
Total FY '90 Travel		11.9

Contractual Services

Increased toll costs (5 employees @ $150/mo)	3.0
Printing for forms, letterhead, etc.	3.0
Increased postage costs	.4
Total FY '90 Contractual Services	6.4

Commodities

Paper, pens, etc.	(5 employees X 1/4 year @ $250/year)	.3
Total FY '90 Commodities		.3

Equipment

2 Workstations for Support Personnel	@ $5,273.73	10.6
2 Swivel-Tilt Chairs with arms	@ $ 640.81	1.3
1 File cabinet (5 drawer legal w/lock)	@ $ 341.35	.3
2 12 digit Desk Calculators (printing)	@ $ 135.03	.3
3 Wang Computer Terminals	@ $4,900.00	14.7
3 Okidata u82a Microline Printers	@ $ 330.00	1.0
2 Telephones	@ $ 343.00	.7
Total FY '90 Equipment Costs		28.9
Total FY '90 Costs		112.5

Computations--FY '91

Personal Services

1 Revenue Enforcement Officer IV	(range 20, @ 58.8/year)	29.4
2 Tax Collection S]specialist II	(range 12, @ 34.4/year)	17.2
1 Accounting Clerk III	(range 10, @ 30.8/year)	7.7
1 Clerk Typist III	(range 8, @ 27.6/year)	6.9
Positions hired during FY '91		195.0

Total FY '91 Personal Services

Travel

5 Revenue Enforcement Officers X 1 trip @ quarter		
Transportation	(20 trips @ $1,000)	20.0
Per Diem	(20 trips X 5 days @ $80/day)	8.0
Total FY '91 Travel		28.0

Contractual Services

Increased toll costs	(10 employees @ $150.00/month)	11.3
Printing for forms, letterhead, etc.		4.0
Increased postage costs	(estimated @ $350.00/month)	4.2
Total FY '91 Contractual Services		19.5

Commodities Paper, pens, etc.	(10 employees @ $250/year)	1.6

Equipment

5 Workstations for Support Personnel	@ $5,273.73	26.4
5 Swivel-Tilt Chairs with arms	@ $ 640.81	3.2
2 File cabinets (5 drawer legal w/lock)	@ $ 341.35	.7
5 12 digit Desk Calculators (printing)	@ $ 135.03	.7
3 Wang Computer Terminals	@ $4,900.00	14.7
1 Okidata u82 Microline Printers	@ $ 330.00	.3
5 Telephones	@ $ 343.00	1.7
Total FY '91 Equipment Costs		47.7
Total FY '91 Costs		$353.0

ASSUMPTIONS

1. Regulations will be promulgated requiring monthly or quarterly reporting of taxes withheld on wages.

2. Approximately 17,500 withholding reports and 275,000 annual individual income tax returns will need processing.

3. Public Services Branch will provide individual income tax assistance to both businesses and individuals.

4. Public Services Branch will develop employee training for the division and employer training for the public.

Public Services Operating BRU

Expenditures Personal Services		FY 90	FY 91
1 Revenue Office Manager	3,293 @ 12 mos.	39.5	39.5
2 Document Processing Clerk III	2,468 @ 10 mos.		49.4
1 Document Processing Clerk I	2,468 @ 10 mos.		24.7
2 Clerk Typist II	2,118 @ 10 mos.		42.4
1 Document Processor II	2,468 @ 4 mos.		9.9
Total Annual Wages and Benefits		39.5	165.9

The Revenue Office Manager's position will be activated in July of 1990 to develop employee training for the division and employer training for the public on the withholding requirements which will begin in the first quarter of 1990. The remaining positions will be activated in September 1991 to allow for training of individual income required on April 15, 1991.

Travel	FY 90	FY 91
Employer Training		
One employee to Anchorage, Fairbanks, Nome, Kotzebue, Barrow, Kodiak, Kenai Peninsula, Sitka, Ketchikan, Bethel, Petersburg, and Wrangell	6.5	-0-
Administrative Travel		
Anchorage and Fairbanks	10.0	12.0
Employee Training		10.0
Total Travel	16.5	22.0

Employees hired to assist the general public in the completion of their individual income tax returns will be required to participate in a training course. Funds are designated above to facilitate course presentation in Anchorage and Juneau.

Contractual	FY 90	FY91
Advertising campaign		
Withholding requirements	45.0	
Income Tax Filing		80.0
Postage	30.0	8.5
Printing	5.0	5.0
Telephone Charges	15.0	30.0
Messenger Service	2.0	5.0
Computer Terminal Maintenance (7)	.5	3.5
Publications	.5	2.0
Reconfiguration of Office Space	-0-	2.5
Total Contractual	98.0	136.5

Enactment of the individual income tax with the requirement for employer withholding from wages will be brought to the attention of the public. Funds are requested for production of a television and radio advertising campaign plus two mailouts to all businesses informing them of the requirement to withhold an employee's wages. Funds are also requested in FY 91 for a general newspaper, radio and television campaign to notify the general public to file, where to file, and where to get help in completing their returns.

Supplies

Office Supplies	.5	6.0

Office supplies are estimated at $.5 per employee.

Equipment

Office Equipment	5.0	31.2

Office equipment and furniture includes desks, chairs, calculators, file cabinets, and computer terminals.

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Agency Affected: Revenue
BRU: Administrative Services
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
OPERATING						
PERSONAL SERVICES	529.0	1097.1	1097.1	1097.1	1097.1	1097.1
TRAVEL	10.0	8.0	8.0	8.0	8.0	8.0
CONTRACTUAL	402.9	1028.1	1028.1	1028.1	1028.1	1028.1
SUPPLIES	5.5	18.0	18.0	18.0	18.0	18.0
EQUIPMENT	163.2	158.2	158.2	158.2	158.2	158.2
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	1110.6	2309.4	2309.4	2309.4	2309.4	2309.4
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	1110.6	2309.4	2309.4	2309.4	2309.4	2309.4
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	1110.6	2309.4	2309.4	2309.4	2309.4	2309.4

POSITIONS:

FULL-TIME	19	28	28	28	28	28
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	27	27	27	27	27

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel
Division: Income and Excise Audit

Phone: (907) 465-2320
Date: April 10, 1989

Approved by Commissioner:
Agency:

Date:

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

Department of Revenue
Administrative Services Division
Fiscal Note Analysis
Individual Income Tax Bill

Assumptions:

1. The Administrative Services Division will be responsible for the following functions relative to the Alaska Individual Income Tax Withholding System and the Alaska Individual Income Tax Return Processing System.

    a) Design, purchase and distribute all necessary tax returns and related forms.
    b) Process all tax returns, including mail handling, microfilming, document review, data capture and filing.
    c) Process all remittances of tax due which is received with tax returns.
    d) Design, program, test, document, and maintain the automated Alaska Individual Income Tax Withholding System and Alaska Individual Income Tax Return Processing System.
    e) Process and account for all individual income tax refunds to individuals.
    f) Establish an automated billing subsystem for routine tax deficiencies, penalty and interest.
    g) Acquire and maintain computer capacity to accommodate the two systems and the access required by the department's users.

2. The Department of Revenue will contract with a bank to provide a "lock-box" function, with employees depositing all individual income taxes withheld on a monthly basis.

3. The Department of Administration's data processing chargeback system will require that the Department of Revenue budget for the cost of data processing resources used by the withholding system and returns processing system. The total chargeback is budgeted in Administrative Services.

4. The Permanent Fund Dividend program will stay intact through FY94, in its current form.

5. The processing of Withholding and Individual Income Tax returns will be automated as much as possible.

6. The Alaska Individual Income Tax Withholding System must be in place before January 1, 1990.

7. The Alaska Individual Income Tax Return Processing System must be in place before January 1, 1991.

8. The fiscal note includes the incremental cost of providing space for the employees and equipment required by the department.

9. After reviewing the fiscal analyses of all divisions, an estimate of the additional computer resources needed has been made. This cost assumes:

   a) The withholding and income tax processing systems will reside on DOA's mainframe computer and will be programmed in command-level CICS.

   b) To gain the tremendous advantages in programming development offered by the Wang VS, Revenue will purchase a software package which allows an analyst/programmer to write programs on the Wang VS and have them translated to command level CICS to run on the mainframe, which offers economical storage and processing for large files.

10. Given the existing federal tax law, this bill requires all persons receiving a permanent fund dividend to file an Alaska Individual Income Tax return. However, for purposes of this fiscal analysis, it is assumed that the final version would not require filing by a person whose only source of income is the Alaska Permanent Fund Dividend. Thus, most of Alaska's children would not have to file. If this proves not to be the case, there will be an incremental cost of processing the additional 180,000 tax returns.

Program Summary:

The Alaska Individual Income Tax will require the creation of two major processing systems:

1) Alaska Individual Income Tax Withholding System.
2) Alaska Individual Income Tax Return Processing System.

In addition to designing, programming and maintaining the two above mentioned automated systems, the Administrative Services Division will process, review, microfilm, and data capture approximately 70,000 withholding forms and 275,000 Alaska Individual Income Tax returns annually. Refund warrants will be issued on approximately 213,750 of the returns filed. In addition, approximately 25,000 individual letters will be prepared, mailed, and controlled in response to persons who file incomplete tax returns or whose tax returns result in a mathematical adjustment.

Finally, the addition of such a major program to the Department of Revenue will definitely impact the ability of the Administrative Services Division to provide general administrative support services with the existing staff.

The Administrative Services Division will require staffing as early as FY90 in order to design and establish the computerized processing systems envisioned, and to produce the forms required. In late FY90, staffing will come on board to process the Withholding reports and returns. In FY91, additional staff will be needed to support the Alaska Individual Income Tax Return Processing System. The analysis below shows the estimated expenditures for FY90 - FY94.

FY90

1. Positions:

   A. Data Processing:

      1 PFT Analyst/Programmer V, R21, @ $4,856/Mo including salary and benefits for 12 months = $58,272

2 PFT Analyst/Programmer IV, R19,
@ $4,281/Mo each including salary
and benefits for 12 months = 102,744

2 PFT Analyst/Programmer III, R17,
@ $3,730/Mo each including salary
and benefits for 6 months = 44,760

The above analyst programmer team will design, program, and maintain the two major systems mentioned above, including all subsystems and interfaces with the existing Revenue systems and the Alaska State Accounting System.

These systems will provide for a minimum of the following:

<u>Alaska Individual Income Tax Withholding System</u>

* Online system comparable to the federal system with monthly deposits, quarterly returns, and an annual reconciliation.

* Direct deposit system at a "lock-box" bank by employers.

* Automatic generation of:
  - quarterly packets of:
    * monthly deposit coupons
    * quarterly tax returns
  - notices of tax deficiencies, penalty and interest
  - standard correspondence
  - management reporting data.

* Interface with accounts receivable system and Alaska Individual Income Tax Return Processing System.

<u>Alaska Individual Income Tax Return Processing System</u>

* document locator number system
* return data capture
* online systems
  - access/inquiry
  - address changes
  - status change system
  - generation of out cards
  - use of microfilm vs hard copy for review
  - automated calculation checks
  - generation of reduced refund notices with appeal rights
  - generation of automated billings for deficiencies, penalty and interest with appeal rights
* interface with accounts receivable system (A/R)
* interface with AIITWHS to verify claimed withholding
* history file
* possibility of multi-year file for easy access to information on prior year activity, etc.
* check writing for refunds
* management reporting data

B. Document Processing:

1. Mailroom

1 PFT Clerk IV, R9, @ $2,343/Mo
including salary and benefits for
3 months = $7,029

This position will augment the existing mailroom staff to perform the task of receiving, opening, sorting, and distributing an additional:

* approximately 70,000 pieces of mail due to the Alaska Individual Income Tax Withholding System (17,500 employers times four quarterly returns.
* handling, sorting and posting of additional outgoing/incoming mail as follows:
  - approximately 7,000 missing information letters, billing notices, and correspondence with employers.

2. Manual Review

1 PFT Tax Examiner III, R14, @
$3,124/Mo including salary and
benefits for 5 months = $15,620

2 PFT Document Processor I, R7, @
$2,113/Mo including salary and
benefits for 3 months = 12,708

These positions will manually review all Withholding Tax returns filed based on a predetermined criterion.
* identify incomplete returns
* send out automatically generated missing information letters and billing notices

3. Microfilming

1 PFT Document Processor I, R7 @
$2,118/Mo including salary and
benefits for 3 months = $6,354

These positions will augment the existing microfilm staff to microfilm, assign document locator numbers, and date stamp 100% of Withholding Tax returns filed.

4. Data Capture

2 PFT Data Processing Clerk I, R8,
@ $2,222/Mo including salary and
benefits for 3 months = $13,332

These positions will augment the existing Data Entry staff to data capture and verify captured data of 100% of returns filed.

C. General Departmental Support Services

1 PFT Chief, Income Tax Operations, R23, @ $5,558/Mo including salary and benefits for 12 months	=	$66,696
1 PFT Personnel Assistant II, R14, @ $3,115/Mo including salary and benefits for 12 months	=	37,380
1 PFT Clerk Typist III, R8, @ $2,222/Mo including salary and benefits for 12 months	=	26,664
1 PFT Supply Officer II, R16 @ $3,515/Mo including salary and benefits for 12 months	=	43,180
2 PFT Accounting Clerk III, R10, @ $2,468/Mo including salary and benefits for 12 months	=	59,232
1 PFT Publications Specialist I, R13, @ $2,915/Mo including salary and benefits for 12 months		34,980

These positions will augment the existing general administration support staff for the additional programs and related 100+ new employees.

* Personnel:
  - classification of postions and respond to reclassification requests
  - maintain payroll and leave records
  - process registers, and arrange interviews
  - handle grievances, information requests, typing tests, etc.

* Fiscal:
  - increase in travel requests
  - general distributions
  - handling increase in cancelled warrants

* Supply and purchasing:
  - increase in supply orders for paper intensive organization
  - Purchases increase:
    * general equipment
    * computer terminals, printers
    * maintenancc contracts
    * general office supplies
  - Property Control (terminals, furniture, calculators, etc. will increase

* Forms management:
  - preparation of Individual Income Tax booklet each year (considerably more complex than PFD booklet)
  - preparation of employment withholding forms
  - miscellaneous support forms:
    * missing information letter
    * denial forms
    * check stock (refunds)

* General:
  - general supervision and management of major additional line program in division, in addition to:
    * permanent fund dividend program
    * shared taxes
    * administrative services to the department

TOTAL PERSONAL SERVICES $529.0

2. Other Expenditures:

a) Travel:

on-site review of selected tax return processing systems in other states	$4.0	
training for analyst/programmers in command level CICS and Wang VS Cobol.	$6.0	
TOTAL TRAVEL		$10.0

b) Contractual:

Terminals

1.	3 Wang 4250 workstations	$16,216
2.	3 Wang emulator boards	2,415
3.	2 Wang 4230 key-punch terminals, 2 months	1,800
4.	Microfilmer, with maintenance, 3 months	3,792
5.	4 phones, centrex costs, local and long distance	5,390
6.	printing: Withholding Returns, Deposit Coupons, envelopes, calendars, W-4's, etc.	42,000
7.	postage	22,000
8.	chargeback for computer time from DCA	91,600
9.	Wang/IBM development package (NETRON-CAP) with maintenance	123,500
10.	Wang/IBM remote access software with maintenance	5,240
11.	Wang Disk Pack cleaning	700
12.	IBM Control Unit maintenance	600

13. Wang VS-100 I.O.P. maintenance 360
14. Wang VS-100 Memory maintenance 720
15. Wang VS-100 Disk Drive maintenance 2,256
16. DOR's additional office space requirements 102,354

TOTAL CONTRACTUAL		$402.9

c) Supplies:

Computer, microfilming, duplicating, general consumption	$5.5

d) Equipment:

1)	Kodak film cabinet	$1,025	
2)	Kodak film carrousel	225	
3)	Wang VS-100 IOP (2)	7,200	
4)	Wang VS-100 Memory (6 MB)	32,400	
5)	Wang VS-100 disk drive (628 MB)	27,000	
6)	Wang Disk Packs (8)	4,800	
7)	IBM Control Unit	8,000	
8)	Additional systems furniture	72,827	
9)	Operational seating	4,750	
10)	File cabinets, calculators, etc.	5,000	
	TOTAL Equipment		$163.2
	TOTAL EXPENDITURES		$1,110.6

3. Funding - General funds

4. Section Cost Analysis - N/A

Computations - N/A
Economic Impact - N/A
Impact on Local Government - N/A

FY91

1. Positions:

A. Data Processing:

1 PFT Analyst/Programmer V, R21, @ $4,856/Mo including salary and benefits for 12 months = $58,272

2 PFT Analyst/Programmer IV, R19, @ $4,281/Mo each including salary and benefits for 12 months = 102,744

2 PFT Analyst/Programmer III, R17, @ $3,730/Mo each including salary and benefits for 12 months = 89,520

The above analyst programmer team will design, program, and maintain the two major systems mentioned above, including all subsystems and interfaces with the existing Revenue systems and the Alaska State Accounting System.

These systems will provide for a minimum of the following:

Alaska Individual Income Tax Withholding System

* Online system comparable to the federal system with monthly deposits, quarterly returns, and an annual reconciliation.

* Direct deposit system at a "lock-box" bank by employers.

* Automatic generation of:
  - quarterly packets of:
    * monthly deposit coupons
    * quarterly tax returns
  - notices of tax deficiencies, penalty and interest
  - standard correspondence
  - management reporting data.

* Interface with accounts receivable system and Alaska Individual Income Tax Return Processing System.

Alaska Individual Income Tax Return Processing System

* document locator number system
* return data capture
* online systems
  - access/inquiry
  - address changes
  - status change system
  - generation of out cards
  - use of microfilm vs hard copy for review
  - automated calculation checks
  - generation of reduced refund notices with appeal rights
  - generation of automated billings for deficiencies, penalty and interest with appeal rights

* interface with accounts receivable system (A/R)
* interface with AIITWHS to verify claimed withholding
* history file
* possibility of multi-year file for easy access to information on prior year activity, etc.
* check writing for refunds
* management reporting data

B. Document Processing:

1. Mailroom

1 PFT Clerk IV, R9, @ $2,343/Mo
including salary and benefits for
12 months = $28,116

1 PFT Clerk II, R7, @ $2,118/Mo
including salary and benefits
for 6 months = 12,708

These positions will augment the existing mailroom staff to perform the task of handling, opening, sorting, and distributing an additional:

* approximately 275,000 Individual Income tax returns filed per year.
* approximately 70,000 pieces of mail due to the Individual Income Tax Withholding System.
* posting, handling and sorting of additional outgoing mail as follows:
  - approximately 7,000 missing information letters, billing notices, etc.

2. Validation

1 PFT Data Processing Clerk I,
R8, @ $2,222/Mo including
salary and benefits for 6 months = $13,332

This position will manually validate all the Alaska Withholding and Individual Income Tax Returns accompanied with a payment.

* separate checks and returns
* validate checks and returns
* forward checks to Treasury
* forward returns to microfilming

3. Manual Review

1 PFT Tax Examiner III, R14, @
$3,124/Mo including salary and
benefits for 12 months = $37,488

2 PFT Document Processor I, R7, @
$2,118/Mo each including salary and
benefits for 12 months = 50,832

4 PFT Document Processor I, R7, @
$2,118/Mo each including salary
and benefits for 6 months = 50,832

20 TEMP Document Processor I, R7, @
$1,569/Mo each including salary and
benefits for 6 months = 188,280

These positions will manually review all Withholding and Individual Income Tax returns filed based on a predetermined criterion.

* identify incomplete returns
* send out automatically generated missing information letters
* identify returns for desk examination

4. Microfilming

1 PFT Document Processor I, R7 @
$2,118/Mo including salary and
benefits for 6 months = $12,708

This position will augment the existing microfilm staff to microfilm, assign document locator numbers, and date stamp 100% of Withholding and Individual Income Tax returns filed.

5. Data Capture

1 PFT Data Processing Clerk III, R11
@ $2,613/Mo including salary and
benefits for 6 months = $15,678

2 PFT Data Processing Clerk I, R8,
@ $2,222/Mo each including salary
and benefits for 12 months = 53,328

1 PFT Data Processing Clerk I, R8
@ $2,222/Mo including salary and
benefits for 6 months = 13,332

7 TEMP Data Processing Clerk I,
R8 @ $1,657/Mo each including
salary and benefits for 6 months = 69,594

These positions will augment the existing Data Capturing staff to data capture and verify captured data of 100% of Withholding and Individual Income Tax returns filed.

C. General Departmental Support Services

1 PFT Chief, Income Tax Operations,
R23, @ $5,558/Mo including salary
and benefits for 12 months = $66,696

1 PFT Personnel Assistant II, R14, @ $3,115/Mo including salary and benefits for 12 months = 37,380

1 PFT Personnel Assistant I, R12, @ $2,773/Mo including salary and benefits for 12 months = 33,270

2 PFT Accounting Clerk III, R10, @ $2,468/Mo each including salary and benefits for 12 months = 59,232

1 PFT Clerk Typist III, R8, @ $2,222/Mo including salary and benefits for 12 months = 26,664

1 PFT Publications Specialist I, R13, @ $2,915/Mo including salary and benefits for 12 months = 34,980

1 PFT Supply Officer II, R16, @ $3,515/Mo including salary and benefits for 12 months = 42,180

These positions will augment the existing general administration support staff for the additional programs and related 100+ new employees.

* Personnel:
  - classification of postions and respond to reclassification requests
  - maintain payroll and leave records
  - process registers, and arrange interviews
  - handle grievances, information requests, typing tests, etc.

* Fiscal:
  - increase in travel requests
  - general distributions
  - handling increase in cancelled warrants

* Supply and purchasing:
  - increase in supply orders for paper intensive organization
  - Purchases increase:
    * general equipment
    * computer terminals, printers
    * maintenance contracts
    * general office supplies
  - Property Control (terminals, furniture, calculators, etc. will increase.

* Forms management:
  - preparation of Individual Income Tax booklet each year (considerably more complex than PFD booklet)

- preparation of employment withholding forms
- miscellaneous support forms:
  * missing information letter
  * denial forms
  * check stock (refunds)

* General:
  - general supervision and management of major additional line program in division, in addition to:
    * permanent fund dividend program
    * shared taxes
    * administrative services to the department

TOTAL PERSONAL SERVICES	$1,097.1

2. Other Expenditures:

a) Travel:

training, increased EEO travel, data processing coordination	$8.0

b) Contractual:

1. 11 Wang 4250 workstations	$66,792
2. 11 Wang emulator boards	8,855
3. 9 Wang 4230 workstations	48,600
4. 1 Wang DWS 55 printer	3,636
5. Printing - tax booklets, "L" letters, W/H forms, check stock, envelopes, etc.	202,000
6. Postage - booklets, letters, W/H forms, etc.	95,475
7. 2 Kodak Microfilmers with maintenance	30,336
8. 2 Kodak Reader/Printers	13,704
9. IBM Copier with maintenance	10,308
10. 20 phones, centrex costs, local and long distance	26,960
11. Risk management	600
12. Pitney Bowes 6500 System with maintenance	7,284
13. Chargeback for computer time from DOA	286,000
14. Wang Disk Pack cleaning	700
15. IBM Control Unit maintenance	600
16. Wang VS-100 I.O.P maintenance	360
17. Wang VS-100 Memory maintenance	720
18. Wang VS-100 Disk Drive maintenance	2,256
19. Wang/IBM remote access maintenance	240
20. Wang/IBM development package (NCTRON-CAP) with maintenance	15,000

21. 2 Borroughs EP 301 with maintenance	3,000	
22. DOR's additional office space requirements	204,708	
TOTAL CONTRACTUAL		$1,028.1

c) Supplies:

Computer, microfilm, duplicating, general consumption		$18.0

d) Equipment:

1. Kodak film carrousel	$ 225	
2. Additional systems furniture	137,988	
3. Operational seating	9,000	
4. File cabinets, calculators, etc.	11,000	
TOTAL Equipment		$158.2
TOTAL EXPENDITURES		$2,309.4

3. Funding - General funds

4. Section Cost Analysis - N/A

Computations - N/A

Economic Impact - N/A

Impact on Local Government - N/A

FY92 - FY94

1. Positions:

A. Data Processing:

1 PFT Analyst/Programmer V, R21, @ $4,856/Mo including salary and benefits for 12 months = $58,272

2 PFT Analyst/Programmer IV, R19, @ $4,281/Mo each including salary and benefits for 12 months = 102,744

1 PFT Analyst/Programmer III, R17, @ $3,730/Mo each including salary and benefits for 12 months = 44,760

The above analyst programmer team will design, program, and maintain the two major systems mentioned above, including all subsystems and interfaces with the existing Revenue systems and the Alaska State Accounting System.

These systems will provide for a minimum of the following:

Alaska Individual Income Tax Withholding System

* Online system comparable to the federal system with monthly deposits, quarterly returns, and an annual reconciliation.

* Direct deposit system at a "lock-box" bank by employers.

* Automatic generation of:
  - quarterly packets of:
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  - notices of tax deficiencies, penalty and interest
  - standard correspondence
  - management reporting data.

* Interface with accounts receivable system and Alaska Individual Income Tax Return Processing System.

Alaska Individual Income Tax Return Processing System

* document locator number system
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* online systems
  - access/inquiry
  - address changes
  - status change system
  - generation of out cards
  - use of microfilm vs hard copy for review
  - automated calculation checks
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* interface with accounts receivable system (A/R)
* interface with AIITWHS to verify claimed withholding
* history file
* possibility of multi-year file for easy access to information on prior year activity, etc.
* check writing for refunds
* management reporting data

B. Document Processing:

1. Mailroom

1 PFT Clerk IV, R9, @ $2,343/Mo including salary and benefits for 12 months = $28,116

1 PFT Clerk II, R7, @ $2,118/Mo including salary and benefits for 12 months = 25,416

These positions will augment the existing mailroom staff to perform the task of handling, opening, sorting, and distributing an additional:

* approximately 275,000 Individual Income tax returns filed per year.
* approximately 70,000 pieces of mail due to the Individual Income Tax Withholding System.
* posting, handling and sorting of additional outgoing mail as follows:
  - approximately 7,000 missing information letters, billing notices, etc.

2. Validation

1 PFT Data Processing Clerk I, @ $2,222/Mo including salary and benefits for 12 months = $26,664

This position will manually validate all the Alaska Withholding and Individual Income Tax Returns accompanied with a payment.

* separate checks and returns
* validate checks and returns
* forward checks to Treasury
* forward returns to microfilming

3. Manual Review

1 PFT Tax Examiner III, R14, @ $3,124/Mo including salary and benefits for 12 months = $37,488

6 PFT Document Processor I, R7, @ $2,118/Mo each including salary and benefits for 12 months = 152,496

20 TEMP Document Processor I, R7, @ $1,569/Mo each including salary and benefits for 6 months = 188,280

These positions will manually review all Withholding and Individual Income Tax returns filed based on a predetermined criterion.

* identify incomplete returns
* send out automatically generated missing information letters
* identify returns for desk examination

4. Microfilming

1 PFT Document Processor I, R7 @ $2,118/Mo including salary and benefits for 12 months = $25,416

This position will augment the existing microfilm staff to microfilm, assign document locator numbers, and date stamp 100% of Withholding and Individual Income Tax returns filed.

5. Data Capture

1 PFT Data Processing Clerk III, R11 @ $2,613/Mo including salary and benefits for 12 months = $31,356

3 PFT Data Processing Clerk I, R8, @ $2,222/Mo each including salary and benefits for 12 months = 79,992

7 TEMP Data Processing Clerk I, R8 @ $1,657/Mo each including salary and benefits for 6 months = 69,594

These positions will augment the existing Data Capturing staff to data capture and verify captured data of 100% of Withholding and Individual Income Tax returns filed.

C. General Departmental Support Services

1 PFT Chief, Income Tax Operations, R23, @ $5,558/Mo including salary and benefits for 12 months = $66,696

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1 PFT Personnel Assistant I, R12, @ $2,773/Mo including salary and benefits for 12 months = 33,270

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  - classification of postions and respond to reclassification requests
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  - process registers, and arrange interviews
  - handle grievances, information requests, typing tests, etc.

* Fiscal:
  - increase in travel requests
  - general distributions
  - handling increase in cancelled warrants

* Supply and purchasing:
  - increase in supply orders for paper intensive organization
  - Purchases increase:
    * general equipment
    * computer terminals, printers
    * maintenance contracts
    * general office supplies
  - Property Control (terminals, furniture, calculators, etc. will increase.

* Forms management:
  - preparation of Individual Income Tax booklet each year (considerably more complex than PFD booklet)
  - preparation of employment withholding forms
  - miscellaneous support forms:
    * missing information letter
    * denial forms
    * check stock (refunds)

* General:
  - general supervision and management of major additional line program in division, in addition to:
    * permanent fund dividend program
    * shared taxes
    * administrative services to the department

TOTAL PERSONAL SERVICES $1,171.0

2. Other Expenditures:

a) Travel:

training, increased EEO travel, data processing coordination $8.0

b) Contractual:

1.	11 Wang 4250 workstations	$66,792
2.	11 Wang emulator boards	8,855
3.	9 Wang 4230 workstations	48,600
4.	1 Wang DWS 55 printer	3,636
5.	Printing - tax booklets, "L" letters, W/H forms, check stock, envelopes, etc.	186,000
6.	Postage - booklets, letters, W/H forms, etc.	80,475
7.	2 Kodak Microfilmers with maintenance	30,336
8.	2 Kodak Reader/Printers	13,704
9.	IBM Copier with maintenance	10,308
10.	20 phones, centrex costs, local and long distance	26,960
11.	Risk management	600
12.	Pitney Bowes 6500 system with maintenance	7,284
13.	Chargeback for computer time from DOA	357,500
14.	Wang Disk Pack cleaning	700
15.	IBM Control Unit maintenance	600
16.	Wang VS-100 I.O.P maintenance	360
17.	Wang VS-100 Memory maintenance	720
18.	Wang VS-100 Disk Drive maintenance	2,256
19.	Wang/IBM development package (NETRON-CAP) with maintenance	15,000
20.	Wang/IBM remote access maintenance	240
21.	2 Borroughs EP 301 with maintenance	3,000
22.	DOR's additional office space requirements	204,708

TOTAL CONTRACTUAL $1,068.6

c) Supplies:

Computer, microfilm, duplicating, general consumption $18.0

d) Equipment: None.

TOTAL EXPENDITURES $2,265.6

3. Funding - General funds

4. Section Cost Analysis - N/A

Computations - N/A

Economic Impact - N/A

Impact on Local Government - N/A

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: HB 252
PUBLISH DATE: 3/24/89

FISCAL NOTE

REQUEST:

Revision Date:
Title: An act relating to the taxation of income derived by individuals
Sponsor: Koponen, Spohnholz, Ulmer et.al
Requestor: State Affairs and Finance

Agency Affected: Revenue
BRU: Commissioner's Office (Research)
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
OPERATING						
PERSONAL SERVICES	54.6	54.6	54.6	54.6	54.6	54.6
TRAVEL	1.5	1.5	1.5	1.5	1.5	1.5
CONTRACTUAL	39.9	28.6	28.6	28.6	28.6	28.6
SUPPLIES	.9	.9	.9	.9	.9	.9
EQUIPMENT	6.8	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	103.7	85.6	85.6	85.6	85.6	85.6
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	103.7	85.6	85.6	85.6	85.6	85.6
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel
Division: Income and Excise Audit

Phone: (907) 465-2320
Date: April 10, 1989

Approved by Commissioner:
Agency:

Date:

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

Continuation of Fiscal Note/Bill Analysis

Individual Income Tax

Assumptions:

1. The Research Section will be responsible for economic and statistical reports on the Individual Income Tax.

2. The Research Section will forecast tax revenues and respond to requests from the Governor's Office, the Legislature and the Public for current and historical statistical information.

3. The Research Section will prepare fiscal notes on revenue impacts of any proposed changes to income tax law.

4. Assumes that duties begin at the start of FY90. Items with a asterisk (*) are costs for the first year only.

1. Positions

Research
1 PFT Economist II, R 20 at $4,550/mo.
including salary and benefits for
12 months

Total Personal Services	$54.6

The above position will do all analysis, program development and coordination of research on the individual income tax. These duties include forecasting economic conditions and tax revenues. Other duties will include development and maintenance of data bases to support the research and forecasting efforts, the preparation of fiscal notes, policy analyses, and coordination of research needs with those of tax administrators.

This work will provide the following information:

1. Income and tax information by income class.

2. The ability to estimate revenue impacts of any significant change in tax structure - rates, income classes, exemptions and deductions.

3. If zip code information is available it should be possible to present such data on a geographic basis.

2. <u>Other Expenditures</u>

a. Travel
Assume 3 trips in-state per year for coordination, public information, testimony — $1.5

b. Contractual
1. Economic Consulting during model development 15 days at $750/day — 11.3*
2. Phone, centrex, local and long distance charges — .6
3. Chargeback for computer time from DOA — 28.0

c. Supplies
Duplication, general consumption, mailing — .7
Books, technical journals — .2

d. Equipment
1. Wang APC, VS Communication Board and 30mb Hard Disk — 6.5*
2. Desk Calculator — .3*

Total Expenditure First Year	$103.7
Total Expenditure Subsequent Years	$85.6

3. <u>Funding</u> - General Funds

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: HB 252
PUBLISH DATE: 3/24/89

FISCAL NOTE

REQUEST:

Revision Date:
Title: An act relating to the taxation of income derived by individuals
Sponsor: Koponen, Spohnholz, Ulmer et.al
Requestor: State Affairs and Finance

Agency Affected: Revenue
BRU: Treasury

Components. Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
PERSONAL SERVICES	32.8	46.4	46.4	46.4	46.4	46.4
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	44.6	89.1	89.1	89.1	89.1	89.1
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	77.4	135.5	135.5	135.5	135.5	135.5
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	77.4	135.5	135.5	135.5	135.5	135.5
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	77.4	135.5	135.5	135.5	135.5	135.5

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME	1	1	1	1	1	1
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel
Division: Income and Excise Audit

Phone: (907) 465-2320
Date: April 10, 1989

Approved by Commissioner:
Agency:

Date:

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

DEPARTMENT OF REVENUE
TREASURY DIVISION

FISCAL NOTE ANALYSIS

ASSUMPTIONS:

1. Cash Management Section will develop the RFP and the contract to lockbox the monthly employers' withholding tax deposits. 17,500 payments per month.

2. Cash Management Section will perform the depository functions of the remittances attached to individual tax returns. 100,000 per year.

3. Cash Management Section will process all returned items (NSF checks, etc.). 1,500 per year.

4. Processing and deposit of penalty and interest payments.

5. Cash Management Section will provide the accounting to AKSAS and reconciliation between the bank, AKSAS, and the Department of Revenue's system for the tax payments on a consolidated basis.

COSTS:

Personal Services	FY 1990	FY 1991
Accounting Technician I $2,718 X 12 mo	19.0*	32.6
Accounting Clerk II $2,310 X 6 mo	13.8	13.8
Lockbox contract	44.6	89.1
TOTAL	$77.4	$135.5

* 7 months in FY 1988

DEVELOPMENT TIME:

		Completion Date
Technical Analysis of the required system	4 months	10/89
Lockbox Contract	3 months	12/89
In-house training of depository procedures	2 weeks	12/89
In-house traning of accounting procedures	2 weeks	12/89

Item 3

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465-3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M   March 27, 1989

SUBJECT: House Bill 252, imposing an individual income tax, work - sectional analysis

TO: Representative Niilo Koponen

FROM: Jack Chenoweth
Legislative Counsel

This bill proposes imposition of an individual income tax. It is based on CSHB 154 (State Affairs) of the 1987 session, a committee substitute that was in turn based on Governor Cowper's initial bill. (The governor's comments applicable to the legislation he sponsored appear on pp. 347 - 350 of the 1987 House Journal.) The legislation re-inserts individual income tax-related provisions--and related provisions applicable to fiduciary (i.e. trust and estate) income--into the state's Net Income Tax Act, AS 43.20.

In the following summary, I address the sections in order of their apparent significance rather than strictly in numerical order.

Bill section 1 adds subsections to AS 43.20.011 setting out the methods of determining tax liability. The rates are set out in four different filing statuses--joint returns (subsection (h)), head of household returns (subsection (i)), returns of married persons filing separate returns (subsection (j)), and all other persons (subsection (g))-- and for determining nonresident and part-year resident tax liability. Another subsection, subsection (l), directs that the taxpayer's filing status is to follow the same as elected on the taxpayer's federal income tax return. Under the bill, the filing status determines how much income is taxed in each of the two brackets, 3.2% and 5.7%. The bill follows the example of the governor's submission by replacing the approach used in the prior individual income tax to reduce the disparity in the treatment that had favored nonresidents over residents.

Bill section 5 adds subsections to AS 43.20.031 to outline methods of determining a taxpayer's gross income, adjusted gross income, and taxable income. The taxpayer's gross income will match the taxpayer's federal gross income with the two exceptions proposed in subsection (j):

-- cost-of-living allowances exempt from federal income taxation are added to the state tax base;

-- interest on state and municipal obligations that would normally be exempt from taxation is also added to the tax base for state income tax purposes.

Subsection (k) enumerates allowable adjustments to gross income. To determine taxable income, subsection (m) authorizes certain deductions from adjusted gross income. Originally, the governor proposed recognizing the personal exemptions authorized by federal law. In this version, in addition to that deduction, an alternative is offered-- exemption of the amount permitted by applicable federal poverty level guidelines computed and reported for Alaska. Subsection (l) disallows these exemptions for trust and estate income. Subsection (n) sets out applicable definitions for this section.

Bill sections 6 - 8 are interrelated. Bill sections 6 and 8 add provisions relating to tax calculations for nonresidents and part-year residents, while bill section 7 extends taxation to income derived from salary and wages in the state and estate and trust income. The inclusion of the material in bill sections 6 and 8 is intended to parallel related provisions in AS 43.20.011, applicable to the calculation of income, and AS 43.20.031, applicable to determination of adjusted gross income and of exemptions by nonresidents and part-year residents.

Bill section 9 addresses allowable tax credits. As with Governor Cowper's bill, this section authorizes, as credits against the individual income tax of a resident, taxes payable to another state or territory, and also authorizes the taxpayer to set off expected payment of a permanent fund dividend receivable against the individual income tax liability. In addition to the credits recommended in the governor's legislation, this section adds as allowable credits

(1) the taxes that are paid to Alaska municipal governments--motor vehicle registration, sales and use, and property--and

(2) a "renter's credit" calculated and applied substantially as the renter's credit allowed by the Department of Community and Regional Affairs for senior citizens under AS 29.45.040.

A related section, bill section 11, directs the commissioner of revenue to prepare a deduction guide to assist the taxpayer to calculate the sales and use tax credits related to municipal sales and use tax levies that this bill authorizes.

Current law provides an exemption from state and municipal taxation for longevity bonus payments. Bill section 14 deletes the exemption from the state income tax, making longevity bonus payments subject to state individual income taxation.

*

Several sections are essentially procedural.

Under bill section 3, the state individual income tax is made due and payable at the same time as the federal individual income tax.

Amending AS 43.20.030(d), bill section 4 would require that every taxpayer file a copy of the federal return with his or her state tax return. The section also prescribes when the taxpayer would be required to file an amended state income tax return if the taxpayer or the IRS determined an adjustment of the taxpayer's federal income tax liability.

Bill section 12 establishes new responsibilities on employers, directing withholding of taxes from employees, submission of withholding reports, remittance of the amounts withheld, and preparation and furnishing of wage and tax statements.

*

The remainder of the bill makes essential-drafting, technical, and conforming changes.

Bill section 2 makes a conforming change to add references to the additions and amendments made elsewhere in the legislation. Bill section 10 makes a technical revision based on current bill drafting practices. Bill section 13 restores pertinent definitions relating to terms used in the amendments and additions made in the legislation.

The provisions repealed by bill section 15 delete the tax credits for political contributions and child care (AS 43.-20.013) now under suspension; a related provision (AS 43.05.-085) addressing preparation of lists of contributors claiming a credit under that section; and a conflicting provision (AS 43.20.012) stating that the Alaska Net Income Tax Act is not applicable to individuals and fiduciaries;

*

As to the legislation's taking effect, taken together, bill sections 16 and 17 make the bill effective January 1, 1990, and applicable to income earned on and after that date.

JC:kb
WKK3/039

Item 4

Alaska State Legislature
Representative Niilo Koponen

Pouch V
Juneau, Alaska 99811
(907) 465-4992

House District 21

119 N. Cushman, Suite 207
Fairbanks, Alaska 99701
(907) 456-8172

MEMORANDUM

TO: Fiscal Policy Working Group

FROM: Rep. Koponen

RE: income tax scenarios

DATE: 1/31/89

Rep. Swackhammer asked that this office provide figures demonstrating the impact upon individual households of an income tax proposal I currently have in draft form. The following are eight such examples.

For simplicity I have used taxable income rather than gross or adjusted gross income in computing final taxes. Also, all residents are assumed to live in Anchorage. Property tax is calculated at the 1987 rate of 13.39 mils. This also assumes no sales tax.

1. 30 yr. old single construction worker from Washington state. His share of rent for 4 mos. is $150/mo. giving him a rental credit of $20/mo. ($150 @ 13.39%). Taxable income from all sources as reported to IRS, $60,000. Fraction of income derived from Alaskan sources as determined in sec.1 (k): 1/3.

tax on income	$30,000 @ 3.2%	960	
	$30,000 @ 5.7%	1,710	
		2,670	
		x .33	
		881.1	881
credits	rent		(80)
total tax:			801

2. Couple, in their 70's. Both receive longevity bonus ($250/mo.) and Permanent Fund dividend ($900/yr.). They are exempt from property tax. Taxable income, $12,000. They elect to credit their PF dividend check against their tax.

tax on income	$12,000 @ 3.2%		384
total tax:			384
total received from state:	PF dividend		1,416
	Longevity bonus		6,000
			7,416

3. Couple, in their 40's, two children, both work, filing jointly. Combined taxable income of $80,000 (incl. PF dividend). Property tax on home, $2,500. Auto registration tax, 2 cars, one new, one 4yrs. old, $90.

tax on income:	$50,000 @ 3.2%	1,600	
	$30,000 @ 5.7%	1,710	
		3,310	3,310
credits:	property tax	(2,500)	
	auto	(90)	
		(2,590)	(2,590)
total tax:			720

4. Married couple, in their twenties, two children, both work. Combined taxable incomes, $38,000 (incl. PF dividend). Rent home, assume $87.04/mo. tax credit (rent, $650/mo. x 13.39%). Auto reg. tax, one 3 yr. old car, $40.

tax on income	$38,000 @ 3.2%		1,216
credits	rent	(1,044)	
	auto	(40)	
		(1,084)	(1,084)
total tax:			132

5. Limited Entry fisherman from Bellingham, WA. Married, filing separately. Earns $80,000 taxable in season. No local taxes paid.

tax on income	$25,000 @ 3.2%	800	
	$55,000 @ 5.7	3,135	
		3,935	3,935
total tax:			3,935

6. North slope construction worker from Oklahoma City, OK. Single. Earns $60,000/yr. taxable. No local taxes paid.

tax on income	$30,000 @ 3.2%	960	
	$30,000 @ 5.7%	1,710	
		2,670	2,670
total tax:			2,670

7. Single mother, on AFDC, 2 children. 3 PF dividend checks ($2,700/yr.). Eight weeks summer work, minimum wage (8wks @ $154/wk. = $1,232). Falls below federal poverty guidelines.

total tax:	0

8. Married couple, self-employed entrepeneurs. Filing jointly. Combined incomes, all sources, $150,000. Prop. tax, $3,200. Auto reg. tax (two cars, new, one motorcycle, $128). Pers. Prop.-tax on airplane, $800. 1yr old recreational motor home, $50.

tax on income:	$50,000 @ 3.2%	1,600	
	$100,000 @ 5.7%	5,700	
		7,300	7,300
credits:	property tax	(3,200)	
	auto	(128)	
	pers. prop. tax	(850)	
		(4,178)	(4,178)
total tax:			3,122

Wanted: A business of his own

By Barb Kinney

CAPITAL HOLIDAY: Mark Nelson and Tina Janso on vacation last month in Washington, D.C.

Nelson's finances

Assets	
Checking accounts	$1,350
Money market fund	92,000
Municipal bonds	8,900
Real estate	146,000
401(k) retirement plan	14,000
Individual retirement account	21,700
Mortgage note	18,000
Furnishings	2,000
Misc. (coin collection, guns, tools)	14,000
Pickup truck and car	7,500
Total	**$325,450**

Liabilities	
Real estate loans	$79,000
Net worth	**$246,450**

Annual income	
Salary	$64,000
Plumbing work	3,000
Interest	5,650
Alaska state resident dividend	800
Net rental income	(800)
Total	**$72,650**

Annual expenses	
Food	1,200
Clothes	600
Telephone	1,800
Cleaners	120
Auto expenses	900
Car insurance	240
Entertainment	1,800
Vacations	2,400
Donations to church and charity	300
Medical expenses	240
Gifts	900
Misc. personal expenses	240
Federal income taxes	13,800
Social Security	3,605
Available for savings	45,505
Total	**$72,650**

Source: USA TODAY research

By Jim Henderson
USA TODAY

Mark Nelson is ready to begin Stage 2 of his life's dream of owning and running his own business.

Stage 1 was to make as much money as quickly as possible so he could buy a business. Stage 2 is finding and buying one.

At 28, Nelson has a net worth of nearly a quarter of a million dollars, and it's getting fatter by the day.

After graduating in 1983 from the University of Idaho with a degree in accounting and finance, he headed to Alaska from his hometown of Lewiston, Idaho, to make big bucks in the oil boom.

He spent a year in the offices of an oil firm in Anchorage and then transferred in Prudhoe Bay, north of the Arctic Circle.

He's an administration manager for Alaska Petroleum Contractors Inc. His work schedule: three weeks on — 12 hours a day, seven days a week — then three weeks off. His salary: $64,000 a year.

By John Sherlock, USA TODAY

"The beauty of my job is that I'm not only paid a good salary, but for the six months a year I'm up there, all my living expenses are paid for." Back in Lewiston, he lives with his mother and stepfather and works as a plumber. His stepfather owns a plumbing business.

He has invested in three rental properties in the Lewiston area: a duplex, a commercial building that houses a real estate office and a sign-making company, and a condominium that he owns in partnership with his mother, a Realtor.

"Real estate values haven't gone through the roof in Lewiston like they have in California and the East Coast, but they're pretty stable and have gone up a little each year," he says.

The properties are worth about $146,000. He paid a total of $127,000 for them and owes $79,000 on mortgages.

During the past two years, Mark has been spending more of his time off traveling. He also has fallen in love. He met Tina Janso, 26, of Copenhagen, Denmark, in 1981 when he spent a summer backpacking in Europe. They plan to get married next spring. Tina will move to the USA. They plan to work together in Alaska while they research a business to buy, then work in it together.

Mark has been to the Soviet Union, China, Hong Kong, Japan, and Africa. "But I try to do it as cheaply as possible," he says. "Backpacks and youth hostels." His company-paid plane flights to Prudhoe Bay qualify him for frequent-flier mileage.

Besides real estate, most of his money is invested in a money market mutual fund and tax-free municipal bonds, bought through his father, a broker for D.A. Davidson & Co., a regional brokerage based in Great Falls, Mont.

Mark is "wide open" about what kind of business he wants. "I want to go about it the right way and take my time searching for the right business. I don't mind working hard, and I figure if things don't work out I'll still be young enough for a comeback." His only criteria at this point: "Some place warmer than Alaska, and no rat-race cities like L.A. or New York."

Under the draft proposal, Mr. Nelson would pay Alaska approximately $2,842 on income earned in the state.

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

January 23, 1989

MEMORANDUM

TO: Representative Niilo Koponen

ATTN: Dana Owen

FROM: Gretchen Keiser G. Keiser
Legislative Analyst

RE: **State Individual Income Tax Proposal**
Research Request 89.118

You asked us to review your state individual income tax proposal and provide information on the following:

- who would pay (excluding those below the federal poverty level),
- what the individual tax liability would be, and
- how much revenue the tax would generate.

The first section of this memorandum outlines the tax proposal and compares it with similar individual income tax legislation (HB 154) introduced by Governor Cowper in 1987. The second section presents a rough estimate of the proposal's revenue-generating potential and individual tax liability. My estimate is based on Alaska Department of Revenue calculations for HB 154 prepared in 1987, adjusted for differences in your current proposal.[1]

INDIVIDUAL INCOME TAX PROPOSAL

The proposed individual income tax is piggybacked on the current federal tax. Adjustments to the federal definition of gross income broaden the state tax base while allowable deductions generally follow the federal tax code. Personal exemptions of $3,000 are subtracted from the adjusted gross income to yield the taxable income of each taxpayer. You propose a two-tiered tax rate structure with higher income brackets being taxed at a higher rate, as follows:

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[1] Due to staff constraints, the Department of Revenue is unable to calculate new estimates for your proposed tax at this time.

Taxpayer Status	Taxable Income	Tax Rate
Individual	$31 - $29,999	3.2%
	$30,000 or more	$960 + 5.7% of income in excess of $30,000
Married, Joint Return	$31 - $49,999	3.2%
	$50,000 or more	$1,600 + 5.7% of income in excess of $50,000
Head of Household	$31 - $39,999	3.2%
	$40,00 or more	$1,280 + 5.7% of income in excess of $40,000
Married, Separate	$31 - $24,999	3.2%
	$25,000 or more	$800 + 5.7% of income in excess of $25,000

Tax credits would be allowed for income tax imposed by another state or territory of the United States and for property, sales, use and motor vehicle registration taxes imposed by a municipality under AS 29.45. Other provisions would 1) require collection of the tax by an employer, 2) direct the DOR to issue sales and use tax deduction guides, and 3) eliminate the exemption of the Alaska longevity bonus from state tax [AS 47.45.120(a)].

Governor Cowper's 1987 individual income tax legislation (HB 154; Attachment A) is similar to your proposal, except for a few key provisions, as follows:

- the longevity bonus is not included in gross income,
- allowable deductions include permanent fund dividends, and
- tax credits are not allowed for municipal property, sales, use and motor vehicle registration taxes.

REVENUE POTENTIAL AND TAX LIABILITY

In December 1987, the DOR estimated that an individual income tax, as outlined in HB 154 but including permanent fund dividends in taxable income, would generate about $265 million in FY 89. Table 1 summarizes the DOR estimates of the number of returns, taxable income, tax liability and effective tax rate by adjusted gross income groups. For example, the 32,523 taxpayers (13.7 percent of total returns) with adjusted gross incomes between $20,001 and $30,000 would have an average taxable income of $17,811 and pay an average of $548 in state income taxes. As a group, they would have taxable income of about $58 million and would pay about $18 million in state income taxes.

TABLE 1

ALASKA DEPARTMENT OF REVENUE FY 89 ESTIMATES OF A STATE INDIVIDUAL INCOME TAX

Adjusted Gross Income Group	----- Tax Returns -----		----- Taxable Income -----		----- Tax Liability -----		Effective Tax Rate (Average)
	Number	% of Total	Sum (Millions)	Average	Sum (Millions)	Average	
Loss	3,233	1.4	0	0	0	0	0
$0 to $10,000	53,240	22.4	$11.25	$2,114	$3.49	$66	0.90
$10,001 to $20,000	46,007	19.3	42.72	9,287	13.2	287	1.9
$20,001 to $30,000	32,523	13.7	57.92	17,811	17.81	548	2.09
$30,001 to $40,000	24,743	10.4	66.2	26,758	20.89	845	2.18
$40,001 to $50,000	19,427	8.2	70.09	36,083	23.17	1,193	2.28
$50,001 to $60,000	15,252	6.4	69.62	45,650	23.34	1,531	2.24
$60,001 to $70,000	11,432	4.8	63.53	55,578	22.39	1,959	2.31
$70,001 to $80,000	8,566		56.09	65,484	21.22	2,478	2.47
$80,001 to $90,000	6,267	2.6	47.17	75,281	18.75	2,992	2.61
$90,001 to $100,000	4,374	1.8	37.28	85,238	15.32	3,503	2.68
$100,001 to $150,000	8,940	3.8	97.62	109,201	42.72	4,779	2.83
$150,001 to $200,000	2,408	1.0	38.9	161,550	18.3	7,601	3.2
$200,001 to $300,000	1,153	0.5	26.4	228,977	12.83	11,131	3.47
$300,001 to $400,000	301	0.1	9.98	331,932	4.99	16,607	3.58
Over $400,000	236	0.1	13.51	572,682	7.05	29,905	3.87
Total	238,102	100.1	$708.28		$265.47		

Note: Unpublished estimates prepared by the Alaska Department of Revenue in December 1987 using their income tax model. The estimates are based on 1986 federal individual income tax data and the September 1987 petroleum revenue forecast.

Prepared by the House Research Agency, January 1989 (89.118).

The DOR estimated that 27,872 nonresidents and part-time residents--about 12 percent of the total number of tax returns--would pay $16.2 million--about six percent of the total tax burden.

Your current individual income tax proposal would likely generate less state revenue than that estimated by DOR in 1987. The following factors affect the revenue estimate:

- The September 1987 petroleum revenue forecast used as the basis of the economic scenario in generating the above income tax estimate projected considerably higher crude oil prices than the recent October 1988 forecast. The average Alaska North Slope wellhead in 1990 was projected to be $12.05/barrel in the September 1987 forecast and $7.00/barrel in the October 1988 forecast. Recent increases in crude oil prices, however, appear to improve the near-term outlook for state petroleum revenues.

- Unlike the 1987 DOR estimate, your proposal would allow taxpayers credits for property, sales, use and motor vehicle registration taxes paid to Alaska municipalities. The deductibility of municipal taxes erodes the tax base of the state, and represents a leakage of tax dollars from the state to local governments. For example, a 1986 DOR study of several income tax alternatives indicated about a $7 million leakage from municipal property taxes under one alternative which generated about $428 million.[2] The portion of muncipal sales taxes--totaling about $35 million in 1987--paid by Alaskans and allowable as tax credits would further reduce the revenue generated under your proposal.[3]

- The Alaska Department of Labor's most recent population estimates show a loss of about 10,000 people between July 1, 1986 and July 1, 1987. It is likely that new individual income tax revenue estimates, if based on 1987 rather than 1986 federal tax returns, would be lower because of a probable reduction in the number of taxpayers.

- Your proposal would exempt people whose income falls below the federal poverty levels. It is difficult to estimate the revenue effect of this exemption because there are no recent figures for the number of Alaska taxpayers with cash income below the federal

---

[2]"Individual Income Tax Report," December 31, 1986 memorandum from Mary Ellen Frank, David Tonkovich and Al Zangri to Vince Wright, Chief of Research, Alaska Department of Revenue. The municipal property tax leakage figure is estimated for the moderate economic scenario under tax alternative two.

[3]"Alaska Taxable 1987," Alaska Department of Community and Regional Affairs, p 111.

poverty levels (Attachment B provides the current poverty income guidelines for Alaska published by the U.S. Department of Health and Human Services).[4] It is likely, however, that many taxpayers of the low adjusted gross income group ($0 to $10,000) in the DOR 1987 income tax estimate--with an average taxable income of $2,114--would be exempt. These taxpayers' estimated tax burden of $3.5 million would have only a slight effect on the total estimated revenues.

- To estimate net state revenue generated from a state individual income tax, one must account for the cost of administering the tax program. A fiscal note prepared by the Alaska Department of Revenue in 1987 shows an administrative cost of about $1.8 million in the first year and averaging $4.2 million in annual costs thereafter (Attachment C).

- A factor which would increase the revenue estimate is the tax liabililty generated by the Alaska longevity bonus. If we assume that the average Alaska senior would have taxable income falling under the lower 3.2 percent tax rate, an annual bonus of $3,000 ($250/month times 12 months) would create a tax liability of $96 per senior. Assuming all participants would pay taxes (i.e., roughly 17,000), about $1.6 million in state income tax revenues would be generated.

In summary, several factors would lower the previously mentioned DOR revenue estimate of $265 million. It appears likely that the state individual income tax in your proposal would generate somewhat less than $250 million in annual tax revenues. Although the estimates are rough, I hope this memorandum provides useful information. Please contact me if you have any questions.

Attachments

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[4]The most recent comprehensive statewide figures for poor Alaskans are those in the 1980 Census, which are based on 1979 income. At that time, a total of 41,615 Alaskans were reported as below the federal poverty levels.

ATTACHMENT A

Governor Cowper's 1987 Individual Income Tax Legislation (HB 154)

Offered: 4/8/87
Referred: Finance

wo1227hB

Original sponsor: Rules/Governor

IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE

CS FOR HOUSE BILL NO. 154 (State Affairs)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the taxation of income; relating to individual tax credits; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 43.20.011 is amended by adding new subsections to read:

(g) There is imposed for each taxable year upon the taxable income of every resident, nonresident, and part-year resident individual and fiduciary of the state, except those subject to the rates in (h), (i), and (j) of this section, a tax computed according to the following table:

If the taxable income is:	Then the tax is:
Over $31 but less than $30,000	3.2 percent of taxable income
$30,000 or more	$960 plus 5.7 percent of the excess over $30,000.

(h) There is imposed for each taxable year upon the taxable income of every resident, nonresident, and part-year resident married individual who makes a single return jointly with a spouse, as provided in 26 U.S.C. 6013 (Internal Revenue Code), and upon every resident, nonresident, and part-year resident surviving spouse, as defined in 26 U.S.C. 2(a) (Internal Revenue Code), a tax computed according to the following table:

If the taxable income is:	Then the tax is:
Over $31 but lass than $50,000	3.2 percent of taxable income
$50,000 or more	$1,600 plus 5.7 percent of the

excess over $50,000.

(i) There is imposed for each taxable year upon the taxable income of every resident, nonresident, and part-year resident head of a household, as defined in 26 U.S.C. 2(b) (Internal Revenue Code), a tax computed according to the following table:

If the taxable income is:	Then the tax is:
Over $31 but less than $40,000	3.2 percent of taxable income
$40,000 or more	$1,280 plus 5.7 percent of the excess over $40,000.

(j) There is imposed for each taxable year upon the taxable income of every resident, nonresident, and part-year resident married individual who does not make a single return jointly with a spouse a tax computed according to the following table:

If the taxable income is:	Then the tax is:
Over $31 but less than $25,000	3.2 percent of taxable income
$25,000 or more	$800 plus 5.7 percent of the excess over $25,000.

(k) In (g), (h), (i), and (j) of this section, the tax on a nonresident or part-year resident individual or fiduciary is the tax computed on taxable income from all sources, multiplied by a fraction the numerator of which is adjusted gross income from sources in the state and the denominator of which is adjusted gross income from all sources.

(l) An individual shall determine the tax under this section using the same filing status as used on the individual's federal return.

* Sec. 2. AS 43.20.030(a) is amended to read:

(a) Every individual, fiduciary, and [IF A PARTNERSHIP WHICH HAS A CORPORATION AS A PARTNER OR A] corporation [IS] required to make a return under the provisions of the Internal Revenue Code [, IT] shall at the same time file with the department a return setting out

(1) the amount of tax due under this chapter, less allowable credits and payments claimed against the tax; and

(2) other information for the purpose of carrying out the provisions of this chapter that [WHICH] the department requires.

* Sec. 3. AS 43.20.030(d) is amended to read:

(d) A taxpayer [, UPON REQUEST BY THE DEPARTMENT,] shall file with the return [FURNISH TO THE DEPARTMENT] a [TRUE AND] correct copy of the tax return [WHICH THE TAXPAYER HAS] filed with the United States Internal Revenue Service. Every taxpayer shall file an amended return with the department, and remit any additional tax and interest due [NOTIFY THE DEPARTMENT IN WRITING OF ANY ALTERATION IN, OR MODIFICATION OF, THE TAXPAYER'S FEDERAL INCOME TAX RETURN AND OF A RECOMPUTATION OF TAX OR DETERMINATION OF DEFICIENCY (WHETHER WITH OR WITHOUT ASSESSMENT). A FULL STATEMENT OF THE FACTS SHALL ACCOMPANY THIS NOTICE. THE NOTICE SHALL BE FILED] within 60 days after the final determination of the taxpayer's federal tax liability [MODIFICATION, RECOMPUTATION OR DEFICIENCY, AND THE TAXPAYER SHALL PAY THE ADDITIONAL TAX OR PENALTY UNDER THIS CHAPTER]. For purposes of this section, a final determination means [SHALL MEAN] the time that an amended federal return is filed or the date a federal [A NOTICE OF DEFICIENCY OR AN] assessment is made [MAILED TO THE TAXPAYER BY THE INTERNAL REVENUE SERVICE, EXCEPT THAT IN NO EVENT WILL THERE BE A FINAL DETERMINATION FOR PURPOSES OF THIS SECTION UNTIL THE TAXPAYER HAS EXHAUSTED RIGHTS OF APPEAL UNDER FEDERAL LAW].

* Sec. 4. AS 43.20.031 is amended by adding new subsections to read:

(j) The gross income of an individual or a fiduciary is gross income as defined in 26 U.S.C. 61 (Internal Revenue Code), and includes those items specifically included in gross income under 26 U.S.C. 71 - 26 U.S.C. 89 (Subtitle A, Ch. 1B, Part II of the Internal Revenue Code) and excludes those items specifically excluded from gross income under 26 U.S.C. 101 - 26 U.S.C. 135 (Subtitle A, Ch. 1B, Part III of the Internal Revenue Code), with the following modifications:

(1) a taxpayer who receives a cost-of-living allowance that is exempt from federal income tax shall determine and include that amount as part of the taxpayer's income as if the cost-of-living allowance were not exempt;

(2) a taxpayer who receives interest upon obligations of a state, or interest upon obligations of a political or municipal subdivision of a state, that is exempt from federal income tax shall determine and include that amount as part of the taxpayer's income as if the interest were not exempt;

(3) gross income does not include longevity bonuses received under AS 47.45.

(k) The following adjustments to the gross income of an individual or fiduciary are allowed as deductions in arriving at adjusted gross income under this section:

(1) the deductions allowable under 26 U.S.C. 67 (Internal Revenue Code)

(A) attributable to a trade or business carried on by a taxpayer;

(B) from the sale or exchange of property;

(C) attributable to property held for the production of rents or royalties;

(D) for the premature withdrawal of money from time savings accounts or deposits;

(E) for alimony;

(2) interest received on obligations of the United States;

(3) refunds of state income taxes included in gross income;

(4) permanent fund dividends paid under AS 43.23.055.

(l) The taxable income of a fiduciary is its adjusted gross income. The taxable income of an individual taxpayer is the taxpayer's adjusted gross income less personal exemptions. An individual taxpayer may deduct from adjusted gross income the number of personal exemptions to which the taxpayer is entitled under 26 U.S.C. 151 (Internal Revenue Code). The exemption amount is $3,000 and is not adjusted for inflation.

(m) In this section, "individual" means a resident, nonresident, or part-year resident individual, and "fiduciary" means a resident, nonresident, or part-year resident fiduciary.

* Sec. 5. AS 43.20 is amended by adding a new section to read:

Sec. 43.20.032. TAX CALCULATION FOR NONRESIDENTS AND PART-YEAR RESIDENTS AND FIDUCIARIES. (a) In computing the tax of a nonresident or part-year resident individual or fiduciary under AS 43.20.011(k), the part of the adjusted gross income attributable to sources in the state is determined under AS 43.20.040.

(b) In computing adjusted gross income attributable to sources in the state for a nonresident or part-year resident individual or fiduciary, deductions and adjustments are allowed only to the extent that they are connected with income that arises from sources in the state or property having a situs for taxation in the state.

* Sec. 6. AS 43.20.040(b) is amended to read:

(b) In this section, income is from a source having a taxable or business situs in the state if it is derived from

(1) owning or operating business facilities or property in

the state;

(2) conducting business, farming, or fishing operations in the state;

(3) [REPEALED

(4)] a partnership that [WHICH] transacts business in the state;

(4) [(5)] a corporation that [WHICH] transacts business in the state and that [WHICH] has elected to file federal returns under 26 U.S.C. 1361 - 1379 (Subtitle A, Ch. 1, Subchapter S, Internal Revenue Code) [SUBCHAPTER S OF THE INTERNAL REVENUE CODE];

(5) [(6) REPEALED

(7)] engaging in any other activity from which income is received, realized, or derived in the state;

(6) working for salary or wages in the state;

(7) an estate or trust deriving income from sources in the state.

* Sec. 7. AS 43.20.040 is amended by adding a new subsection to read:

(d) With regard to the tax under AS 43.20.011(g) - (j), if a business, trade, or profession, other than the rendering of purely personal services, is carried on partly inside and partly outside the state, the income from sources in the state must be determined as provided in AS 43.19.

* Sec. 8. AS 43.20 is amended by adding a new section to read:

Sec. 43.20.062. CREDITS AGAINST TAX. (a) A resident is allowed, as a credit against the tax otherwise due under this chapter, the amount of income tax imposed on the taxpayer for the taxable year by another state or territory of the United States on income derived from sources in the other state or territory that is also subject to tax under this chapter.

(b) The credit allowed in (a) of this section is limited to that proportion of the tax computed under this chapter that the taxable income from the other state or territory bears to total taxable income. The credit may not exceed the actual tax paid to the other state or territory.

(c) The amounts deducted and withheld as taxes under this chapter during a calendar year are allowed as credits to the taxpayer against the tax imposed by this chapter.

(d) A taxpayer who qualifies for receipt of the Alaska permanent fund dividend under AS 43.23 may, under regulations adopted by the department, request the department to apply the dividend as a credit against the tax imposed by this chapter.

* Sec. 9. AS 43.20.065 is amended to read:

Sec. 43.20.065. ALLOCATION AND APPORTIONMENT. A corporate taxpayer who has income from business activity that [WHICH] is taxable both inside and outside the state or income from other sources both inside and outside the state shall allocate and apportion net income as provided in the Multistate Tax Compact (AS 43.19), or as provided by this chapter.

* Sec. 10. AS 43.20 is amended by adding a new section to read:

Sec. 43.20.171. COLLECTION OF INCOME AT SOURCE. (a) Every employer making payment of wages or salaries shall deduct and withhold an amount of tax computed in a manner to approximate the amount of tax due on those wages under this chapter for that year. The employer shall remit withheld taxes to the department, together with a return or report prescribed by the department, at the time or times required by the department by regulation. The department shall publish the rate of withholding required by this section. Every employer making a deduction and a withholding shall furnish to the employee no later than January 31 of the succeeding year, or within 30 days after termination of employment, whichever is earlier, a written statement on a form prescribed by the department showing

(1) the name and taxpayer identification number of the employer;

(2) the name and social security number of the employee;

(3) the total amount of wages and other compensation; and

(4) the total amount deducted and withheld as tax.

(b) Every employer making payments of wages or salaries earned in the state, regardless of the place where the payment is made,

(1) is liable for the payment of the tax required to be deducted and withheld under this section and is not liable to an individual for the amount of the payment; and

(2) shall make return of and pay to the department the amount of tax levied that the employer is required to deduct and withhold under this chapter.

(c) An employer who fails to comply with this section is subject to the penalties set out in AS 43.05.220(d).

(d) If the employer is the United States or the state or a political subdivision of the state, or an agency or instrumentality of one or more of those entities, the return of the amount deducted and withheld on wages or salaries may be made by an officer of the employer having control of the payment of the wages or salaries or who is appropriately designated for that purpose.

(e) In this section, "wages," "employee," and "employer" have the meanings attributed to them under 26 U.S.C. 1 - 9602 (Internal Revenue Code).

* Sec. 11. AS 43.20.340 is amended by adding new paragraphs to read:

(12) "fiduciary" means an estate, a trust, a guardian,

trustee, executor, administrator, receiver, conservator, or a person acting in a fiduciary capacity for another or for the estate of a deceased person;

(13) "individual" means a natural person, married or unmarried, adult or minor, subject to payment of an income tax under 26 U.S.C. 1 - 9602 (Internal Revenue Code);

(14) "domicile" means the location of an individual's true, fixed, permanent home and principal establishment, to which the individual intends to return from a temporary or transitory absence;

(15) "nonresident" means an individual who is not a resident or part-year resident;

(16) "residence" means actual physical presence in the state and is determined without regard to a person's domicile;

(17) "resident" means an individual who, during the taxable year, was domiciled in the state or resided in the state for the entire taxable year; an individual does not lose resident status simply by reason of attending an educational institution or by serving in the armed forces.

* Sec. 12. AS 43.05.085, AS 43.20.012 and 43.20.013 are repealed.

* Sec. 13. Sections 1 - 12 of this Act apply to income received after December 31, 1987.

* Sec. 14. This Act takes effect January 1, 1988.

ATTACHMENT B

U.S. Department of Health & Human Services
Poverty Income Guidelines

Occasionally: Estimated Annual Burden: 2.625 hours.

OMB Desk Officer: Shannah Koss-McCallum.

As mentioned above, copies of the information collection clearance packages can be obtained by calling the Reports Clearance Officer, on one of the following numbers:

PHS: 202-245-2100
HCFA: 301-594-1238
SSA: 301-965-4149

Written comments and recommendations for the proposed information collections should be sent directly to the appropriate OMB Desk Officer designated above at the following address: OMB Reports Management Branch, New Executive Office Building, Room 3208, Washington, DC 20503. ATTN: (name of OMB Desk Officer).

Date: February 8, 1988.

James F. Trickett,

Deputy Assistant Secretary, Administrative and Management Services

[FR Doc. 88-3065 Filed 2-11-88 8:45 am]

BILLING CODE 4150-04-M

Annual Update of the Poverty Income Guidelines

AGENCY: Department of Health and Human Services.

ACTION: Notice.

SUMMARY: This notice provides an update of the poverty income guidelines to account for last year's increase in the Consumer Price Index.

DATE: February 12, 1988.

ADDRESS: Office of the Assistant Secretary for Planning and Evaluation, Department of Health and Human Services, Washington, DC 20201.

FOR FURTHER INFORMATION CONTACT: For information about the poverty income guidelines in general, contact Joan Turek-Brezina (telephone: (202) 245-6141).

Questions about applying these guidelines to a particular program should be referred to the Federal office which is responsible for that program.

For information about the Hill-Burton Uncompensated Services Program (no-fee or reduced-fee hospital care at certain hospitals for certain persons unable to pay for such care), contact the Office of the Director, Division of Facilities Compliance (telephone: (301) 443-6512). (As set by 42 CFR 124.505(b), the effective date of these guidelines for facilities obligated under the Hill-Burton Uncompensated Services Program is 60 days from the date of this publication.)

For information about the estimated number of persons with incomes below the Federal Government's statistical poverty thresholds, contact John McNeil, Chief, Poverty and Wealth Statistics Branch, U.S. Bureau of the Census (telephone: (301) 763-7946).

This notice provides the 1988 update of the poverty income guidelines required by sections 652 and 673(2) of the Omnibus Budget Reconciliation Act of 1981 (Pub. L. 97-35). As required by the statute, this update reflects last year's change in the Consumer Price Index (CPI-U); it was accomplished using the same methodology used in previous years.

These poverty income guidelines are used as an eligibility criterion by a number of Federal programs. The guidelines are a simplified version of the Federal Government's statistical poverty thresholds used by the Bureau of the Census to prepare its statistical estimates of the number of persons and families in poverty. The *poverty income guidelines* issued by the Department of Health and Human Services (formerly by the Community Services Administration) are used for *administrative* purposes—for instance, for determining whether a person or family is financially eligible for assistance or services under a particular Federal program. The *poverty thresholds* are used primarily for *statistical* purposes.

In certain cases, as noted in the relevant authorizing legislation or program regulations, a program uses the poverty income guidelines as only one of several eligibility criteria, or uses a modification of the guidelines (for example, 130 percent or 185 percent of the guidelines). Some other programs, while not using the guidelines as a criterion of individual eligibility, use them for the purpose of giving priority to lower-income persons or families in the provision of assistance or services. In some cases, these poverty income guidelines may not become effective for a particular program until a regulation or notice specifically applying to the program in question has been issued.

The poverty guidelines given below are applicable to both farm and nonfarm families.

The following definitions (derived for the most part from language used in U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 158 and earlier reports in the same series) are made available for use in connection with the poverty income guidelines. Programs may use somewhat different definitions.

(a) *Family*. A family is a group of two or more persons related by birth, marriage, or adoption who reside together; all such related persons are considered as members of one family. For instance, if an older married couple, their daughter and her husband and two children, and the older couple's nephew all lived in the same house, they would all be considered members of a single family. If a household includes more than one family and/or more than one unrelated individual, the poverty guidelines are applied separately to each family and/or unrelated individual and not to the household as a whole.

(b) *Family unit of size one.* In conjunction with the poverty income guidelines, a family unit of size one is an unrelated individual (as defined by the Census Bureau)—that is, a person 15 years old or over (other than an inmate of an institution) who is not living with any relatives. An unrelated individual may be the sole occupant of a housing unit, or may be residing in a housing unit (or in group quarters such as a rooming house) in which one or more persons also reside who are not related to the individual in question by birth, marriage, or adoption. (Examples of unrelated individuals residing with others include a lodger, a foster child, a ward, or an employee.)

(c) *Income.* Refers to total annual cash receipts before taxes from all sources, with the exceptions noted below. Income data for a part of a year may be annualized in order to determine eligibility—for instance, by multiplying by four the amount of income received during the most recent three months. Income includes money wages and salaries before any deductions. Income also includes net receipts from nonfarm or farm self-employment (receipts from a person's own business or from an owned or rented farm after deductions for business or farm expenses). Income includes regular payments from social security, railroad retirement, unemployment compensation, strike benefits from union funds, workers' compensation, veterans' payments, public assistance (including Aid to Families with Dependent Children, Supplemental Security Income, and non-Federally-funded General Assistance or General Relief money payments), training stipends, alimony, child support, and military family allotments or other regular support from an absent family member or someone not living in the household; private pensions, government employee pensions (including military retirement pay), and regular insurance or annuity payments, college or university scholarships, grants, fellowships, and assistantships, and dividends, interest, net rental income, net royalties, periodic receipts from estates or trusts, and net gambling or lottery winnings.

As defined here, income does *not* include the following types of money received: capital gains; any assets drawn down as withdrawals from a bank, the sale of property, a house, or a car; one-time payments from a welfare agency to a family or person who is in temporary financial difficulty; tax refunds, gifts, loans, lump-sum inheritances, one-time insurance payments, or compensation for injury. Also excluded are noncash benefits, such as the employer-paid or union-paid portion of health insurance or other employee fringe benefits, food or housing received in lieu of wages, the value of food and fuel produced and consumed on farms, the imputed value of rent from owner-occupied nonfarm or farm housing, and such Federal noncash benefit programs as Medicare, Medicaid, Food Stamps, school lunches, and housing assistance.

1988 Poverty Income Guidelines for all States (Except Alaska and Hawaii) and the District of Columbia

Size of family unit	Poverty guideline
1	$5,770
2	7,730
3	9,690
4	11,650
5	13,610
6	15,570
7	17,530
8	19,490

For family units with more than 8 members, add $1,960 for each additional member.

Poverty Income Guidelines for Alaska

Size of family unit	Poverty guideline
1	$7,210
2	9,660
3	12,110
4	14,560
5	17,010
6	19,460
7	21,910
8	24,360

For family units with more than 8 members, add $2,450 for each additional member.

Poverty Income Guidelines for Hawaii

Size of family unit	Poverty guideline
1	$6,650
2	8,900
3	11,150
4	13,400
5	15,650
6	17,900
7	20,150
8	22,400

For family units with more than 8 members, add $2,250 for each additional member.

Dated: February 8, 1988.

Otis R. Bowen,

Secretary of Health and Human Services.

[FR Doc. 88-3051 Filed 2-11-88; 8:45 am]

BILLING CODE 4510-04-M

Food and Drug Administration

[Docket No. 78N-0434]

Mattox & Moore, Inc., Esmopal; Opportunity for Hearing

AGENCY: Food and Drug Administration.

ACTION: Notice.

SUMMARY: The Food and Drug Administration (FDA), Center for Veterinary Medicine (CVM), is amending its notice of opportunity for hearing on a proposal to withdraw approval of the new animal drug application (NADA) for Esmopal submitted by Mattox & Moore, Inc. Esmopal contains 10 milligrams of estradiol monopalmitate and is approved for injection into roasting chickens to produce more uniform fat distribution and to improve finish. The proposed withdrawal is based upon, among other things, the sponsor's failure to submit residue data required to support continued approval of its NADA, despite repeated requests from the agency that the sponsor submit such data.

DATES: A written appearance requesting a hearing by March 14, 1988; data, information, and analysis on which the request for hearing relies by April 12, 1988.

ADDRESS: Written appearance, data, and analysis to the Dockets Management Branch (HFA-305), Food and Drug Administration, Rm. 4-62, 5600 Fishers Lane, Rockville, MD 20857.

FOR FURTHER INFORMATION CONTACT: Robert W. Benson, Center for Veterinary Medicine (HFV-102), Food and Drug Administration, 5600 Fishers Lanes, Rockville, MD 20857, 301-443-4500.

SUPPLEMENTARY INFORMATION:

I. The January 1979 Notices

In the Federal Register of January 5, 1979 (44 FR 1462, 1463), CVM (formerly the Bureau of Veterinary Medicine) issued two notices of opportunity for hearing. One notice of opportunity for hearing (44 FR 1463) was on a proposal to withdraw approval of three NADA's: (1) NADA 13-187, submitted by Mattox & Moore, Inc. (Mattox & Moore), 1503 East Riverside Dr., Indianapolis, IN 46207, for Esmopal, discussed below; (2) NADA 9-576, submitted by Syntex Laboratories, Inc. (Syntex), 3401 Hillview Dr., Palo Alto, CA 94304, for Synovex-S, a product containing estradiol benzoate and progesterone and implanted subcutaneously in the ear of steers for growth promotion and feed efficiency; and (3) NADA 11-427, submitted by Syntex for Synovex H, a product containing estradiol benzoate and testosterone propionate and implanted subcutaneously in the ear of heifers for growth promotion and feed efficiency. The other notice of opportunity for hearing (44 FR 1462) was on a proposal to refuse to approve NADA 110-315, submitted by Ivy-Gene Co., Inc. (Ivy-Gene) (formerly Ivy-Reed Co., Inc.), 2871 Tilden St. NW., Washington, DC 20008, for STEER-oid, a product containing estradiol benzoate and progesterone and proposed for subcutaneous implantation in the ear of steers for growth promotion and feed efficiency.

This notice amends the January 1979 notice of opportunity for hearing on CVM's proposal to withdraw approval of the NADA for Esmopal, the Mattox & Moore product. Esmopal (21 CFR 522.844) contains 10 milligrams (mg) of estradiol monopalmitate and is approved for injection into roasting chickens to produce more uniform fat distribution and to improve finish. The drug is not to be used within 6 weeks of slaughter (21 CFR 522.844).

The January 1979 notices of opportunity for hearing were based in relevant part on the conclusions of CVM (1) that the drugs in question were not shown to be safe for use in food-producing animals because estradiol has the potential to cause carcinogenic effects, and (2) that none of the analytical methods then available was adequate to demonstrate that use of the drugs would not result in unsafe residues in human food. CVM proposed to withdraw approval of the NADA's for Esmopal, Synovex-S, and Synovex-H under section 512(e)(1)(B) of the Federal Food, Drug and Cosmetic Act (the act) (21 U.S.C. 360b(e)(1)(B)). That section,

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ATTACHMENT C

1987 Fiscal Note for HB 154

detailed information

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 148/HB 154
Publish Date:

REQUEST

Revision Date: 3/13/87
Title: An act relating to the taxation of income derived by individuals
Sponsor: Governor
Requestor:

Agency Affected: Revenue
BRU: Audit, Enforcement, Pub. Svcs., Admn Svcs., Commissioner, Treasury, Research
Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	892.1	2265.3	2662.9	2673.7	2685.0
TRAVEL	-	46.4	73.5	84.2	84.5	84.9
CONTRACTUAL	-	645.8	1415.4	1538.9	1544.0	1547.9
SUPPLIES	-	11.7	37.5	39.9	40.4	40.9
EQUIPMENT	-	221.1	289.1	78.3	52.0	52.0
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	1817.1	4080.8	4404.2	4394.6	4410.7
CAPITAL	-	-	-	-	-	-
REVENUE	-	83,000	255,000	269,000	282,000	290,000

FUNDING: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
GENERAL FUND	-	1817.1	4080.8	4304.2	4294.6	4310.7
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	100.0	100.0	100.0
TOTAL	-	1817.1	4080.8	4404.2	4304.6	4410.7

POSITIONS:

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
FULL-TIME	-	33	64	67	67	67
PART-TIME	-	1	4	4	4	4
TEMPORARY	-	0	27	27	27	27

ANALYSIS: Attach a separate page if necessary

Prepared By: Steven E. Kettel
Division: Audit
Phone: 465-2320
Date: 3/13/87

Approved by Commissioner:
Agency:
Date:

Distribution (by Agency preparing fiscal note):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

page ____ of ____

6-0323A
Chenoweth
1/20/89

IN THE HOUSE

HOUSE BILL NO. By: KOPONEN

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the taxation of income and to individual tax credits; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 43.20.011 is amended by adding new subsections to read:

(g) There is imposed for each taxable year upon the taxable income of every resident, nonresident, and part-year resident individual and fiduciary of the state, except those subject to the rates in (h), (i), and (j) of this section, a tax computed according to the following table:

If the taxable income is:	Then the tax is:
Over $31 but less than $30,000	3.2 percent of taxable income
$30,000 or more	$960 plus 5.7 percent of the excess over $30,000.

(h) There is imposed for each taxable year upon the taxable income of every resident, nonresident, and part-year resident married individual who makes a single return jointly with a spouse, as provided in 26 U.S.C. 6013 (Internal Revenue Code), and upon every resident, nonresident, and part-year resident surviving spouse, as defined in 26 U.S.C. 2(a) (Internal Revenue Code), a tax computed according to the following table:

If the taxable income is:	Then the tax is:
Over $31 but less than $50,000	3.2 percent of taxable income
$50,000 or more	$1,600 plus 5.7 percent of the

excess over $50,000.

(i) There is imposed for each taxable year upon the taxable income of every resident, nonresident, and part-year resident head of a household, as defined in 26 U.S.C. 2(b) (Internal Revenue Code), a tax computed according to the following table:

If the taxable income is:	Then the tax is:
Over $31 but less than $40,000	3.2 percent of taxable income
$40,000 or more	$1,280 plus 5.7 percent of the excess over $40,000.

(j) There is imposed for each taxable year upon the taxable income of every resident, nonresident, and part-year resident married individual who does not make a single return jointly with a spouse a tax computed according to the following table:

If the taxable income is:	Then the tax is:
Over $31 but less than $25,000	3.2 percent of taxable income
$25,000 or more	$800 plus 5.7 percent of the excess over $25,000.

(k) In (g) - (j) of this section, the tax on a nonresident or part-year resident individual or fiduciary is the tax computed on taxable income from all sources, multiplied by a fraction the numerator of which is adjusted gross income from sources in the state and the denominator of which is adjusted gross income from all sources.

(l) An individual shall determine the tax under this section using the same filing status as used on the individual's federal return.

* Sec. 2. AS 43.20.030(a) is amended to read:

(a) <u>An individual, fiduciary,</u> [IF A] corporation, or [A] partnership that has a corporation as a partner<u>, that</u> is required to make a return under the provisions of the Internal Revenue Code, [IT] shall

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file with the department [, WITHIN 30 DAYS AFTER THE FEDERAL RETURN I REQUIRED TO BE FILED,] a return setting out

(1) the amount of tax due under this chapter, less allowable credits and payments claimed against the tax; and

(2) other information for the purpose of carrying out the provisions of this chapter that the department requires.

* Sec. 3. AS 43.20.030(c) is amended to read:

(c) The [NOTWITHSTANDING (A) OF THIS SECTION, THE] total amount of tax imposed by this chapter is due and payable to the department at the same time and in the same manner as the tax payable to the United States Internal Revenue Service.

* Sec. 4. AS 43.20.030(d) is amended to read:

(d) A taxpayer [, UPON REQUEST BY THE DEPARTMENT,] shall file with the return [FURNISH TO THE DEPARTMENT] a [TRUE AND] correct copy of the taxpayer's tax return [WHICH THE TAXPAYER HAS] filed with the United States Internal Revenue Service for the taxable year. Every taxpayer shall file an amended return with the department, and remit any additional tax and interest due [NOTIFY THE DEPARTMENT IN WRITING OF ANY ALTERATION IN, OR MODIFICATION OF, THE TAXPAYER'S FEDERAL INCOME TAX RETURN AND OF A RECOMPUTATION OF TAX OR DETERMINATION OF DEFICIENCY (WHETHER WITH OR WITHOUT ASSESSMENT). A FULL STATEMENT OF THE FACTS SHALL ACCOMPANY THIS NOTICE. THE NOTICE SHALL BE FILED] within 60 days after the final determination of the taxpayer's federal tax liability [MODIFICATION, RECOMPUTATION OR DEFICIENCY, AND THE TAXPAYER SHALL PAY THE ADDITIONAL TAX OR PENALTY UNDER THIS CHAPTER]. For purposes of this section, a final determination means [SHALL MEAN] the time that an amended federal return is filed or the date a federal [A NOTICE OF DEFICIENCY OR AN] assessment is made [MAILED TO THE TAXPAYER BY THE INTERNAL REVENUE SERVICE, EXCEPT THAT IN NO EVENT WILL

THERE BE A FINAL DETERMINATION FOR PURPOSES OF THIS SECTION UNTIL TH TAXPAYER HAS EXHAUSTED RIGHTS OF APPEAL UNDER FEDERAL LAW].

* Sec. 5. AS 43.20.031 is amended by adding new subsections to read:

(j) The gross income of an individual or a fiduciary is gros income as defined in 26 U.S.C. 61 (Internal Revenue Code), and includes those items specifically included in gross income under 2t U.S.C. 71 - 26 U.S.C. 90 (Subtitle A, Ch. 1B, Part II of the Internal Revenue Code) and excludes those items specifically excluded froc gross income under 26 U.S.C. 101 - 26 U.S.C. 135 (Subtitle A, Ch. 1B, Part III of the Internal Revenue Code), with the following modifications:

(1) a taxpayer who receives a cost-of-living allowance that is exempt from federal income tax shall determine and include that amount as part of the taxpayer's income as if the cost-of-living allowance were not exempt;

(2) a taxpayer who receives interest upon obligations of a state, or interest upon obligations of a political or municipal subdivision of a state, that is exempt from federal income tax shall determine and include that amount as part of the taxpayer's income as if the interest were not exempt.

(k) The following adjustments to the gross income of an individual or fiduciary are allowed as deductions in arriving at adjusted gross income under this section:

(1) the deductions allowable under 26 U.S.C. 62 (Internal Revenue Code)

(A) attributable to a trade or business carried on by a taxpayer;

(B) from the sale or exchange of property;

(C) attributable to property held for the production of rents or royalties;

(D) for the premature withdrawal of money from time savings accounts or deposits;

(E) for alimony;

(2) interest received on obligations of the United States;

(3) refunds of state income taxes included in gross income.

(l) The taxable income of a fiduciary is its adjusted gross income.

(m) The taxable income of an individual taxpayer is the taxpayer's adjusted gross income, less personal exemptions. An individual taxpayer may deduct from adjusted gross income an amount that is the greater of

(1) the number of personal exemptions to which the taxpayer is entitled under 26 U.S.C. 151 (Internal Revenue Code) multiplied by the amount per exemption authorized by that section, limited to $3,000 per exemption, and not adjusted for inflation; or

(2) an amount of the taxpayer's income equal to 100 percent of the federal poverty level guidelines for the tax year applicable to the number of exemptions claimed by the taxpayer; the federal poverty level guidelines are those computed for Alaska and reported as required by 42 U.S.C. 9847 and 42 U.S.C. 9902(2) (Omnibus Budget Reconciliation Act of 1981).

(n) In this section, "individual" means a resident, nonresident, or part-year resident individual, and "fiduciary" means a resident, nonresident, or part-year resident fiduciary.

* Sec. 6. AS 43.20 is amended by adding a new section to read:

Sec. 43.20.032. TAX CALCULATION FOR NONRESIDENTS AND PART-YEAR RESIDENTS AND FIDUCIARIES. (a) In computing the tax of a nonresident, a part-year resident individual, or a fiduciary under

AS 43.20.011(k), the part of the adjusted gross income attributable t sources in the state is determined under AS 43.20.040.

(b) In computing adjusted gross income attributable to source in the state for a nonresident, a part-year resident individual, or . fiduciary, deductions and adjustments are allowed only to the extent that they are connected with income that arises from sources in the state or property having a situs for taxation in the state.

(c) In computing the personal exemptions authorized by AS 43.-20.031(m), a nonresident or part-year resident is allowed a prorated deduction in the ratio provided by this subsection. The ratio for prorating is the taxpayer's adjusted gross income from Alaska sources divided by the taxpayer's adjusted gross income from all sources. The ratio may not exceed 100 percent. For purposes of this subsection, the adjusted gross income means the taxpayer's gross income as defined by 26 U.S.C. 62, modified by AS 43.20.031(j) and (k).

* Sec. 7. AS 43.20.040(b) is amended to read:

(b) In this section, income is from a source having a taxable or business situs in the state if it is derived from

(1) owning or operating business facilities or property in the state;

(2) conducting business, farming, or fishing operations in the state;

(3) [REPEALED

(4)] a partnership <u>that</u> [WHICH] transacts business in the state;

<u>(4)</u> [(5)] a corporation <u>that</u> [WHICH] transacts business in the state <u>and that</u> [WHICH] has elected to file federal returns under <u>26 U.S.C. 1361 - 1379 (Subtitle A, Ch. 1S, Internal Revenue Code)</u> [SUBCHAPTER S OF THE INTERNAL REVENUE CODE];

(5) [(6) REPEALED

(7)] engaging in any other activity from which income is received, realized, or derived in the state;

(6) working for salary or wages in the state;

(7) an estate or trust deriving income from sources in the state.

* Sec. 8 AS 43.20.040 is amended by adding a new subsection to read:

(d) With regard to the tax under AS 43.20.011(g) - (j), if a business, trade, or profession, other than the rendering of purely personal services, is carried on partly inside and partly outside the state, the income from sources in the state is determined under AS 43.19 (Multistate Tax Compact).

* Sec. 9. AS 43.20 is amended by adding a new section to read:

Sec. 43.20.062. CREDITS AGAINST TAX. (a) A resident is allowed as a credit against the tax otherwise due under this chapter the amount of income tax imposed on the taxpayer for the taxable year by another state or territory of the United States on income derived from sources in the other state or territory that is also subject to tax under this chapter.

(b) The credit allowed in (a) of this section is limited to that proportion of the tax computed under this chapter that the taxable income from the other state or territory bears to total taxable income. The credit may not exceed the actual tax paid to the other state or territory.

(c) The amounts deducted and withheld as taxes under this chapter during a calendar year are allowed as credits to the taxpayer against the tax imposed by this chapter.

(d) A taxpayer who qualifies for receipt of the Alaska permanent fund dividend under AS 43.23 may, under regulations adopted by the department, request the department to apply the dividend as a cred against the tax imposed by this chapter.

(e) If paid by the taxpayer during the same taxable year, and not used by the taxpayer as a deduction for the tax, a taxpayer allowed as a credit against the tax due under AS 43.20.011(g) - (. for a taxable year the

(1) motor vehicle registration tax levied by a municipalit under AS 28.10.431;

(2) sales and use tax levied by a municipality in the stat under AS 29.45.650 - 29.45.710; and

(3) property tax levied by a municipality in the stat under AS 29.45.010 - 29.45.250 or 29.45.550 - 29.45.600.

(f) If paid by the taxpayer during the same taxable year, and i not used by the taxpayer as a deduction for the tax, a taxpayer wh rents a domicile in a municipality that levies a property tax, an occupies it as a permanent place of abode is entitled to a renter' credit against the tax due under AS 43.20.011(g) - (j) for a taxabl year for a portion of the rent paid on that residence. The amount o the renter's credit is determined by calculating a property tax equivalent percentage at the rate of one percent per mill of property ta levied on the residence and by applying the property tax equivalent percentage to the amount of rent paid by the taxpayer on the residence. The renter's credit claimed may not exceed 20 percent of the taxpayer's rent.

* Sec. 10. AS 43.20.065 is amended to read:

Sec. 43.20.065. ALLOCATION AND APPORTIONMENT. A <u>corporate</u> taxpayer who has income from business activity <u>that</u> [WHICH] is taxable both inside and outside the state or income from other sources both inside and outside the state shall allocate and apportion net income under AS 43.19 (Multistate Tax Compact), or as provided by this cha ter.

* Sec. 11. AS 43.20.160 is amended by adding a new subsection to read

(f) The commissioner shall adopt and publish sales and use t deduction guides for the purpose of aiding the taxpayer in calculati allowable sales and use tax deductions. The guides shall be based the amount of income, size of family, and rate of tax. The guid adopted by the commissioner do not preclude a taxpayer from claimi as a deduction the amount of sales and use taxes that the taxpay actually paid.

* Sec. 12. AS 43.20 is amended by adding a new section to read:

Sec. 43.20.171. COLLECTION OF INCOME AT SOURCE. (a) Ever employer making payment of wages or salaries shall deduct and withhol an amount of tax computed in a manner to approximate the amount of ta due on those wages under this chapter for that year. The employe shall remit withheld taxes to the department, together with a retur or report prescribed by the department, at the time or times require by the department by regulation. The department shall publish th rate of withholding required by this section. Every employer making deduction and a withholding shall furnish to the employee no late than January 31 of the succeeding year, or within 30 days after termination of employment, whichever is earlier, a written statement on a form prescribed by the department showing

(1) the name and taxpayer identification number of the employer;

(2) the name and social security number of the employee;

(3) the total amount of wages and other compensation; and

(4) the total amount deducted and withheld as tax.

(b) Every employer making payments of wages or salaries earned in the state, regardless of the place where the payment is made,

(1) is liable for the payment of the tax required to b deducted and withheld under this section and is not liable to a individual for the amount of the payment; and

(2) shall make return of and pay to the department th amount of tax levied that the employer is required to deduct an withhold under this chapter.

(c) An employer who fails to comply with this section is subject to the penalties set out in AS 43.05.220(d).

(d) If the employer is the United States or the state or a political subdivision of the state, or an agency or instrumentality of one or more of those entities, the return of the amount deducted and withheld on wages or salaries may be made by an officer of the employer having control of the payment of the wages or salaries or who is appropriately designated for that purpose.

(e) In this section, "employee," "employer," and "wages" have the meanings attributed to them under 26 U.S.C. (Internal Revenue Code).

* Sec. 13. AS 43.20.340 is amended to read:

Sec. 43.20.340. DEFINITIONS. In this chapter

(1) "bank" means a financial institution, including a national banking association;

(2) "corporation" includes an association, joint-stock company, and an insurance company;

(3) "department" means the Department of Revenue;

(4) <u>"domicile" means the location of an individual's true, fixed, permanent home and principal establishment, to which the individual intends to return from a temporary or transitory absence;</u>

<u>(5) "fiduciary" means an estate, a trust, a guardian,</u>

trustee, executor, administrator, receiver, conservator, or a person acting in a fiduciary capacity for another or for the estate of a deceased person;

(6) "fiscal year" means an accounting period of 12 months ending on the last day of a month other than December;

(7) [(5)] "includes" and "including" when used in a definition do not exclude other things otherwise within the meaning of the word defined;

(8) "individual" means a natural person, married or unmarried, adult or minor, subject to payment of an income tax under 26 U.S.C. (Internal Revenue Code);

(9) [(6)] "Internal Revenue Code" means the Internal Revenue Code of the United States (26 U.S.C.) as the code exists now or as hereafter amended, as the code and amendments apply to the normal taxes and surtax on net incomes, which amendments are operative for the purposes of this chapter as of the time they became operative or will become operative under federal law;

(10) "nonresident" means an individual who is not a resident or part-year resident;

(11) [(7)] "part-year resident" means an individual who enters or leaves the state during the taxable year and who has resided or was domiciled in the state for a period of less than 12 months during the taxable year;

(12) [(8)] "person" means an individual, a trust or estate, or partnership, or a corporation;

(13) "resident" means an individual who, during the taxable year, was domiciled in the state or resided in the state for the entire taxable year; an individual does not lose resident status simply by reason of attending an educational institution or by serving

in the armed forces;

(14) [(9)] "taxable year" means the calendar year or th fiscal year ending during the calendar year upon the basis of whic the net income is computed under this chapter; "taxable year" in-cludes, in the case of a return made for a fractional part of a yea under this chapter, the period for which the return is made;

(15) [(10)] "taxpayer" means a person subject to a tax im-posed by this chapter;

(16) [(11)] "trade or business" includes the engaging in or carrying on of a trade, business, profession, vocation, employment, and rendition of services or commercial activity and includes the performance of the function of a public office.

* Sec. 14. AS 47.45.120(a) is amended to read:

(a) Bonuses received under this chapter are exempt from all municipal [STATE AND POLITICAL SUBDIVISION] taxes except sales and use taxes. [NO BONUS RECEIVED UNDER THIS CHAPTER MAY BE EXEMPT FROM A FEDERAL TAX REQUIREMENT.]

* Sec. 15. AS 43.05.085, AS 43.20.012 and 43.20.013 are repealed.

* Sec. 16. Sections 1 - 14 of this Act apply to income received after December 31, 1989.

* Sec. 17. This Act takes effect January 1, 1990.

TAXES STATE BY STATE

Here's how to read this table, which provides the latest available information on income taxes (1988) and sales and estate taxes (1989) in all 50 states and the District of Columbia. The first two columns show the relative weight of each state's tax burden. The numbers apply to a family of four with earned income of $61,372 (the average household income for *Money* readers). To calculate the family's combined 1988 tax burden for each state, including income, sales and gasoline taxes, we assumed $2,248 in capital gains, $1,199 in interest income, $300 in divi-

			Tax on earned income ($)				Sales tax (%)		Death tax ($)		
			For singles earning	For two-income marrieds earning					On $600,000 estate left to:		
State	Total annual tax ($) on typical household	Rank by size of tax bill	$35,000	$50,000	$75,000	$100,000	State	Highest combined state and local	Spouse	Child	Comments
Alabama	$2,540	26	$1,118	$1,598	$2,373	$3,149	4%	9%	None	None	Top rate: 5% on taxable income over $6,000
Alaska	196	49	None	None	None	None	0.00	6.00	None	None	Most tax revenue comes from oil company taxes.
Arizona	2,400	29	1,300	1,664	2,633	3,601	5.00	8.00	None	None	Top rate: 8% on taxable income over $14,748
Arkansas	2,923	17	1,372	1,686	3,058	4,461	4.00	8.00	None	None	Top rate: 7% on taxable income over $25,000
California	2,577	25	1,455	1,350	3,198	5,151	6.00	7.00	None	None	Top rate: 9.3% on taxable income over $50,104
Colorado	2,394	30	1,268	1,558	2,535	3,510	3.00	8.00	None	None	Rate is a flat 5% of federal taxable income, with some modifications.
Connecticut	300	45	None	None	None	None	8.00	8.00	$0	$37,875	Flat rate on capital gains is 7% and top rate on interest and dividends, 12%.
Delaware	2,777	20	1,497	1,750	3,219	4,752	0.00	0.00	0	31,250	Top rate: 7.7% of taxable income over $40,000
District of Columbia	4,036	3	2,196	2,691	4,595	6,591	6.00	6.00	None	None	Top rate: 9.5% on taxable income over $20,000
Florida	164	50	None	None	None	None	6.00	7.00	None	None	Florida gets most of its tax revenue from sales, use and admissions taxes.
Georgia	3,034	14	1,484	1,900	3,160	4,420	4.00	6.00	None	None	Top rate: 6% on taxable income over $10,000
Hawaii	4,463	1	2,416	2,854	4,949	7,049	4.00	4.00	None	None	Top rate: 10% on taxable income over $40,400
Idaho	3,744	5	2,000	2,290	3,988	5,710	5.00	5.00	None	None	Top rate: 8.2% on taxable income over $40,000
Illinois	1,715	38	850	1,150	1,775	2,400	6.25	8.00	None	None	Rate is a flat 2.5% of federal adjusted gross income, with some modifications.
Indiana	2,268	32	1,156	1,564	2,414	3,264	5.00	5.00	0	24,950	Rate is a flat 3.4% of federal adjusted gross income, with some modifications.
Iowa	2,721	23	1,413	1,877	3,145	4,401	4.00	5.00	0	39,825	Top rate: 9.98% on taxable income over $45,000
Kansas	2,453	28	1,319	1,386	2,489	3,602	4.25	6.25	0	21,750	Top rate: 5.3% on taxable income over $35,000
Kentucky	2,479	27	1,259	1,710	2,679	3,575	5.00	5.00	0	45,350	Top rate: 6% on taxable income over $8,000 In addition, Louisville levies a flat 2.2%.
Louisiana	1,887	37	735	945	1,505	2,065	4.00	8.00	17,050	17,050	Top rate: 6% on taxable income over $50,000
Maine	3,498	10	1,859	2,282	3,960	5,640	5.00	5.00	None	None	Top rate: 8% on taxable income over $30,000
Maryland	3,782	4	2,040	2,670	4,245	5,820	5.00	5.00	6,000	6,000	Local surcharges result in a top rate of 7.5% on taxable income over $3,000.
Massachusetts	2,944	16	1,539	2,024	3,246	4,480	5.00	5.00	23,500	55,500	Taxable earned income is taxed at a flat 5%; dividends, interest and capital gains at 10%.
Michigan	2,846	19	1,527	1,969	3,119	4,269	4.00	4.00	0	33,700	State rate is a flat 4.6% of taxable income. Detroit taxpayers pay an additional 3%.
Minnesota	3,548	9	1,936	2,360	4,036	5,720	6.00	7.00	None	None	Top rate: 8% of taxable income over $19,000, with an added 0.5% on certain high incomes
Mississippi	2,331	31	1,020	1,175	2,225	3,275	6.00	6.00	0	8,400	Top rate: 5% on taxable income over $10,000
Missouri	2,598	24	1,180	1,586	2,518	3,450	4.225	7.225	None	None	Top state rate: 6% on taxable income over $9,000 In addition, Kansas City and St. Louis levy a flat 1%.

dend income, $4,992 spent on food, $1,034 on clothing and 940 gallons of gasoline consumed. We also assumed that one spouse brings in 70% of the income and the other spouse 30%. We itemized where permitted.

The tax liabilities in the four columns under "Tax on earned income ($)" are based on different levels of gross earned income.

The death tax columns give the amount of tax that would be paid in states that levy either an estate tax (a tax calculated on the value of the estate of the decedent) or an inheritance tax (a tax on what an heir receives). "None" indicates that a state levies no earned income or death taxes of its own. "0" means that no tax is due in this particular case.

Income tax rates in the comments column are 1988 rates for married couples filing jointly. Unless otherwise noted, these rates apply to both earned and unearned income.

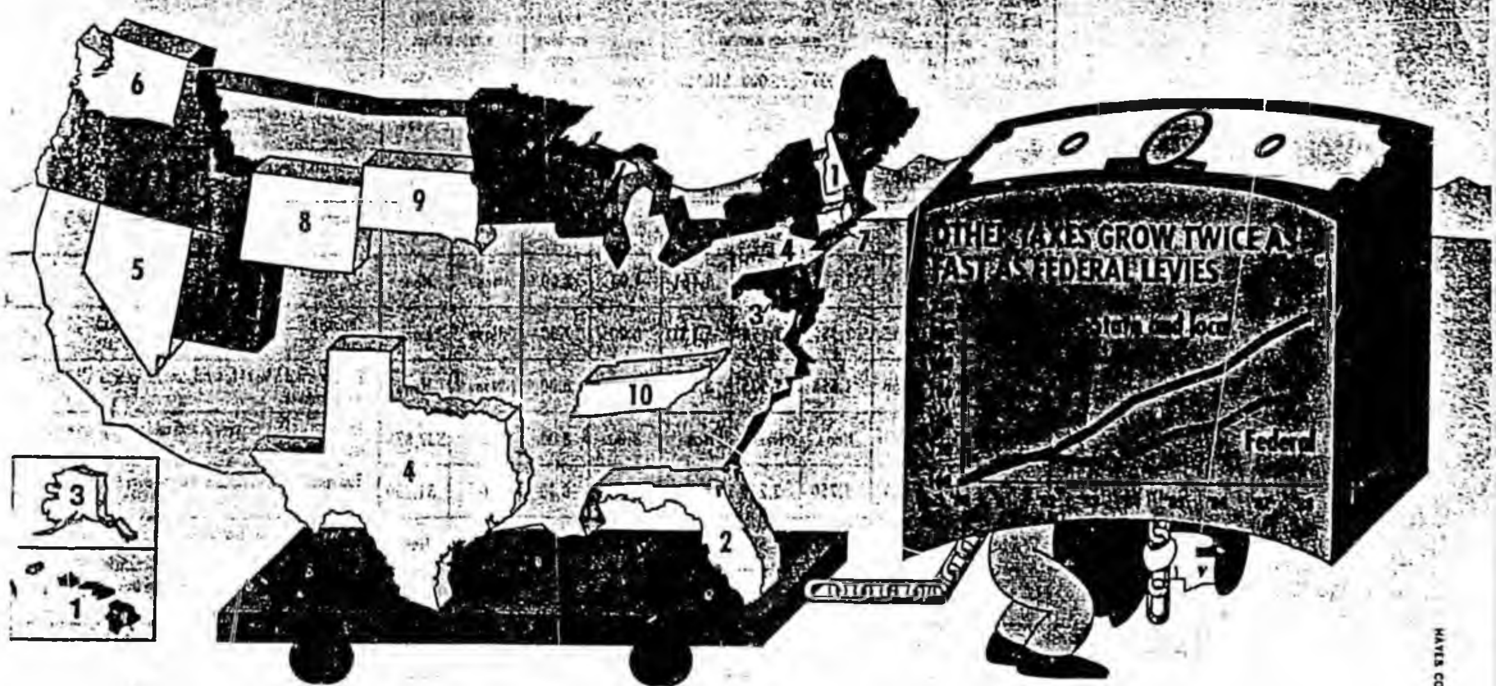
State	Total annual tax ($) on typical household	Rank by size of tax bill	Tax on earned income ($): For singles earning $35,000	For two-income marrieds earning $50,000	$75,000	$100,000	Sales tax (%): State	Highest combined state and local	Death tax ($) On $600,000 estate left to: Spouse	Child	Comments
Montana	$2,993	15	$1,617	$1,916	$3,445	$4,981	0%	0%	$0	$0	Top rate: 11% on taxable income over $50,000
Nebraska	2,215	33	1,093	1,323	2,492	3,731	4.00	5.50	0	5,850	Top rate: 5.9% on taxable income over $45,000
Nevada	231	47	None	None	None	None	5.75	6.00	None	None	Sales, gambling and gas taxes are the biggest sources of tax revenue.
New Hampshire	132	51	None	None	None	None	0.00	0.00	0	0	Dividends and interest over $2,400 are taxed at 5%.
New Jersey	1,614	39	750	1,050	1,885	2,760	6.00	6.00	0	0	Top rate: 3.5% on taxable income over $50,000
New Mexico	2,774	21	1,215	1,473	2,955	4,668	4.75	6.50	None	None	Top rate: 8.5% on taxable income over $64,000
New York	3,690	7	2,029	2,439	4,237	5,996	4.00	8.25	25,500	25,500	Top state rate: 8.375% on taxable income over $34,000; New York City: 3.4% over $108,000
North Carolina	3,479	11	1,761	2,157	3,627	5,097	3.00	5.00	0	7,000	Top rate: 7% on taxable income over $10,000
North Dakota	1,366	41	670	683	1,446	2,210	6.00	7.00	None	None	Top rate: 12% on taxable income over $50,000
Ohio	1,899	36	1,066	1,396	2,648	4,150	5.00	7.00	2,100	30,100	Top rate: 6.9% on taxable income over $100,000
Oklahoma	3,104	13	1,449	1,770	3,030	4,290	4.00	8.00	0	17,725	Top rate: 6% on taxable income over $15,000
Oregon	4,095	2	2,147	2,874	4,764	6,654	0.00	0.00	None	None	Top rate: 9% on taxable income over $10,000
Pennsylvania	1,480	40	735	1,050	1,575	2,100	6.00	6.00	36,000	36,000	State rate is 2.1% on a broad base of taxable income. In addition, Philadelphia taxpayers pay a flat 4.96%.
Rhode Island	2,017	35	1,099	1,120	2,372	3,625	6.00	6.00	7,900	12,400	Rate is 22.96% of federal tax liability, with some modifications.
South Carolina	3,316	12	1,642	2,013	3,430	4,848	5.00	5.00	0	33,000	Top rate: 7% on taxable income over $10,000
South Dakota	410	43	None	None	None	None	4.00	7.00	0	41,250	Primary source of tax revenue: sales, use and gas taxes
Tennessee	627	42	None	None	None	None	5.50	8.25	0	0	Certain interest and dividend income over $2,500 is taxed at 6%.
Texas	213	48	None	None	None	None	6.00	8.00	None	None	Tax revenue comes mainly from sales and gas taxes.
Utah	3,717	6	1,831	2,325	3,737	5,148	6.00	7.25	None	None	Top rate: 7.35% on taxable income over $7,500
Vermont	2,043	34	1,101	1,121	2,376	3,631	4.00	4.00	None	None	Rate is 23% of federal income tax liability.
Virginia	2,912	18	1,403	1,754	2,954	4,162	4.50	4.50	None	None	Top rate: 5.75% on taxable income over $15,000
Washington	250	46	None	None	None	None	7.00	8.10	None	None	Tax revenue comes mostly from sales, property and business income taxes.
West Virginia	2,763	22	1,260	1,697	3,230	4,855	6.00	6.00	None	None	Top rate: 6.5% on taxable income over $60,000
Wisconsin	3,605	8	1,930	2,332	3,810	5,339	5.00	5.50	0	56,250	Top rate: 6.93% on taxable income over $20,000
Wyoming	316	44	None	None	None	None	3.00	5.00	None	None	Most tax revenue comes from oil, gas and coal production taxes.

Source for figures on earned income: Minnesota Department of Revenue 1989 study

Compiled by Deborah Lohse

THE TAX HAVENS AND THE TAX HELLS

And now for your lesson in fiscal geography: Below are the 10 states that tax the lightest and the 10 with the heaviest taxing hand. We ranked the 50 states and the District of Columbia in order of the tax burden each would impose on the average MONEY reader with a two-earner household income of $61,372. Details of our methodology appear in the introduction to the master state-by-state table on pages 82 and 83. If your circumstances differ greatly from those of our typical household, consult the table and the accompanying article to judge how you might fare. The chart to the right of the map compares the growth between 1980 and 1988 of federal tax revenues from individuals (60%) and the increase of state and local levies, up at almost twice that rate (116%). Chart data are indexed to 100 as of 1980.



☐ HAVEN	■ HELL
1 New Hampshire	1 Hawaii
2 Florida	2 Oregon
3 Alaska	3 District of Columbia
4 Texas	4 Maryland
5 Nevada	5 Idaho
6 Washington	6 Utah
7 Connecticut	7 New York
8 Wyoming	8 Wisconsin
9 South Dakota	9 Minnesota
10 Tennessee	10 Maine

That was only the beginning. The state boosted its sales tax from 7.5% to 8%, the nation's highest state rate, and expanded it to cover out-of-state mail-order purchases and a wide range of services such as health clubs, gardening, cable TV, exterminating and window washing. Like many states, it increased consumption taxes on cigarettes and alcohol and the tax on real estate transfers. It also has a 10% admissions tax to places of amusement, such as movies and country clubs, and a 20¢-a-gallon gasoline tax. In addition, Connecticut's cities and towns impose personal property taxes, including a levy on cars. Rates vary widely. In New Haven, the tax last year on a $10,000 car was $514. In Greenwich, the tab was $181. To die in Connecticut will find you no fiscal peace either: only a surviving spouse escapes inheritance tax; other heirs have to fork over if the inheritance exceeds modest thresholds.

Unfortunately, the forecast is for a continuing steady downpour of state and local taxes. Consider the signs:

▶ Problems that were not nearly so acute a decade ago, such as drug abuse and prison overcrowding, demand hugely increased spending. Meanwhile, the federal deficit has grown, provoking Congress to shift the funding of federally mandated programs, such as Medicaid and nursing-home reform, onto the states. Such programs are already sapping up to 25% of new revenues in some states. "Congress' intent in establishing these programs is honorable," says Raymond Scheppach, executive director of the National Governors' Association. "But what it is saying, in effect, is: 'We need new taxes, and the states should raise them.' "

▶ Federal aid to states has declined on average 1.5% a year over the past decade. In inflation-adjusted dollars, that's a drop from $105.9 billion in 1980 to an estimated $91.1 billion this year.

▶ Cities, for their part, are reeling from the loss of both federal and state aid. At its peak in the mid-1980s, federal general revenue sharing provided $4 billion a year to cities and counties—a fifth of all the aid. That well ran dry in 1986. Hard-pressed state governments have also had to curtail the rate of growth of aid to cities.

▶ Thirty-five states project fiscal year-end budget reserves below 5% of total

TABLE 1
ESTIMATED BURDEN OF MAJOR TAXES FOR A FAMILY OF FOUR, 1988
$25,000

RANK	CITY	STATE	TAXES INCOME	TAXES PROPERTY	TAXES SALES	TAXES AUTO	BURDEN AMOUNT	BURDEN PERCENT
1.	Milwaukee,	WI	$633	$2,227	$358	$207	$3,425	13.7%
2.	Portland,	OR	982	2,208	N/A	142	$3,332	13.3%
3.	Philadelphia,	PA	1,775	894	274	130	$3,073	12.3%
4.	Detroit,	MI	1,178	1,319	336	169	$3,002	12.0%
5.	Baltimore,	MD	1,076	1,265	278	190	$2,809	11.2%
6.	Newark,	NJ	358	2,022	275	96	$2,751	11.0%
7.	Des Moines,	IA	675	1,385	340	240	$2,640	10.6%
8.	Providence,	RI	420	1,594	284	316	$2,614	10.5%
9.	Honolulu,	HI	1,051	716	530	225	$2,522	10.1%
10.	WASHINGTON,	DC	1,060	840	432	182	$2,514	10.1%
11.	Cleveland,	OH	870	1,048	434	156	$2,508	10.0%
12.	New York City,	NY	773	917	664	111	$2,465	9.9%
13.	Sioux Falls,	SD	N/A	1,481	706	150	$2,337	9.3%
14.	Norfolk,	VA	626	849	388	464	$2,327	9.3%
15.	Salt Lake City,	UT	782	656	589	258	$2,285	9.1%
16.	Charlotte,	NC	776	745	484	250	$2,255	9.0%
17.	Omaha,	NE	454	1,013	409	365	$2,241	9.0%
18.	Indianapolis,	IN	830	559	439	411	$2,239	9.0%
19.	Louisville,	KY	1,056	589	306	242	$2,193	8.8%
20.	Bridgeport,	CT	0	1,353	347	488	$2,188	8.8%
21.	Columbia,	SC	547	779	447	358	$2,131	8.5%
22.	Minneapolis,	MN	735	753	320	307	$2,115	8.5%
23.	Altanta,	GA	631	664	593	219	$2,107	8.4%
24.	Charleston,	WV	582	715	432	368	$2,097	8.4%
25.	St. Louis,	MO	720	523	556	277	$2,076	8.3%
26.	Chicago,	IL	508	682	643	198	$2,031	8.1%
27.	Wichita,	KS	495	599	499	433	$2,026	8.1%
28.	Burlington,	VT	421	1,270	173	151	$2,015	8.1%
29.	Denver,	CO	608	785	315	296	$2,004	8.0%
30.	Boise City,	ID	582	756	447	188	$1,973	7.9%
31.	Portland,	ME	290	1,025	305	346	$1,966	7.9%
32.	Jackson,	MS	292	524	657	448	$1,921	7.7%
33.	Albuquerque,	NM	369	727	636	166	$1,898	7.6%
34.	Memphis,	TN	0	968	737	185	$1,890	7.6%
35.	Little Rock,	AR	514	590	524	250	$1,878	7.5%
36.	Fargo,	ND	256	1,043	352	219	$1,870	7.5%
37.	Seattle,	WA	N/A	960	543	340	$1,843	7.4%
38.	Billings,	MT	608	892	N/A	333	$1,833	7.3%
39.	Oklahoma City,	OK	630	361	567	270	$1,828	7.3%
40.	Boston,	MA	829	510	202	278	$1,819	7.3%
41.	Birmingham,	AL	593	303	632	200	$1,728	6.9%
42.	Wilmington,	DE	804	763	N/A	135	$1,702	6.8%
43.	Los Angeles,	CA	198	750	469	246	$1,663	6.7%
44.	Houston,	TX	N/A	920	528	191	$1,639	6.6%
45.	Phoenix,	AZ	292	472	451	359	$1,574	6.3%
46.	Las Vegas,	NV	N/A	703	340	339	$1,382	5.5%
47.	Manchester,	NH	0	1,082	N/A	253	$1,335	5.3%
48.	Casper,	WY	N/A	488	420	254	$1,162	4.6%
49.	New Orleans,	LA	305	0	619	236	$1,160	4.6%
50.	Jacksonville,	FL	N/A	422	491	65	$978	3.9%
51.	Anchorage,	AK	N/A	867	N/A	106	$973	3.9%
	AVERAGE 1/		$632	$894	$452	$251	$2,085	8.3%
	MEDIAN 2/		$608	$779	$447	$242	$2,031	8.1%

TABLE 1
ESTIMATED BURDEN OF MAJOR TAXES FOR A FAMILY OF FOUR, 1988
$50,000

			TAXES				BURDEN	
RANK	CITY	STATE	INCOME	PROPERTY	SALES	AUTO	AMOUNT	PERCENT
1.	Milwaukee,	WI	$2,249	$4,242	$590	$218	$7,299	14.6%
2.	Portland,	OR	2,661	4,206	N/A	151	$7,018	14.0%
3.	New York City,	NY	3,457	1,747	1,072	117	$6,393	12.8%
4.	Detroit,	MI	2,849	2,512	524	183	$6,068	12.1%
5.	Minneapolis,	MN	2,280	2,807	527	300	$5,914	11.8%
6.	Philadelphia,	PA	3,480	1,703	461	137	$5,781	11.6%
7.	Baltimore,	MD	2,627	2,409	476	200	$5,712	11.4%
8.	Newark,	NJ	929	4,041	477	125	$5,572	11.1%
9.	Des Moines,	IA	1,849	2,802	542	251	$5,444	10.9%
10.	WASHINGTON,	DC	2,719	1,805	680	223	$5,427	10.9%
11.	Honolulu,	HI	2,809	1,483	768	239	$5,299	10.6%
12.	Cleveland,	OH	2,377	1,996	718	165	$5,256	10.5%
13.	Providence,	RI	1,151	3,035	471	329	$4,986	10.0%
14.	Portland,	ME	2,118	1,952	499	321	$4,89[illegible]	9.8%
15.	Salt Lake City,	UT	2,356	1,249	897	269	$4,771	9.5%
16.	Boise City,	ID	2,319	1,441	681	194	$4,635	9.3%
17.	Columbia,	SC	2,020	1,483	669	368	$4,540	9.1%
18.	Charlotte,	NC	2,142	1,418	719	260	$4,539	9.1%
19.	Norfolk,	VA	1,764	1,617	588	475	$4,444	8.9%
20.	Louisville,	KY	2,539	1,122	505	251	$4,417	8.8%
21.	Atlanta,	GA	1,807	1,500	872	224	$4,403	8.8%
22.	Omaha,	NE	1,308	1,929	644	376	$4,257	8.5%
23.	Charleston,	WV	1,697	1,362	700	375	$4,134	8.3%
24.	Burlington,	VT	1,188	2,420	289	158	$4,055	8.1%
25.	Sioux Falls,	SD	N/A	2,820	1,075	157	$4,052	8.1%
26.	Billings,	MT	1,956	1,699	N/A	346	$4,001	8.0%
27.	St. Louis,	MO	1,835	996	848	290	$3,969	7.9%
28.	Albuquerque,	NM	1,414	1,386	971	173	$3,944	7.9%
29.	Indianapolis,	IN	1,817	1,065	680	381	$3,943	7.9%
30.	Denver,	CO	1,638	1,496	523	284	$3,941	7.9%
31.	Wilmington,	DE	2,341	1,454	N/A	142	$3,937	7.9%
32.	Chicago,	IL	1,110	1,605	991	207	$3,913	7.8%
33.	Jackson,	MS	1,157	1,270	978	458	$3,863	7.7%
34.	Los Angeles,	CA	1,374	1,495	737	252	$3,858	7.7%
35.	Little Rock,	AR	1,630	1,124	788	258	$3,800	7.6%
36.	Wichita,	KS	1,402	1,140	776	398	$3,716	7.4%
37.	Boston,	MA	2,014	1,085	342	231	$3,672	7.3%
38.	Bridgeport,	CT	0	2,576	577	500	$3,653	7.3%
39.	Oklahoma City,	OK	1,731	755	862	256	$3,604	7.2%
40.	New Orleans,	LA	1,015	1,353	1,031	199	$3,598	7.2%
41.	Fargo,	ND	760	1,987	575	228	$3,550	7.1%
42.	Birmingham,	AL	1,368	642	963	207	$3,180	6.4%
43.	Memphis,	TN	0	1,843	1,126	194	$3,163	6.3%
44.	Phoenix,	AZ	1,170	899	714	347	$3,130	6.3%
45.	Houston,	TX	N/A	1,787	865	199	$2,851	5.7%
46.	Seattle,	WA	N/A	1,830	631	351	$2,812	5.6%
47.	Manchester,	NH	0	2,062	N/A	230	$2,292	4.6%
48.	Las Vegas,	NV	N/A	1,339	571	354	$2,264	4.5%
49.	Jacksonville,	FL	N/A	1,260	786	77	$2,123	4.2%
50.	Casper,	WY	N/A	929	631	230	$1,790	3.6%
51.	Anchorage,	AK	N/A	1,652	N/A	110	$1,762	3.5%
	AVERAGE 1/		$1,824	$1,801	$705	$254	$4,228	8.5%
	MEDIAN 2/		$1,817	$1,605	$681	$231	$4,001	8.0%

TABLE 1
ESTIMATED BURDEN OF MAJOR TAXES FOR A FAMILY OF FOUR, 1988
$75,000

RANK	CITY	STATE	TAXES: INCOME	TAXES: PROPERTY	TAXES: SALES	TAXES: AUTO	BURDEN: AMOUNT	BURDEN: PERCENT
1.	Milwaukee,	WI	$3,677	$6,363	$739	$265	$11,044	14.7%
2.	Portland,	OR	4,488	6,309	N/A	176	$10,973	14.6%
3.	Minneapolis,	MN	3,898	4,969	659	663	$10,189	13.6%
4.	New York City,	NY	6,047	2,620	1,329	155	$10,151	13.5%
5.	Detroit,	MI	4,602	3,769	638	227	$9,236	12.3%
6.	Baltimore,	MD	4,127	3,614	606	247	$8,594	11.5%
7.	WASHINGTON,	DC	4,653	2,820	833	251	$8,557	11.4%
8.	Newark,	NJ	1,634	6,165	610	133	$8,542	11.4%
9.	Portland,	ME	3,920	2,928	623	1,011	$8,482	11.3%
10.	Des Moines,	IA	3,040	4,292	667	452	$8,451	11.3%
11.	Philadelphia,	PA	5,047	2,555	581	173	$8,356	11.1%
12.	Providence,	RI	2,381	4,553	591	772	$8,297	11.1%
13.	Cleveland,	OH	4,048	2,994	900	206	$8,148	10.9%
14.	Honolulu,	HI	4,574	2,290	908	282	$8,054	10.7%
15.	Boise City,	ID	3,889	2,639	821	251	$7,600	10.1%
16.	Columbia,	SC	3,455	2,224	800	915	$7,394	9.9%
17.	Norfolk,	VA	2,950	2,426	707	1,175	$7,258	9.7%
18.	Salt Lake City,	UT	3,805	1,874	1,082	493	$7,254	9.7%
19.	Charleston,	WV	3,230	2,043	869	1,024	$7,166	9.6%
20.	Los Angeles,	CA	3,287	2,279	902	635	$7,103	9.5%
21.	Atlanta,	GA	3,006	2,380	1,037	591	$7,014	9.4%
22.	Omaha,	NE	2,478	2,893	790	841	$7,002	9.3%
23.	Charlotte,	NC	3,313	2,127	858	517	$6,815	9.1%
24.	Burlington,	VT	2,453	3,630	363	207	$6,653	8.9%
25.	Louisville,	KY	3,756	1,684	632	514	$6,586	8.8%
26.	Billings,	MT	3,301	2,548	N/A	725	$6,574	8.8%
27.	Jackson,	MS	2,112	2,055	1,168	1,221	$6,556	8.7%
28.	Wichita,	KS	2,508	1,710	946	1,313	$6,477	8.6%
29.	Wilmington,	DE	4,015	2,180	N/A	175	$6,370	8.5%
30.	Little Rock,	AR	3,122	1,687	946	547	$6,302	8.4%
31.	Indianapolis,	IN	2,805	1,598	827	1,069	$6,299	8.4%
32.	Albuquerque,	NM	2,828	2,078	1,173	217	$6,296	8.4%
33.	Denver,	CO	2,650	2,244	656	736	$6,286	8.4%
34.	Boston,	MA	3,240	1,690	434	889	$6,253	8.3%
35.	St. Louis,	MO	2,906	1,494	1,024	666	$6,090	8.1%
36.	Bridgeport,	CT	190	3,864	724	1,255	$6,033	8.0%
37.	New Orleans,	LA	1,605	2,578	1,294	437	$5,914	7.9%
38.	Oklahoma City,	OK	2,991	1,169	1,041	591	$5,792	7.7%
39.	Chicago,	IL	1,711	2,576	1,202	273	$5,762	7.7%
40.	Sioux Falls,	SD	N/A	4,231	1,298	195	$5,724	7.6%
41.	Fargo,	ND	1,562	2,980	716	275	$5,533	7.4%
42.	Phoenix,	AZ	1,878	1,348	878	919	$5,023	6.7%
43.	Seattle,	WA	N/A	2,744	1,168	779	$4,691	6.3%
44.	Birmingham,	AL	2,083	999	1,160	429	$4,671	6.2%
45.	Memphis,	TN	150	2,765	1,361	246	$4,522	6.0%
46.	Houston,	TX	N/A	2,701	1,080	274	$4,055	5.4%
47.	Manchester,	NH	0	3,092	N/A	599	$3,691	4.9%
48.	Las Vegas,	NV	N/A	2,008	719	734	$3,461	4.6%
49.	Jacksonville,	FL	N/A	2,143	971	93	$3,207	4.3%
50.	Casper,	WY	N/A	1,394	757	736	$2,887	3.8%
51.	Anchorage,	AK	N/A	2,477	N/A	153	$2,630	3.5%
	AVERAGE 1/		$3,103	$2,761	$871	$544	$6,706	8.9%
	MEDIAN 2/		$3,122	$2,548	$858	$514	$6,574	8.8%

TABLE 1
ESTIMATED BURDEN OF MAJOR TAXES FOR A FAMILY OF FOUR, 1988
$100,000

			TAXES				BURDEN	
RANK	CITY	STATE	INCOME	PROPERTY	SALES	AUTO	AMOUNT	PERCENT
1.	Portland,	OR	$6,367	$7,992	N/A	$215	$14,574	14.6%
2.	Milwaukee,	WI	5,243	8,060	942	319	$14,564	14.6%
3.	Minneapolis,	MN	5,564	6,699	840	757	$13,860	13.9%
4.	New York City,	NY	8,620	3,319	1,675	183	$13,797	13.8%
5.	Detroit,	MI	7,033	4,774	791	266	$12,864	12.9%
6.	WASHINGTON,	DC	6,701	3,632	1,038	291	$11,662	11.7%
7.	Baltimore,	MD	5,717	4,577	786	294	$11,374	11.4%
8.	Portland,	ME	5,658	3,709	792	1,111	$11,270	11.3%
9.	Newark,	NJ	2,432	7,865	798	154	$11,249	11.2%
10.	Cleveland,	OH	6,031	3,793	1,151	244	$11,219	11.2%
11.	Des Moines,	IA	4,351	5,485	837	510	$11,183	11.2%
12.	Providence,	RI	3,649	5,767	755	834	$11,006	11.0%
13.	Honolulu,	HI	6,582	2,936	1,087	344	$10,949	10.9%
14.	Philadelphia,	PA	6,762	3,236	747	204	$10,949	10.9%
15.	Boise City,	ID	5,611	3,600	1,006	295	$10,512	10.5%
16.	Los Angeles,	CA	5,327	2,906	1,122	677	$10,032	10.0%
17.	Columbia,	SC	4,946	2,818	972	982	$9,718	9.7%
18.	Charleston,	WV	4,855	2,588	1,097	1,083	$9,623	9.6%
19.	Salt Lake City,	UT	5,286	2,373	1,327	552	$9,538	9.5%
20.	Charlotte,	NC	5,138	2,694	1,039	569	$9,440	9.4%
21.	Norfolk,	VA	4,208	3,072	865	1,254	$9,399	9.4%
22.	Omaha,	NE	3,762	3,665	987	910	$9,324	9.3%
23.	Atlanta,	GA	4,245	3,084	1,250	629	$9,208	9.2%
24.	Burlington,	VT	3,728	4,597	465	241	$9,031	9.0%
25.	Billings,	MT	4,920	3,227	N/A	800	$8,947	8.9%
26.	Wilmington,	DE	5,965	2,762	N/A	209	$8,936	8.9%
27.	Albuquerque,	NM	4,470	2,633	1,440	253	$8,796	8.8%
28.	Louisville,	KY	5,109	2,133	807	565	$8,614	8.6%
29.	Jackson,	MS	3,155	2,683	1,416	1,299	$8,553	8.6%
30.	Little Rock,	AR	4,615	2,136	1,154	596	$8,501	8.5%
31.	Wichita,	KS	3,674	2,166	1,173	1,449	$8,462	8.5%
32.	Denver,	CO	3,694	2,843	838	822	$8,197	8.2%
33.	Boston,	MA	4,471	2,174	560	965	$8,170	8.2%
34.	Indianapolis,	IN	3,792	2,024	1,024	1,219	$8,059	8.1%
35.	New Orleans,	LA	2,205	3,558	1,658	478	$7,899	7.9%
36.	St. Louis,	MO	3,974	1,892	1,256	726	$7,848	7.8%
37.	Oklahoma City,	OK	4,234	1,500	1,278	673	$7,685	7.7%
38.	Bridgeport,	CT	458	4,895	927	1,342	$7,622	7.6%
39.	Chicago,	IL	2,316	3,353	1,482	317	$7,468	7.5%
40.	Fargo,	ND	2,388	3,774	910	339	$7,411	7.4%
41.	Sioux Falls,	SD	N/A	5,359	1,593	229	$7,181	7.2%
42.	Phoenix,	AZ	2,563	1,708	1,096	1,031	$6,398	6.4%
43.	Birmingham,	AL	2,829	1,284	1,423	467	$6,003	6.0%
44.	Seattle,	WA	N/A	3,476	1,509	846	$5,831	5.8%
45.	Memphis,	TN	270	3,502	1,671	290	$5,733	5.7%
46.	Houston,	TX	N/A	3,431	1,373	312	$5,116	5.1%
47.	Manchester,	NH	30	3,917	N/A	667	$4,614	4.6%
48.	Las Vegas,	NV	N/A	2,543	925	839	$4,307	4.3%
49.	Jacksonville,	FL	N/A	2,849	1,219	103	$4,171	4.2%
50.	Casper,	WY	N/A	1,766	924	813	$3,503	3.5%
51.	Anchorage,	AK	N/A	3,138	N/A	173	$3,311	3.3%
	AVERAGE 1/		$4,487	$3,529	$1,088	$603	$8,896	8.9%
	MEDIAN 2/		$4,471	$3,227	$1,039	$565	$8,936	8.9%

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325
FAX 463-5480

217 SECOND STREET, SUITE 200
JUNEAU, ALASKA 99801

January 24, 1990

MEMORANDUM

TO: Representative Niilo Koponen

FROM: Scott A. Burgess, Executive Director

SUBJECT: HB 252 - Personal Income Tax

The Alaska Municipal League "supports legislation to reinstate the state income tax to allow for maximum capture of revenue from non-resident employees working within Alaska." This position is contained in the AML's 1990 Policy Statement (I.J.1) which represents the policy positions of the AML membership as of the annual meeting held in Juneau in November 1989.

The AML Board first went on record supporting the reinstatement of the state income tax in response to its membership's request in November 1988 to look at revenue alternatives to meeting the needs of Alaskans for government services and assistance both at the state and local levels. The AML and local governments have been accused in the past of asking for assistance but not offering revenue alternatives. Reinstatement of the personal income tax along with modifying the Economic Limit Factor (ELF), increasing the motor fuel tax, school tax, an education endowment and a capital improvement revolving loan fund were recommended by the Board to the Legislature last year to address the projected budget deficit along with reasonable and fair cuts. While budget pressures appear to be less severe for FY 91 and in the near future, the State cannot continued to provide government services, which AML believes correctly and justifiably includes assistance to local governments, in the future and rely solely on oil revenues.

The state income tax is perhaps the fairest tax and, when necessary, should be reinstated to pay for government services. Such a tax would encourage accountability between benefits and the beneficiaries, including capturing a return on services to non-residents. The state income tax is only one revenue measure and should be in addition to other taxes, service fees, program receipts, and permit fees, and in addition to budget scrutiny and justification.

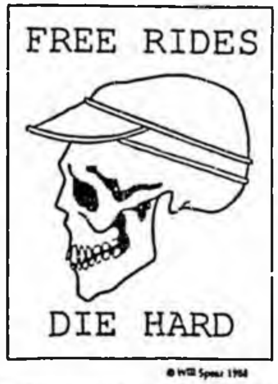
As to the specifics of HB 252, the AML has not taken a formal position on HB 252. The AML will follow the legislative debate and may have specific comments in the future.

sab2:hb252tax

REVENUE SOURCES BOOK

FORECAST & HISTORICAL DATA

FALL 1989



STATE OF ALASKA
DEPARTMENT OF REVENUE

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

P.O. BOX S
JUNEAU, ALASKA 99811-0400
PHONE: (907) 465-2300

The Honorable Steve Cowper
Governor
P.O. Box A
Juneau, Alaska 99811

December 29, 1989

Dear Governor Cowper:

Attached is an expanded version of the Fall 1989 forecast released on November 3, 1989. It couples a short-term and long-term forecast with a particularly close examination of petroleum revenues, the mainstay of our state income. It also sets out the revenues the State has received in the past.

This document is a blend of good news and bad news.

The good news is that oil prices are up strongly from a year ago and the modification of the Economic Limit Factor (ELF) has raised severance tax revenues.

The bad news is that oil production has started to fall and pipeline tariffs are going up. (Increased tariffs cut State revenues from taxes and royalties.)

The good news has justifiably cheered Alaskans about the prospects for the next year. The bad news should give us pause about the next 10 years.

The fall in oil production means that the inevitable decline in the huge Prudhoe Bay field has started sooner than we predicted.

Taxes and royalties generated by the Prudhoe Bay field currently provide well over half of all State revenues. This forecast assumes that production from the Prudhoe Bay field will continue to fall steadily, and will drop to less than half its present level in less than 10 years.

Some observers may believe that exploration will discover another Prudhoe Bay. Prudhoe Bay is the largest oil field in North America, and finding such a "supergiant" is extremely rare.

The State of Alaska is standing on a precipice. Only a combination of budget cuts, more efficient programs, and new revenues will keep the State from falling a long way.

Sincerely,

H Malone

Hugh Malone
Commissioner

TABLE OF CONTENTS

IV. HISTORICAL REVENUES

I. REVENUE FORECAST SUMMARY

A. Outlook for Short Term (FY 1990 - FY1992)

Higher oil revenues make the Fall 1989 State Revenue Forecast considerably higher than the forecast of Spring 1989. Revenues from non-petroleum sources will continue to be less than 20 percent of the total revenues, and those non-petroleum revenues should be approximately the same as last year.

Two positive factors outweigh two negative factors to drive the revenue outlook higher.

The two most important positive factors are:

1. The new Economic Limit Factor (ELF) has increased severance tax revenues; and
2. The oil price assumptions in all scenarios—except for one year in the high scenario—have increased.

The two most important negative factors are:

1. The onset of decline in the Prudhoe Bay field has been more rapid than expected, causing a fall in the estimates of production over the next five years; and
2. The estimates of Trans Alaska Pipeline System (TAPS) pipeline tariffs for the next two years have increased sharply, both because falling production will force expenses to be divided into fewer barrels and because the oil companies which own the pipeline will claim new expenses. These claimed new expenses will include corrosion repairs, oil spill prevention, and legal fees arising from the oil spill in Prince William Sound. The TAPS tariff is the price the oil companies which own the pipeline charge to transport the oil from the North Slope to Valdez. Higher TAPS tariffs mean lower State revenues from taxes and royalties.

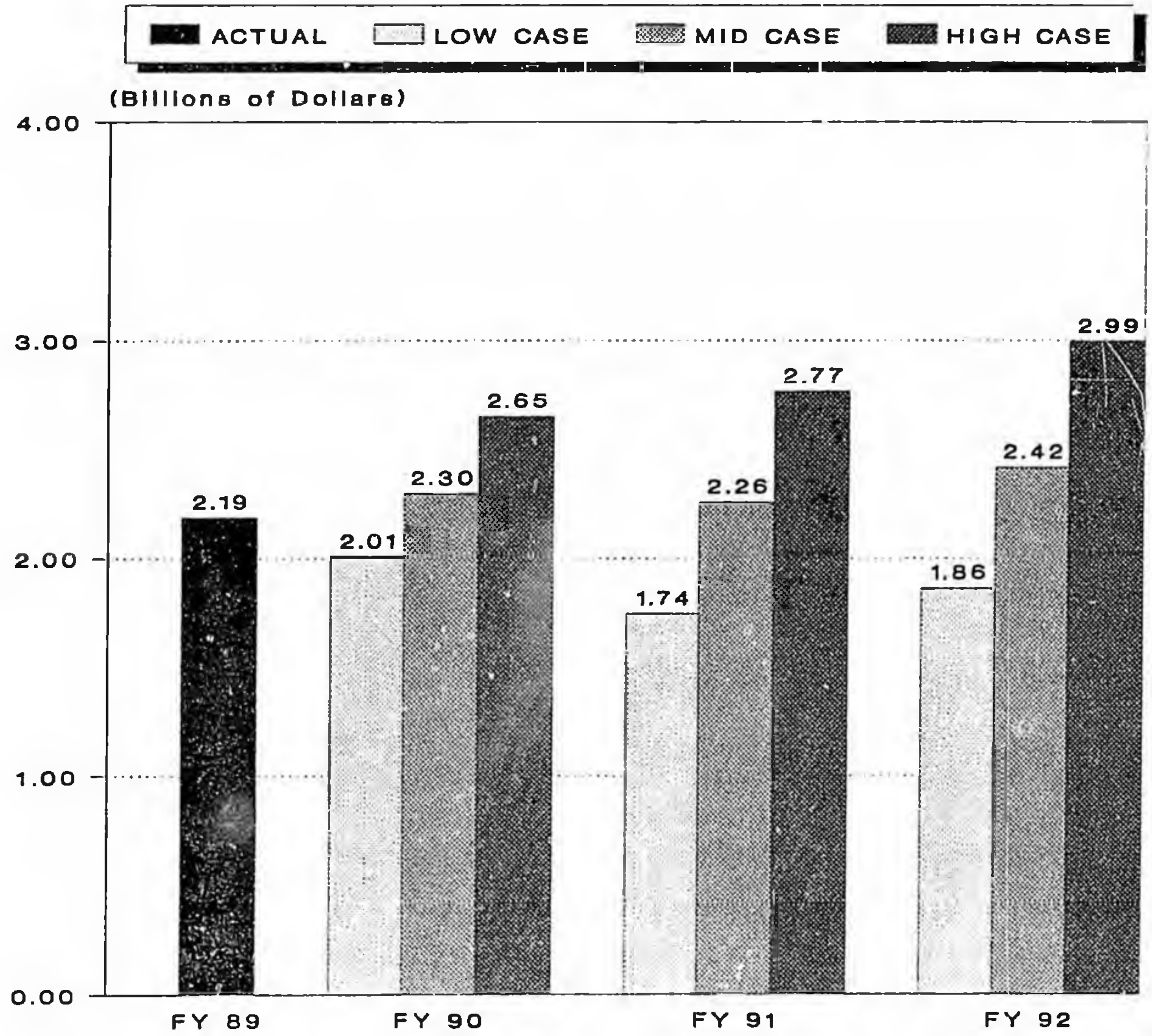
The following table illustrates the improved revenue outlook. Caution: the scenarios represent only three of many possible outcomes. None of the scenarios will prove wholly correct. No one scenario is more likely than any other.

General Fund Unrestricted Revenues (Millions $)

	Low Scenario	Mid Scenario	High Scenario
FY 1989 (Actual)	2,186.2	2,186.2	2,186.2
FY 1990	2,005.5	2,295.6	2,645.0
FY 1991	1,743.2	2,255.6	2,765.6
FY 1992	1,860.1	2,416.2	2,993.4

GENERAL FUND UNRESTRICTED REVENUES

(Comparison of Projections vs. FY 89 Actuals)



The price of oil now and in the future will be highly volatile. The price/production revenue sensitivity matrices in the following two tables show what this volatility could mean in Fiscal Years 1990 and 1991. If the reader picks a price and a production level, the reader can see the revenues generated.

Alaska State Revenue Matrix[1]
Unrestricted General Funds
(Millions of dollars)

FY 1990[2]

Alaska North Slope Production
Millions of barrels/day

Avg ANS Lower 48[3]	1.50	1.55	1.60	1.65	1.70	1.75	1.80	1.85	1.90
$10.00/bbl	1,462	1,479	1,496	1,512	1,529	1,546	1,562	1,579	1,596
$11.00	1,528	1,547	1,566	1,585	1,604	1,623	1,642	1,661	1,679
$12.00	1,624	1,646	1,669	1,691	1,713	1,735	1,757	1,779	1,801
$13.00	1,723	1,748	1,774	1,799	1,824	1,850	1,875	1,901	1,926
$14.00	1,821	1,850	1,878	1,907	1,936	1,965	1,993	2,022	2,051
$15.00	1,919	1,951	1,983	2,015	2,047	2,079	2,111	2,143	2,175
$16.00	2,018	2,053	2,088	2,124	2,159	2,194	2,229	2,265	2,300
$17.00	2,116	2,155	2,193	2,232	2,270	2,309	2,347	2,386	2,424
$18.00	2,214	2,256	2,298	2,340	2,382	2,424	2,465	2,507	2,549
$19.00	2,313	2,358	2,403	2,448	2,493	2,538	2,583	2,629	2,674
$20.00	2,411	2,459	2,508	2,556	2,605	2,653	2,702	2,750	2,798

[1] Assumptions other than price and production, are based on the mid scenario of the Department of Revenue Fall 1989 Forecast, updated to account for changes in the ELF due to HB 118 and the Oil and Hazardous Release Fund. HB 118 is assumed to be effective for FY 1990 and the Oil and Hazardous Release Fund is assumed to be effective starting with July 1989 production.

[2] Averages start in September 1989.

[3] The average ANS price for all lower 48 sales is approximately $0.60/barrel less than the U. S. Gulf price in FY 1990.

Alaska State Revenue Matrix[1]
Unrestricted General Funds
(Millions of dollars)

FY 1991

Alaska North Slope Production
Millions of barrels/day

Avg ANS Lower 48[2]	1.50	1.55	1.60	1.65	1.70	1.75	1.80	1.85	1.90
$10.00/bbl	1,218	1,238	1,258	1,278	1,298	1,319	1,339	1,359	1,379
$11.00	1,301	1,324	1,347	1,370	1,393	1,415	1,438	1,461	1,484
$12.00	1,397	1,423	1,449	1,475	1,502	1,528	1,554	1,580	1,606
$13.00	1,513	1,543	1,573	1,603	1,634	1,664	1,694	1,724	1,754
$14.00	1,630	1,664	1,698	1,731	1,765	1,799	1,833	1,867	1,901
$15.00	1,746	1,784	1,822	1,860	1,897	1,935	1,973	2,011	2,049
$16.00	1,862	1,904	1,946	1,988	2,029	2,071	2,113	2,155	2,196
$17.00	1,979	2,024	2,070	2,116	2,161	2,207	2,253	2,298	2,344
$18.00	2,095	2,145	2,194	2,244	2,293	2,343	2,392	2,442	2,491
$19.00	2,211	2,265	2,318	2,372	2,425	2,478	2,532	2,585	2,639
$20.00	2,328	2,385	2,442	2,500	2,557	2,614	2,672	2,729	2,786

[1] Assumptions other than price and production, are based on the mid scenario of the Department of Revenue Fall 1989 Forecast, updated to account for changes in the ELF due to HB 118 and the Oil and Hazardous Release Fund. HB 118 is assumed to be effective for FY 1990 and the Oil and Hazardous Release Fund is assumed to be effective starting with July 1989 production.

[2] The average ANS price for all lower 48 sales is approximately $0.08/barrel less than the U. S.

B. Outlook for Long-Term (FY 1993 - 2010)

The short-term outlook showed more than a $600 million "spread" between the low and high scenarios for the current fiscal year, FY 1990. The long-term outlook is that the longer we look into the future, the bigger the difference gets between the low and high scenarios. The main constant is that revenues from oil and gas will continue to dominate Alaska's total revenues into the 21st century. The State will receive more than half of its revenues from oil and gas until at least 2005.

The two critical variable factors in the long-term outlook for petroleum revenues are the price and the production of oil.

The price of oil directly affects revenues in two ways. The price directly determines the value of petroleum production. The price also determines the feasibility of exploring and developing additional resources, including the enormous Arctic gas reserves. Increasing world consumption of oil will force an increasing dependence on OPEC. This forecast assumes that this increasing dependence will result in a long-term upward drift in oil prices. The market reaction to very high oil prices in the early 1980s suggests that oil prices above $20 per barrel are difficult to sustain for long periods of time.

The decline in production from the Prudhoe Bay field is a central issue for Alaska. Taxes and royalties generated by Prudhoe Bay account for more than half of the State's current revenues. This forecast assumes that Prudhoe Bay production will fall to half of current levels sometime between 1997 and 2000.

General Fund Unrestricted Revenues
(Millions $)

	Low Scenario	Mid Scenario	High Scenario
FY 1993	1,813.2	2,435.2	3,243.0
FY 1994	1,813.3	2,460.7	3,655.0
FY 1995	1,756.0	2,375.8	4,094.3
FY 2000	1,081.2	1,597.3	4,218.4

II. REVENUE FORECAST: SHORT-TERM OUTLOOK (FY 1990 - 92)

A. Unrestricted and Restricted Revenues

This section analyzes revenues over the next two and a half years, taking us through the rest of FY 90 to the end of FY 92. It analyzes revenues that go to the General Fund, the account which finances most of the budget. Both unrestricted and restricted revenues flow into the General Fund. The difference between these two types of revenues is in how the legislature can use them. Unrestricted revenues have no restrictions on their use. Restricted revenues carry some restriction on their use. For most restricted revenues, the restriction comes from the Federal government. In FY 89, restricted revenues were 20 percent of total General Fund revenues, and unrestricted revenues were 80 percent of total General Fund revenues.

Because restricted revenues are specific in their use, discussions of revenues tend to concentrate on unrestricted revenues.

The following table shows all sources of unrestricted General Fund revenues for FY 89 through FY 92. The next table shows all sources of restricted General Fund revenues for FY 89 through FY 92.

GENERAL FUND UNRESTRICTED REVENUES

(Millions of Dollars)

TAXES	FY 1989 Actuals	FY 1990 ESTIMATES Low	FY 1990 ESTIMATES Mid	FY 1990 ESTIMATES High	FY 1991 ESTIMATES Low	FY 1991 ESTIMATES Mid	FY 1991 ESTIMATES High	FY 1992 ESTIMATES Low	FY 1992 ESTIMATES Mid	FY 1992 ESTIMATES High
Income										
Corporate General (1)	38.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Corporate - Petroleum (1)	166.0	109.0	130.0	157.0	114.0	139.0	164.0	110.0	135.0	160.0
Income from Prior Years (2)	255.7	5.2	5.2	5.2	0.0	0.0	0.0	0.0	0.0	0.0
Total (3)	459.7	144.2	165.2	192.2	144.0	169.0	194.0	140.0	165.0	190.0
Severance										
Oil & Gas Production	696.4	737.1	885.8	1066.0	671.1	917.5	1171.2	758.7	993.9	1260.4
Oil & Gas Conservation	2.4	2.3	2.3	2.5	2.1	2.2	2.4	1.9	2.0	2.2
Oil & Hazardous Release (4)	0.0	26.0	26.7	28.1	25.6	27.0	29.6	23.2	25.0	27.8
ELF Revision Payments (5)	0.0	102.2	102.2	102.2	0.0	0.0	0.0	0.0	0.0	0.0
Total	698.8	867.6	1017.0	1198.8	698.8	946.7	1203.2	783.8	1020.9	1290.4
Property										
Oil & Gas (6)	89.7	84.6	84.6	84.6	79.7	79.7	79.7	75.2	75.2	75.2
Sale/Use										
Alcoholic Beverages	11.8	11.4	11.4	11.4	11.2	11.2	11.2	11.0	11.0	11.0
Fuel Taxes - Aviation (7)	10.1	10.0	10.0	10.0	10.1	10.1	10.1	10.2	10.2	10.2
Fuel Taxes - Highway	20.0	20.0	20.0	20.0	20.5	20.5	20.5	21.0	21.0	21.0
Fuel Taxes - Marine	7.2	7.0	7.0	7.0	7.2	7.2	7.2	7.4	7.4	7.4
Tobacco Products (8)	6.4	10.6	10.6	10.6	12.2	12.2	12.2	12.0	12.0	12.0
Total	55.5	59.0	59.0	59.0	61.2	61.2	61.2	61.6	61.6	61.6
Miscellaneous - Other Taxes										
Alaska Business License (9)	1.0	1.9	1.9	1.9	1.5	1.5	1.5	1.1	1.1	1.1
Fish - Canned/Shorebased (10)	16.1	11.7	11.7	11.7	12.0	12.0	12.0	14.0	14.0	14.0
Fish - Floating	10.6	10.7	10.7	10.7	11.0	11.0	11.0	11.0	11.0	11.0
Salmon Enhancement (11)	9.5	6.1	6.1	6.1	6.0	6.0	6.0	6.0	6.0	6.0
Seafood Marketing (12)	3.3	3.1	3.1	3.1	3.0	3.0	3.0	3.0	3.0	3.0
Insurance Companies	19.4	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0
Electric & Telephone Coops (13)	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Gaming (14)	0.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Mining License Tax	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Estate	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Total	63.8	60.2	60.2	60.2	60.2	60.2	60.2	61.8	61.8	61.8
TOTAL TAXES	1367.5	1215.6	1386.0	1594.8	1043.9	1316.8	1598.3	1122.4	1384.5	1679.0

	Actuals	Low	Mid	High	Low	Mid	High	Low	Mid	High
LICENSES & PERMITS										
Business (15)(16)	8.1	7.5	7.5	7.5	7.0	7.0	7.0	7.0	7.0	7.0
Non-Business	20.2	19.8	19.8	19.8	20.3	20.3	20.3	20.3	20.3	20.3
Total	28.3	27.3	27.3	27.3	27.3	27.3	27.3	27.3	27.3	27.3
INTERGOVERNMENTAL RECEIPTS										
Federal Shared Revenues (17)	6.1	6.5	6.5	6.5	6.0	6.0	6.0	6.0	6.0	6.0
Section 8(g) Funds (17)(18)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total	8.1	8.5	8.5	8.5	8.0	8.0	8.0	8.0	8.0	8.0
STATE RESOURCE REVENUE										
Sale/Use										
Bonus Sales (17)(19)(20)	11.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rents (17)(19)(20)	5.3	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Royalties (17)	605.9	588.0	704.4	841.5	518.8	724.7	912.9	595.8	804.0	1006.5
Sale of State Property	4.9	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Gravel, Timber, etc.	0.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total	628.0	599.5	715.9	853.0	530.3	736.2	924.4	607.3	815.5	1018.0
Investment Earnings (21)	100.7	91.4	94.7	98.2	69.6	103.2	143.5	29.4	115.2	195.4
Facilities Related Charges										
Airports	1.2	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0
Ferry System—SE	29.3	31.6	31.6	31.6	32.3	32.3	32.3	33.6	33.6	33.6
Ferry System—SW	3.8	4.3	4.3	4.3	4.3	4.3	4.3	4.6	4.6	4.6
Other	1.4	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Total	35.7	39.5	39.5	39.5	40.3	40.3	40.3	41.9	41.9	41.9
Services Related Charges										
Court System	6.0	5.9	5.9	5.9	6.0	6.0	6.0	6.0	6.0	6.0
Other	1.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Total	7.9	8.7	8.7	8.7	8.8	8.8	8.8	8.8	8.8	8.8
TOTAL RESOURCE REVENUE	772.3	739.1	858.8	999.4	649.0	888.5	1117.0	687.4	981.4	1264.1
MISCELLANEOUS REVENUE	10.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
TOTAL UNRESTRICTED REVENUE (22)	**2186.2**	**2005.5**	**2295.6**	**2645.0**	**1743.2**	**2255.6**	**2765.6**	**1860.1**	**2416.2**	**2993.4**
MENTAL HEALTH TRUST INCOME ACCOUNT (23)	97.7	100.3	114.8	132.3	87.2	112.8	138.3	93.0	120.8	149.7

* Footnotes on the following page.

FOOTNOTES

(1) Figures are forecasted to be slightly higher but expected to trend downward.

(2) The major portion of the FY 89 figure reflects the ARCO settlement ($172.3 million) which resolved disputed State income tax liabilities from prior years.

(3) Figures include that portion ($56.1 million in FY 89) annually shared through the municipal assistance program (AS 43.20.016).

(4) Reflects enactment of the conservation surcharge on oil (Ch. 112, SLA 1989).

(5) FY 90 figures reflect those protested ELF revision payments received by the State, and are subject to litigation.

(6) Figures only reflect the State's share of the total. The total property tax and the municipalities' share are as follow (millions $): FY 89: $342.0 and $252.3; FY 90: $332.9 and $248.3; FY 91: $331.0 and $251.3; and FY 92: $333.9 and $258.7, respectively.

(7) Includes that portion annually shared to qualified municipalities (AS 43.40.010).

(8) Figures reflect the increased millage rate for the General Fund portion from 5.5 to 12 mills per cigarette per Ch. 96, SLA 89.

(9) The Department of Commerce in January, 19[illegible] switched to a two year cycle for business license applications.

(10) Figures reflect the enactment of a shorebased fisheries business tax credit which is limited to 50 percent of the business' total tax liability with any unused portion of the credit carried forward (Ch. 79, SLA 1986, effective July 1, 1986). For example, the total FY 89 fisheries business tax liability was $41.3 million against which $14.6 million credits were applied thus yielding a total net fisheries business tax of $26.7 million. This State share is further reduced annually ($15.7 million in FY 89) by municipal revenue sharing (AS 43.75.130). The canned fisheries business tax has been combined into a single category with the shorebased since the tax credits are applied against the aggregate return and cannot be allocated by specific processing type.

(11) Provides annual funding based on collections for qualified regional aquaculture associations (AS 43.76.025).

(12) Provides annual funding based on collections for the Alaska Seafood Marketing Institute (AS 16.51.160).

(13) Figures include that portion ($2.0 million for FY 89) annually refunded to local taxing authorities (AS 10.25.570).

(14) Reflects enactment of the Gaming Reform Act (Ch. 99, SLA 1989), effective September 2, 1988.

(15) Figures reflect the trend of shifting fees by various agencies from General Fund Unrestricted revenues to Restricted Program Receipts.

(16) Figures include that portion of amusement and gaming licenses (AS 43.35.050) and liquor licenses (AS 04.10.460) annually shared to qualified municipalities.

(17) Net of Permanent Fund and Public School Fund contributions.

(18) Reflects the OCS "8(g)" revenue sharing settlement of $4.0 million in FY 89, and $4.0 million in FY 90, FY 91, and FY 92. The General Fund share represents 49.5 percent of the aforementioned totals, whereas the Permanent Fund receives 50.0 percent. The remaining 0.5 percent is distributed to the Public School Fund.

(19) Reflects state lease sales of $14.7 million held September 28, 1988 (Sale 55 - Demarcation Point), $6.1 million held September 28, 1988 (Sale 69A - Kuparuk Uplands), and $2.2 million held January 24, 1989 (Sale 52 - Beaufort Sea, Sale 72A - Oliktok Point). The bonus figures represent the General Fund's 49.5 percent share.

(20) The Department of Natural Resources projects the following FY 90, FY 91, and FY 92 state lease sales: FY 90 (None scheduled); FY 91 (Sale 67A - Cook Inlet:Exempt, Sale 70A - Kuparuk Uplands:Exempt, Sale 64 - Kavik, Sale 6[illegible] - Beaufort Sea); and FY 92 (Sale 74 - Cook Inlet, Sale 61 - Whitehills, Sale 68 - Beaufort Sea). However, bonus bids are impossible to anticipate prior to sales; therefore, no estimates are provided.

(21) With regard to the projections shown in this current revenue forecast, it should be noted that, all currently held and projected investment assets in the General Investment Fund are projected to be liquidated by January 1992, under the Low Case revenue scenario presented. In the High Case and the Mid Case scenarios, there are still assets in the Fund at the end of FY 1992. A wide variety of policy actions could be taken to either increase General Fund cash inflows or reduce General Fund cash outflows. However, no such actions are assumed here. Even with total liquidation of the General Investment Fund, interest from certain mortgage and loan programs is assumed to accrue to the General Fund.

(22) The State, per AS 38.05.180, will be granting incentive credits against royalties, severance taxes, and rentals to the oil companies for drilling exploratory wells. Although there are no credits currently applied against the FY 90 figures, additional credits are anticipated in subsequent years.

(23) Chapter 48 SLA 1987, allocates 5% of General Fund unrestricted revenues to the Mental Health Trust Income Account until such time as the original Mental Health Trust Lands are valued (at which point 8% of such value will be allocated annually to the Mental Health Trust Income Account). The necessary expenses of Alaska's Mental Health Program must be met before funds in the Mental Health Trust Income Account may be expended for any other public purpose (AS 37.14.021). The amounts shown are included in the aforementioned Total Unrestricted Revenue figures.

GENERAL FUND RESTRICTED REVENUES

(Millions of Dollars)

	FY 1989	FY 1990 ESTIMATES			FY 1991 ESTIMATES			FY 1992 ESTIMATES		
	Actuals	Low	Mid	High	Low	Mid	High	Low	Mid	High
Federal Grants-in-Aid										
Education	73.3	66.0	66.0	66.0	66.0	66.0	66.0			
Social Services	167.4	191.4	191.4	191.4	191.7	191.7	191.7			
Health	3.9	5.0	5.0	5.0	4.8	4.8	4.8	Not Available		
Natural Resources	30.0	27.8	27.8	27.8	27.8	27.8	27.8			
Pub. Prot./Admin. of Justice	12.4	12.8	12.8	12.8	12.7	12.7	12.7			
Development/GeneralGovt.	7.8	2.0	2.0	2.0	2.0	2.0	2.0			
Transportation	195.8	183.0	183.0	183.0	183.0	183.0	183.0			
Total Federal Grants-in-Aid	490.6	488.0	488.0	488.0	488.0	488.0	488.0			
Other Grants-in-Aid/Program Receipts										
Education	2.3	2.2	2.2	2.2	2.2	2.2	2.2			
Health/Social Services	6.5	8.4	8.4	8.4	8.2	8.2	8.2			
Natural Resources	6.2	5.7	5.7	5.7	5.7	5.7	5.7	Not Available		
Pub. Prot./Admin. of Justice	5.3	6.4	6.4	6.4	6.2	6.2	6.2			
Development/GeneralGovt.	14.0	5.9	5.9	5.9	5.9	5.9	5.9			
Transportation	1.0	0.9	0.9	0.9	0.9	0.9	0.9			
Total Other Grants-in-Aid	35.3	29.5	29.5	29.5	29.1	29.1	29.1			
Miscellaneous Restricted Revenue-All Categories	20.8	16.4	16.4	16.4	17.0	17.0	17.0			
RESTRICTED REVENUE *	546.7	533.9	533.9	533.9	534.1	534.1	534.1			
UNRESTRICTED REVENUE	2186.2	2005.5	2295.6	2645.0	1743.2	2255.6	2765.6	1860.1	2416.2	2993.4
TOTAL GENERAL FUND	2732.9	2539.4	2829.5	3178.9	2277.3	2789.7	3299.7			

* Restricted Revenue figures may not agree with those shown in the Governor's budget due to categorical differences between the budget and accounting system.

B. Petroleum Revenues

Introduction

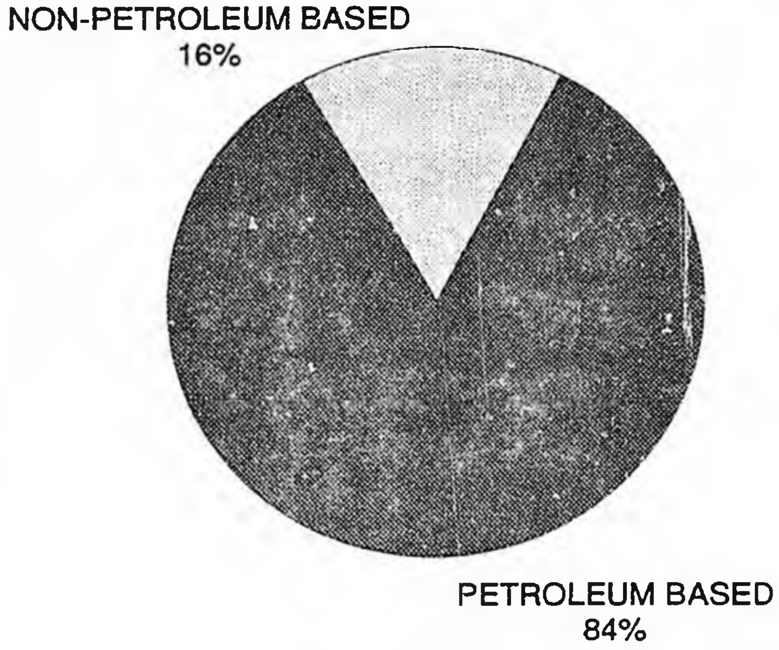
This section: underlines the importance of petroleum revenues to Alaska's total revenues; discusses the current oil markets; sets out the petroleum forecast assumptions; describes the low, mid, and high scenarios; and concludes with a note on the effects of the modified Economic Limit Factor (ELF) and a note on methodology.

Importance of Petroleum Revenues

Petroleum revenues now account for more than 80 percent of all unrestricted General Fund revenues, and will account for more than 80 percent of those revenues each year well into the 1990s.

The figure below shows the relationship of petroleum revenues to all revenues for FY 89.

FY 89 GENERAL FUND UNRESTRICTED REVENUES



PETROLEUM REVENUES

General Fund Unrestricted Revenues:
Petroleum Revenues as a Percentage of the Total

The following table shows that petroleum revenues will dominate in the short-term under all three scenarios.

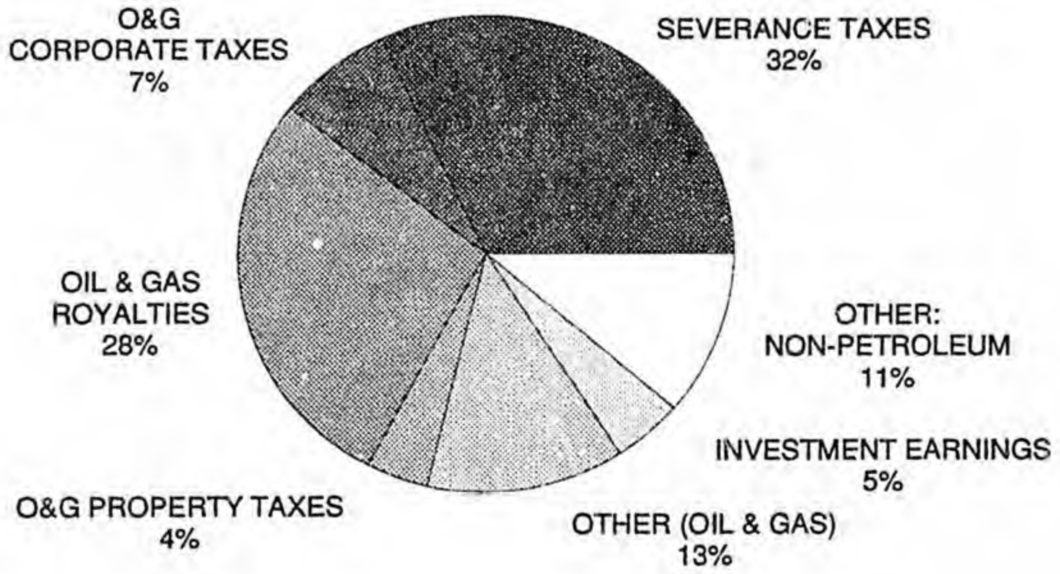
FY 1989 - 92
(Millions of Dollars)

	Total G. F. Unrestricted Revenues	Total G. F. Unrestricted from Petroleum	Percent
FY 89 Actual	2186.2	1840.4	84
FY 90 Estimates			
Low Case	2005.5	1668.4	83
Mid Case	2295.6	1955.2	85
High Case	2645.0	2301.1	87
FY 91 Estimates			
Low Case	1743.2	1424.8	82
Mid Case	2255.6	1903.6	84
High Case	2765.6	2373.3	86
FY 92 Estimates			
Low Case	1860.1	1578.3	85
Mid Case	2416.2	2048.6	85
High Case	2993.4	2545.6	85

Petroleum revenues come from: (1) severance taxes (also called production taxes); (2) royalties on oil and gas the State owns; (3) corporate income taxes on corporations producing and transporting oil and gas; (4) the oil and gas property tax; and (5) other oil and gas revenues (rents, bonuses, and special settlements).

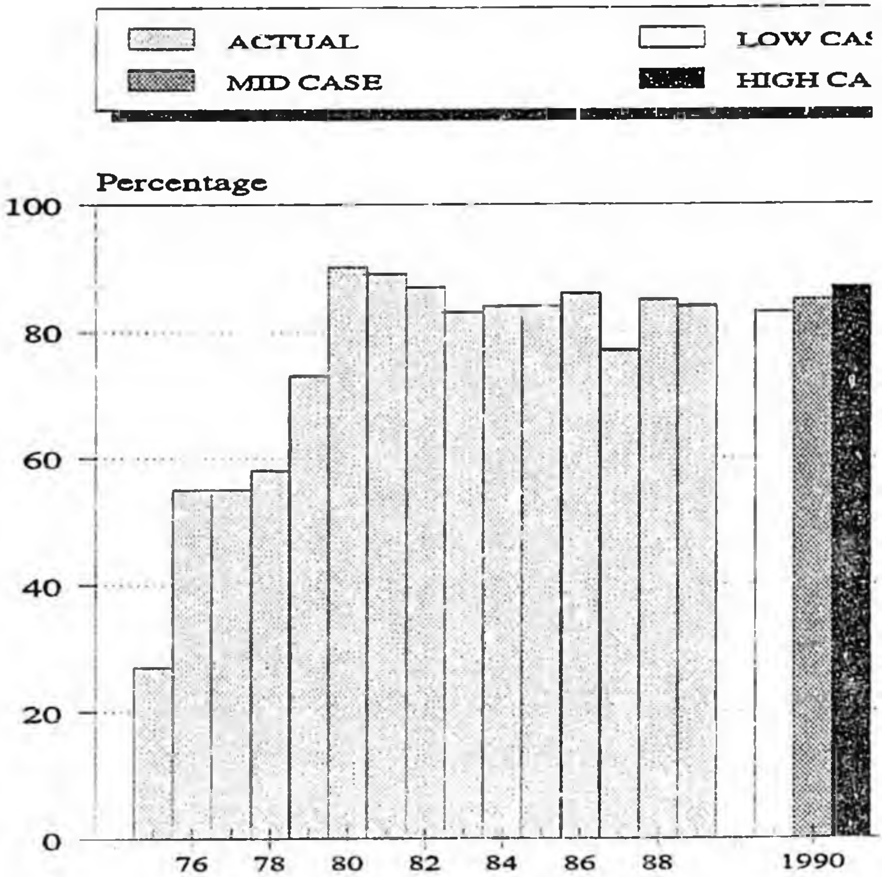
Together, these petroleum revenues accounted for 84 percent of State revenues in FY 89. The State also collects revenues in the form of interest earned on money invested in the State Treasury, which accounted for another 5 percent of the total General Fund unrestricted revenues. (Most of the earnings come from interest earned on petroleum revenues.) The following figure illustrates this.

FY 89 GENERAL FUND UNRESTRICTED REVENUES



The following figure shows that the State of Alaska has received mc a substantial period. Petroleum revenues comprised more than 75 pe revenues in FY 89 for the tenth year in a row.

PERCENTAGE OF GENERAL FUND UNRES REVENUES WHICH COME FROM PETR (FY 1975 - 92)



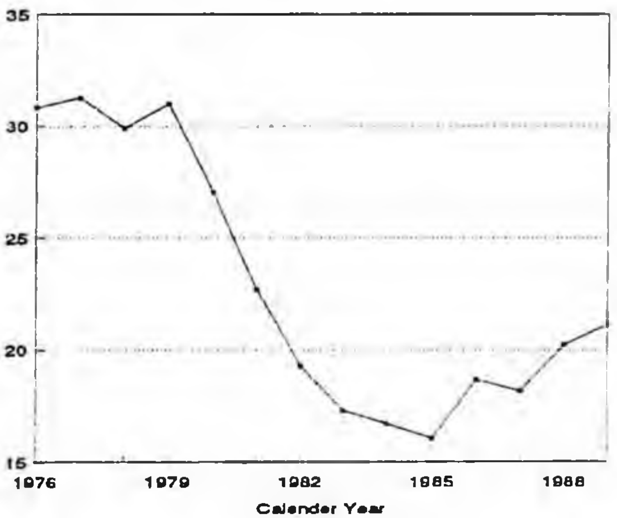
C. CURRENT OIL MARKET SITUATION

World Market

The price of oil continues strong on world markets through November. This is occurring in the face of fairly bearish market fundamentals, including estimated OPEC October production of nearly 23 million bbl/day and flat to lower consumption of oil in the third quarter in the U.S. and Europe. Obviously the prospect for higher prices will depend on the severity of the winter weather and the extent to which the global economy continues to grow over the next two quarters.

OPEC met November 25 in Vienna, at which time the member countries established a new overall production quota of 22 million bbls/day. OPEC's major short-term problem is how to deal with a projected seasonal decline in the demand for their crude oil in the first quarter which will lead to lower prices unless current rates of production by member countries can be curbed.

Figure 1 OPEC Production (Millions of barrels/day)



The new OPEC quota system and estimated October production is illustrated in Table 1.

Table 1 **OPEC Production Quotas and Estimated October Production [1] (Thousands of bbls/day)**

Country	October Production	Current Quota
Algeria	700	830
Ecuador	300	270
Gabon	210	200
Indonesia	1,250	1,370
Iran	2,900	3,140
Iraq	3,000	3,140
Kuwait[2]	1,850	1,500
Libya	1,200	1,230
Nigeria	1,600	1,610
Qatar	400	370
Saudi Arabia[2]	5,500	5,380
UAE	2,200	1,100
Venezuela	1,800	1,810
October total	22,910	22,000

[1]Source: Platt's Oilgram News
[2]Includes 50% of Neutral Zone output.

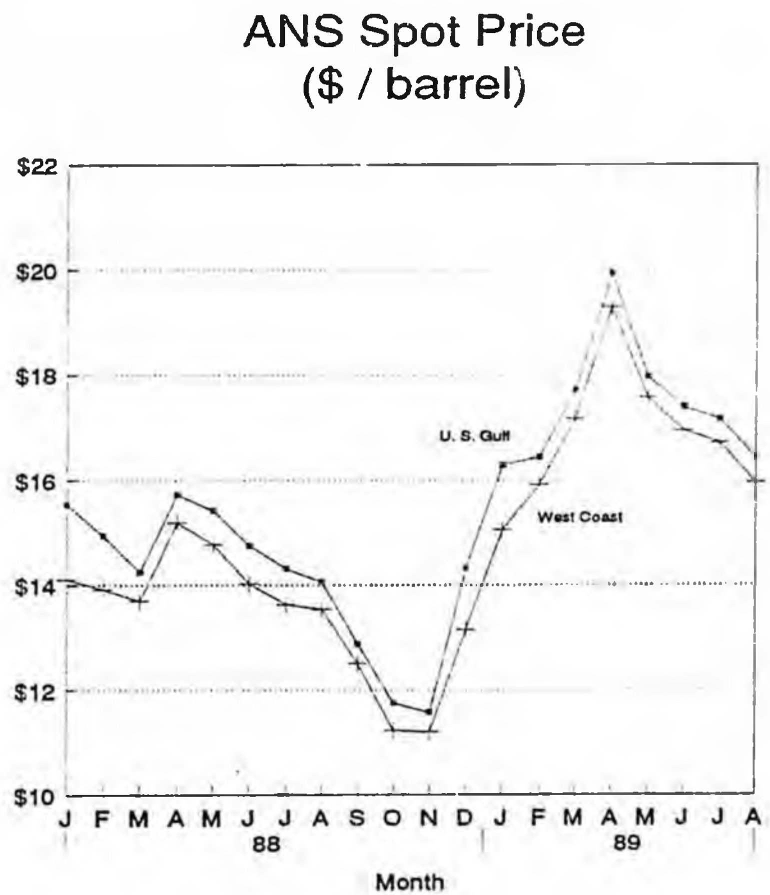
ANS Market

Lower production from Alaska's North Slope continues to dominate the news. Recent estimates released by the Alaska Department of Natural Resources reduce the production estimates released last Spring for the North Slope by an average of roughly 100,000 bbl/day. Due to the projected decline in the mammoth Prudhoe Bay oil field, Alaska's overall oil production will continue to decline in the future. The good news is that several new oil fields will be coming into production in the early 1990s, including Point McIntyre, Niakuk, and possibly West Sak.

The decline in ANS production combined with projected continued declines in California production and a growing appetite for oil on the West Coast will eventually eliminate the need for the movement of ANS to destinations east of Panama. The result of this situation will be to increase the price of oil on the West Coast relative to world oil prices. The price jump occurs in FY 1992 in both the low and mid scenarios and occurs in FY 1993 in the high scenario, reflecting a difference in the timing of the disappearance of the West Coast oil glut.

Spot prices this year for ANS crude oil peaked at over $20/bbl last April following the disruption in Brent production from the North Sea and the disruption in production associated with the Valdez oilspill. Prices have been creeping up since September and are currently over $20/bbl. Figure 2 illustrates ANS spot prices for Gulf Coast and West Coast deliveries so far this year.

Figure 2



D. FORECAST ASSUMPTIONS

World Oil Price

Table 2 Scenarios for Saudi Light Oil Price ($/bbl)

Fiscal Year	Low Scenario	Mid Scenario	High Scenario
1990	14.59	15.53	16.36
1991	13.95	16.25	17.72
1995	16.23	20.07	23.63
2000	19.20	25.63	33.67
2005	23.06	32.52	47.69

The basic price assumptions developed for this forecast continue to start with the price of Saudi Light crude oil, a widely traded crude oil similiar in quality to ANS. Saudi Light is the dominant crude oil produced by the world's largest oil exporter, Saudi Arabia.

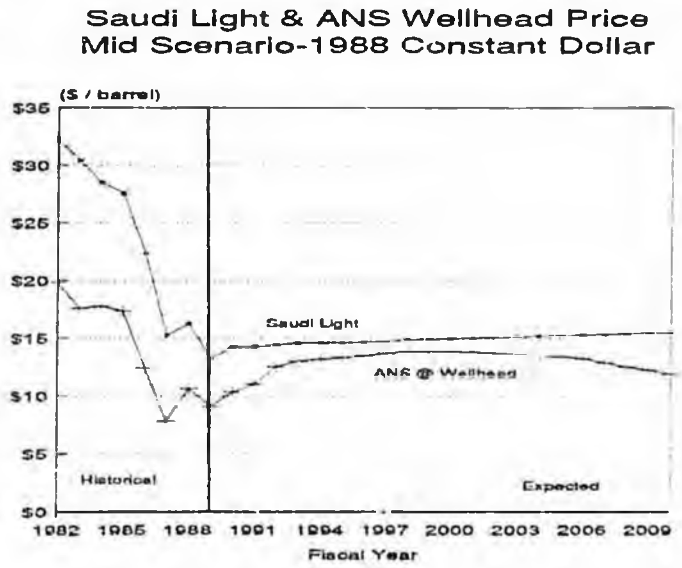
The scenarios for the short term outlook for Saudi Light price are described in the next section.

The longer term outlook for oil prices essentially depends on the assumptions about how OPEC behaves in a market which requires an increasing amount of production from those OPEC countries with large oil reserves. Some analysts argue that a magic number for OPEC is 80%, that is, when OPEC production reaches 80% of its capacity, major, **sustainable** price increases can be expected. Others argue that as the market approaches this level of dependence on OPEC, price increases will occur which will trigger the kind of self-regulating response on both the supply and demand side for oil which will keep the real cost of oil somewhere in the $10/bbl to $20/bbl range.

This forecast generally takes the latter approach, projecting constant dollar prices in the Low Scenario of around $12/bbl, in the Mid Scenario of around $15/bbl, and in the High Scenario approaching $20/bbl.

The discussion of price forecast assumptions which follows essentially starts with the Saudi Light price and outlines the other variables which translate this price into the wellhead price for ANS crude oil. The wellhead price is the price determining the value of production and thus the State's severance tax and royalty income. The relationship between Saudi Light price and ANS wellhead price is illustrated in Figure 3 for the mid scenario.

Figure 3



ANS Lower 48 Prices

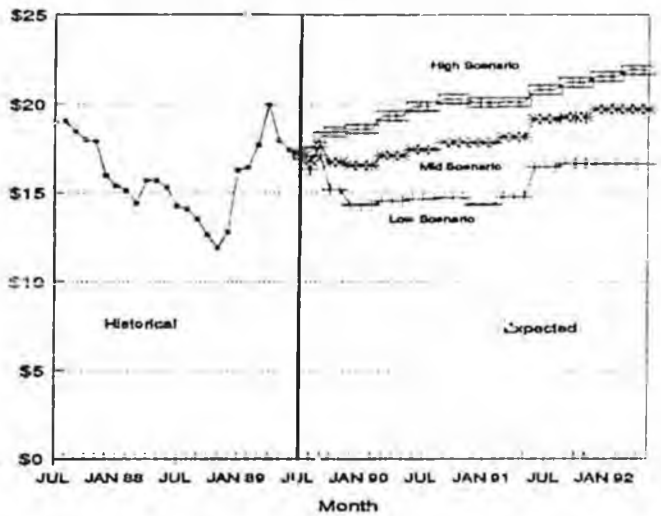
Table 3

Scenarios for ANS Oil Price
Gulf Coast and West Coast
($/bbl)

Fiscal Year	Low Scenario West	Low Scenario Gulf	Mid Scenario West	Mid Scenario Gulf	High Scenario West	High Scenario Gulf
1990	14.38	15.36	16.10	16.92	17.71	18.37
1991	14.68	14.62	17.68	17.78	19.36	20.08
1995	18.42	16.60	22.78	22.28	26.83	27.50
2000	21.79	18.65	29.12	28.46	38.26	39.14
2005	26.18	23.04	36.94	36.28	54.19	55.24

Figure 4

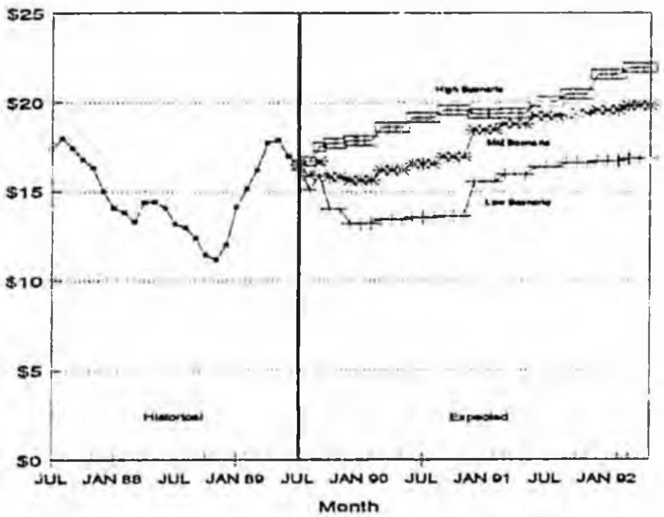
ANS at the U. S. Gulf
($ / barrel)



The price of ANS is forecast based on its historical relationship to Saudi Light. The relationship over time between the prices of these two crude oils has been far from stable, reflecting-among other things-the peculiarities of the U.S. market and the internal dynamics of OPEC pricing policies. Many factors can affect the relative prices of crude oils, including differences in quality and location. The volatile relationship among world crude oil prices reflects the evolving market, changing pricing practices of both the OPEC and non-OPEC producers, and changes in refinery economics. ANS has usually sold at a modest discount relative to Saudi Light at the U.S. Gulf. The U.S. West Coast is a special case. ANS by law can not be exported and all ANS production can not be absorbed on the West Coast. Therefore ANS production in excess of demand on the West Coast must go to the Gulf Coast rather than to the much closer Asian market. This situation results in a depressed price for ANS on the West Coast, i.e., a much larger discount relative to delivered Saudi than on the Gulf Coast.

Figure 5

ANS at the West Coast
($/barrel)



Transportation Costs to Lower 48 Markets

As oil prices rise and inflation increases fuel and labor costs, tanker costs go up. As ANS production declines, however, there will be a drop in demand for tankers, this drop will increase the competition for cargos, which should keep tanker rates down. The fact that less and less oil will be shipped to the Gulf/East Coast will in and of itself lower the average cost of shipping oil to the Lower 48.

Tanker Costs

Table 4

Marine Transportation Costs to Gulf Coast and West Coast ($/bbl)

Fiscal Year	Valdez to West Coast			Valdez to Gulf/East Coast		
	Low	Mid	High	Low	Mid	High
1990	0.94	0.95	0.95	2.77	2.81	2.88
1991	0.97	1.00	1.02	2.84	2.91	3.03
1995	1.14	1.22	1.32	3.14	4.73	4.95
2000	1.37	1.52	1.76	3.56	5.93	6.77
2005	1.66	1.90	2.34	4.03	7.43	9.00

Tanker rates to Lower 48 destinations have fallen significantly since January 1986 from an average reported cost of $4.24/bbl for Gulf Coast delivery in January 1986 to an average of $2.43/bbl in August 1989. The decline is generally attributed to the following factors:

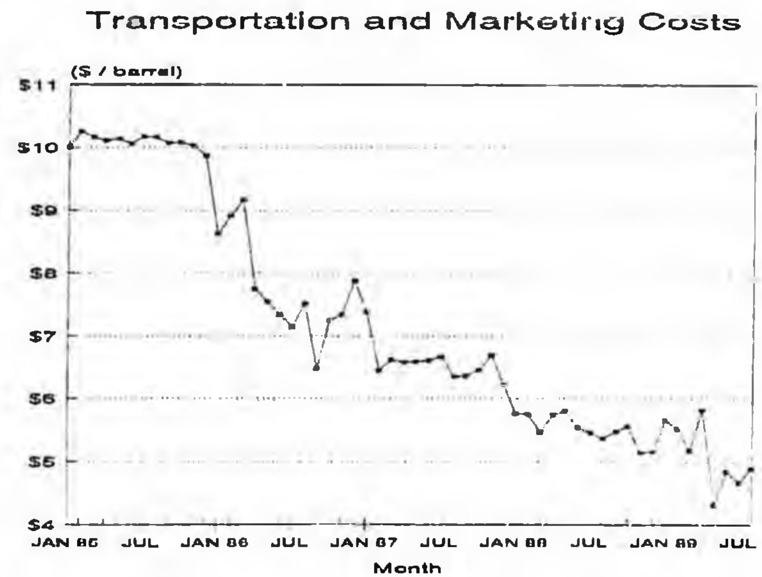
1) The decreasing amount of ANS sold east of Panama (which has dropped from 805,000 bbl/day or 47% in January 1986 to 550,000 bbl/day or 30% in August 1989).

2) The entry of the three construction differential subsidy tankers into the Alaska trade.

3) The opening of the All-American Pipeline from California to Texas.

When this lower tanker cost is included with the lower Trans Alaska Pipeline tariffs, the cost of shipping a barrel of oil from the Alaska North slope to the U.S. Gulf has fallen from $10/bbl in 1985 to less than $5.50/bbl in August 1989. Figure 6 illustrates the decline in transportation costs. Without these cost savings some production sold in both 1986 and 1988 at prices below $10.00/bbl would have had a zero wellhead value, in which case the State under current law would have realized no severance tax or royalty for this production.

Figure 6



Trans Alaska Pipeline System Tariffs

Table 5 Scenarios for TAPS Tariffs ($/bbl)

Fiscal Year	Low Scenario	Mid Scenario	High Scenario
1990	3.45	3.45	3.45
1991	3.62	3.57	3.49
1995	3.07	2.97	2.69
2000	3.66	3.54	3.18
2005	7.73	6.14	4.54

The TAPS tariff is determined according to the TAPS Settlement Method, a ratemaking method agreed upon by the Pipeline owners and the State of Alaska. This agreement dropped the tariff from $6/bbl in 1985 to $4/bbl in 1987, $3.18/bbl in 1988, and $3.05/bbl in 1989. The 1990 calendar year tariff is expected to increase to about $3.90/bbl for three reasons:

1) Reduced throughput assumptions due to the rapid onset of decline at Prudhoe Bay will raise the per-barrel charge.

2) 1989 throughput was lower than expected so that the 1989 tariff was insufficient to cover allowable costs. As a result, some of those costs will be carried over into the 1990 rate base.

3) Unanticipated corrosion repairs and additional oil spill mitigation expenditures will raise operating expenses in 1990.

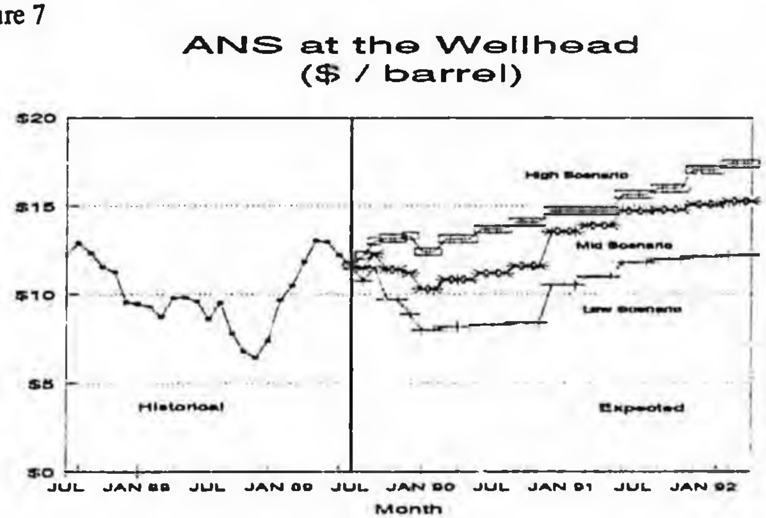
Wellhead Price for ANS

Table 6 Scenarios for ANS Wellhead Price ($/bbl)

Fiscal Year	Low Scenario	Mid Scenario	High Scenario
1990	9.63	11.27	12.79
1991	9.54	12.56	14.31
1995	14.03	14.97	12.41
2000	16.60	23.74	33.07
2005	17.10	28.65	46.96

The wellhead value of ANS, along with production, is the basis for both State severance tax and royalty. The wellhead value is calculated by substracting the pipeline and marine transportation costs from the sales price (or transfer price at the refinery gate in the case of oil run through a producer's own refinery).

Figure 7



Oil Production Outlook

Information on production comes from the Alaska Department of Natural Resources, the producing companies, the Alaska Oil and Gas Conservation Commission, oil industry trade journals, technical reports, and news releases. Annual production estimates are shown in Figures 8 and 9, and on pages 46 through 48 in the section on "Long-Term Outlook".

The vast majority of Alaska production will continue to come from the now declining Prudhoe Bay field. The mid scenario anticipates that total Alaskan production will be half its current level by 1997. The decline in Prudhoe Bay production is now expected to be much more rapid than assumed in our Spring forecast. This reflects a more serious gas handling constraint. As more and more gas is produced with each barrel of oil, the amount of gas which must be reinjected back into the Prudhoe Bay field has increased substantially. Since it is anticipated that there will need to be more production downtime due to field and TAPS maintenance, the gas handling constraint will limit the ability to keep average annual oil production from falling. Installation of additional gas handling equipment, GHAX1 (gas handling and expansion 1), is scheduled to start late in 1990. A second expansion is in the planning stages. Once in place, the ability to reinject up to 5.1 bcf/day of gas production will slow the rate of decline in oil production.

Figure 8

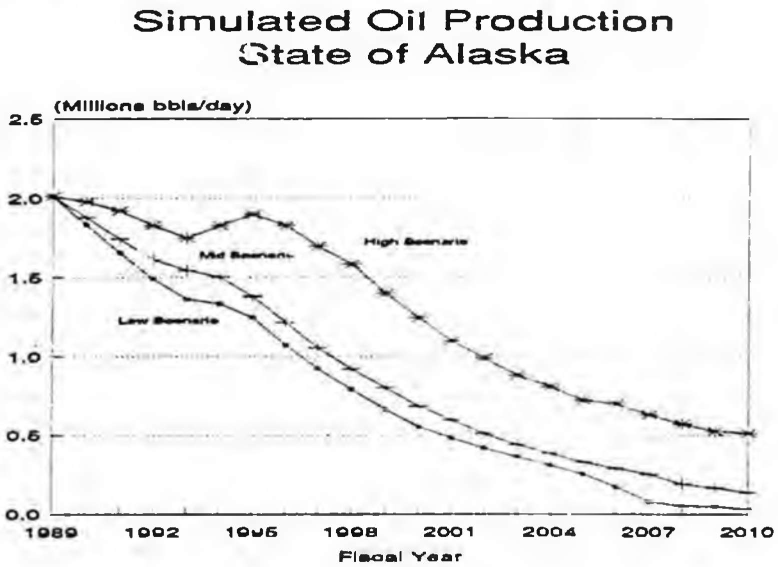
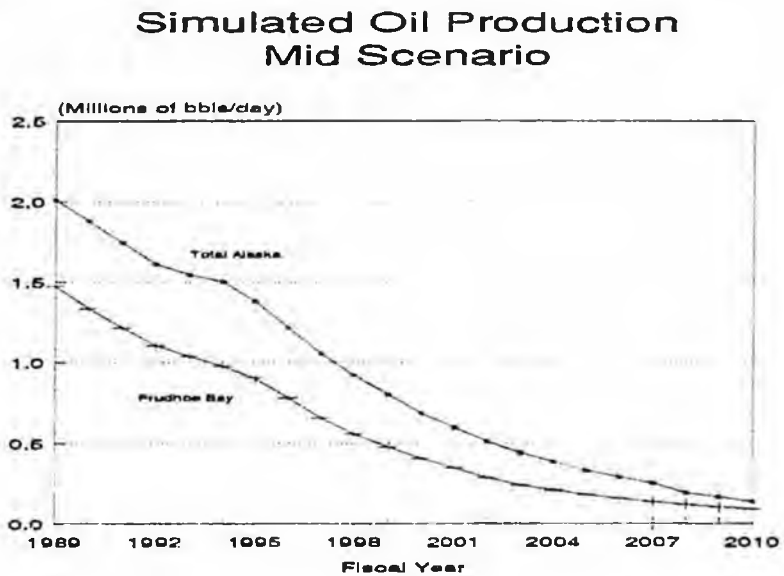


Figure 9



This forecast for the first time projects production from the newly discovered Pt. McIntyre field. ARCO has estimated that there are 300 million barrels of recoverable oil. The proximity to the existing Prudhoe Bay infrastructure should allow fairly rapid development of the field. A thorough appraisal of the resource is currently in progress. The use of common production facilities has raised questions about tax treatment and the commercial and regulatory implications for cost sharing and production monitoring. Once these issues can be resolved, development should occur quickly.

Other fields which may help offset the Prudhoe decline include Niakuk and West Sak. Niakuk may still face development cost hurdles depending on the final outcome of the application for permits to build a causeway into the Beaufort Sea. West Sak development probably hinges on a combination of favorable oil prices, cost saving technical advances, and resolution of the commercial, regulatory, and taxation issues which are raised by the proposed use of Kuparuk facilities to produce the oil.

The effect of projected production from these new oil fields is illustrated in Figure 8 where a blip up in 1994 North Slope production can be seen.

E. MODIFIED ECONOMIC LIMIT FACTOR

During the 1989 session, the legislature modified the Economic Limit Factor (ELF) for oil severance tax. Taxes on Prudhoe Bay and Kuparuk were increased while taxes on all other oil fields were reduced or left at zero. The increases are approximately 8 percent of the revenue projected in each scenario.

The 1990 projection includes the $102.2 million paid under protest for production between January 1, 1989 and August 6, 1989.

Change in Revenue Due to Revised ELF
(Millions $)

Fiscal Year	Low	Mid	High
1989	0	0	0
1990	210.4	234.4	259.1
1991	138.3	177.5	210.0
1992	171.3	205.0	236.5

F. METHODOLOGY

The Department of Revenue uses a wide variety of models and techniques to forecast severance taxes and royalties. The main forecasting model is a marketing and production simulation model which projects severance tax and royalties on a company-by-company, field-by-field basis through the year 2050. This model can be run on either a scenario or iterative basis and was initially developed in 1978. We have also recently developed an electronic spreadsheet model called Shortcut, which aggregates the information used in the simulation model. Policy makers and other interested individuals can use Shortcut to perform sensitivity analysis, which asks "What if ...?". This model can be obtained by contacting the Department of Revenue.

G. SCENARIOS OVER THE SHORT-TERM

Low Scenario

Summary: The Low Scenario assumes economic growth slows over the next two years, reducing the recent strong growth in oil consumption; non-OPEC production continues to grow and OPEC muddles along unable to match output to fluctuating demand.

	General Fund Unrestricted Revenues	Saudi Light Price ($/bbl)	Average Lower 48 ANS Price ($/bbl)
FY 1990	2,005.5	14.59	14.64
FY 1991	1,743.2	13.95	14.67
FY 1992	1,860.1	14.66	16.63

The Low Scenario assumptions are as follows:

1. Economic growth averages 2.0% in 1990 and 1.0% in 1991. This assumes an economic slowdown triggered by the financial market concerns over debt and higher interest rates.

2. Oil consumption grows by 0.9% in 1990 and only 0.3% in 1991 as the economic slowdown drags down energy use.

3. Non-OPEC production grows by .5 million bbl/day in 1990 and .25 million bbl/day in 1991, with North Sea production back to its potential but with a diminished outlook for production due to continued low oil prices.

4. Problems allocating increased demand for OPEC crude oil among member countries during seasonal fluctuations in the market, lead to overproduction at critical periods which keeps downward pressure on price.

5. No new Federal taxes are levied on energy.

6. The implied call on OPEC under this scenario, assuming normal inventory fluctuations, is 19.8 million bbl/day in 1990. This compares to our Spring 1989 forecast of 18.0 million bbl/day. The 1991 call on OPEC is projected to be 19.5 million bbl/day.

Expected and Historical Crude Oil Prices
For Alaska North Slope Crude and OPEC Marker
($/barrel)

Low Scenario

Production Mon/YR		ANS at Wellhead	ANS at West Coast	ANS at Gulf Coast	Saudi Lt Ras Tanura
JUL	88	8.62	13.20	14.26	13.32
AUG	88	9.52	12.98	14.09	13.31
SEP	88	7.81	12.37	13.51	11.81
OCT	88	6.79	11.45	12.65	10.46
NOV	88	6.43	11.20	11.89	10.61
DEC	88	7.40	12.03	12.79	12.68
JAN	89	9.69	14.12	16.28	14.61
FEB	89	10.51	15.17	16.44	14.79
MAR	89	11.85	16.21	17.70	16.28
APR	89	13.04	17.71	19.93	17.74
MAY	89	12.97	17.88	17.96	16.28
JUN	89	12.22	16.97	17.39	15.99
JUL	89	11.65	16.47	17.17	16.03
AUG	89	10.75	15.10	16.32	15.36
SEP	89	11.56	15.92	17.14	16.08
OCT	89	9.71	14.05	15.17	14.43
NOV	89	9.71	14.05	15.17	14.43
DEC	89	8.89	13.22	14.34	13.70
JAN	90	7.99	13.22	14.34	13.70
FEB	90	7.99	13.22	14.34	13.70
MAR	90	8.19	13.43	14.54	13.88
APR	90	8.19	13.43	14.54	13.88
MAY	90	8.19	13.43	14.54	13.88
QTR1	FY91	8.30	13.55	14.66	13.98
QTR2	FY91	8.39	13.63	14.74	14.05
QTR3	FY91	10.53	15.54	14.34	13.70
QTR4	FY91	11.01	15.97	14.77	14.08
QTR1	FY92	11.83	16.37	16.44	14.43
QTR2	FY92	12.02	16.59	16.65	14.62
QTR3	FY92	12.14	16.71	16.65	14.73
QTR4	FY92	12.23	16.84	16.65	14.84

Low Scenario

Global Oil Market Assumptions

	GLOBAL OIL CONSUMPTION	OPEC OIL PROD.	OPEC NGL PROD.	NON-OPEC PROD.	NET CPE EXPORTS	PROCESSING GAIN	STOCK CHANGE
1989							
Q1	52.7	19.7	2.1	25.1	2.3	1.7	-1.8
Q2	50.3	20.9	2.1	24.7	2.7	1.7	1.8
Q3	51.2	21.1	2.1	25.4	2.6	1.7	1.8
Q4	52.7	19.9	2.1	26.2	2.5	1.7	-0.3
1990							
Q1	51.5	17.1	2.2	25.9	2.5	1.7	-2.2
Q2	51.3	20.0	2.2	25.8	2.6	1.7	1.0
Q3	52.3	21.2	2.2	26.0	2.6	1.7	1.4
Q4	53.5	20.8	2.2	26.0	2.6	1.7	-0.3
1991							
Q1	51.7	16.8	2.3	26.2	2.6	1.7	-2.2
Q2	51.5	19.8	2.3	26.1	2.6	1.7	1.0
Q3	52.5	21.0	2.3	26.3	2.6	1.7	1.4
Q4	53.7	20.5	2.3	26.3	2.6	1.7	-0.3

Mid Scenario

Summary: The Mid Scenario assumes moderate growth in the world economy in 1990 with a mild slowdown in 1991. Continued low oil prices, in relative terms, and a cheaper dollar further contribute to healthy growth in world oil consumption. OPEC finds it easier in these economic circumstances to match production to demand. The result is stable oil prices drifting up over time toward $20/bbl.

	General Fund Unrestricted Revenues	Saudi Light Price ($/bbl)	Average Lower 48 ANS Price ($/bbl)
FY 1990	2,295.6	15.53	16.32
FY 1991	2,255.6	16.25	17.70
FY 1992	2,416.2	17.17	19.49

The Mid Scenario assumptions are as follows:

1. Economic growth worldwide averages 2.5% in 1990 and 2.0% in 1991. This assumption implies continued solid growth next year and a slowdown in 1991.

2. Oil consumption is projected to grow at 1.5% in 1990 and .8% in 1991 in response to both the healthy growth in the world economy and in response to prices which are still low when adjusted for inflation and the value of the dollar.

3. Non-OPEC production is expected to grow very slowly increasing by .2 million bbl/day in 1990 and by .1 million bbl/day in 1991. This reflects the depressing effect of low and volatile oil prices on investment in high cost frontiers outside OPEC both in terms of new exploration and development and also in terms of existing older oil fields.

4. OPEC finds a way of allocating its bigger market share among its members so that all share in higher revenues. Thus a price war over market share is avoided.

5. No new Federal taxes are levied on energy.

6. The implied call on OPEC under this scenario, assuming normal inventory fluctuations, is 20.6 million bbl/day in 1990. This compares to our Spring 1989 forecast of 19.4 million bbl/day. The 1991 call on OPEC is projected to be 20.8 million bbl/day.

Expected and Historical Crude Oil Prices
For Alaska North Slope Crude and OPEC Marker
($/barrel)

Mid Scenario

Production Mon/YR		ANS at Wellhead	ANS at West Coast	ANS at Gulf Coast	Saudi Lt Ras Tanura
JUL	88	8.62	13.20	14.26	13.32
AUG	88	9.52	12.98	14.09	13.31
SEP	88	7.81	12.37	13.51	11.81
OCT	88	6.79	11.45	12.65	10.46
NOV	88	6.43	11.20	11.89	10.61
DEC	88	7.40	12.03	12.79	12.68
JAN	89	9.69	14.12	16.28	14.61
FEB	89	10.51	15.17	16.44	14.79
MAR	89	11.85	16.21	17.70	16.28
APR	89	13.04	17.71	19.93	17.74
MAY	89	12.97	17.88	17.96	16.28
JUN	89	12.22	16.97	17.39	15.99
JUL	89	11.65	16.47	17.17	16.03
AUG	89	11.48	15.89	16.80	15.36
SEP	89	12.29	16.70	17.62	16.08
OCT	89	11.40	15.83	16.74	15.31
NOV	89	11.40	15.83	16.74	15.31
DEC	89	11.21	15.64	16.55	15.14
JAN	90	10.31	15.64	16.54	15.14
FEB	90	10.31	15.64	16.54	15.14
MAR	90	10.85	16.18	17.09	15.62
APR	90	10.85	16.18	17.09	15.62
MAY	90	10.85	16.1[illegible]	17.09	15.62
QTR1	FY91	11.20	16.54	17.44	15.93
QTR2	FY91	11.60	16.94	17.84	16.28
QTR3	FY91	13.56	18.45	17.82	16.26
QTR4	FY91	13.90	18.78	18.15	16.55
QTR1	FY92	14.73	19.24	19.15	16.95
QTR2	FY92	14.78	19.34	19.25	17.04
QTR3	FY92	15.09	19.57	19.69	17.24
QTR4	FY92	15.27	19.80	19.69	17.44

Mid Scenario

Global Oil Market Assumptions

	GLOBAL OIL CONSUMPTION	OPEC OIL PROD.	OPEC NGL PROD.	NON-OPEC PROD.	NET CPE EXPORTS	PROCESSING GAIN	STOCK CHANGE
1989							
Q1	52.7	19.7	2.1	25.1	2.3	1.7	-1.8
Q2	50.3	20.9	2.1	24.7	2.7	1.7	1.8
Q3	51.3	21.3	2.1	25.3	2.6	1.7	1.8
Q4	52.9	20.4	2.1	25.8	2.5	1.7	-0.3
1990							
Q1	51.9	17.9	2.2	25.5	2.5	1.7	-2.2
Q2	51.7	20.8	2.2	25.4	2.6	1.7	1.0
Q3	52.7	22.0	2.2	25.6	2.6	1.7	1.4
Q4	53.9	21.6	2.2	25.6	2.6	1.7	-0.3
1991							
Q1	52.3	18.0	2.3	25.6	2.6	1.7	-2.2
Q2	52.1	21.0	2.3	25.5	2.6	1.7	1.0
Q3	53.1	22.2	2.3	25.7	2.6	1.7	1.4
Q4	54.4	21.8	2.3	25.7	2.6	1.7	-0.3

High Scenario

Summary: The High Scenario assumes vigorous economic growth and correspondingly rapid increases in world wide oil consumption. Non-OPEC production growth remains low, significantly increasing the demand for OPEC crude oil. OPEC's much larger market share makes it far easier to reach a production agreement which keeps oil prices drifting upward.

	General Fund Unrestricted Revenues	Saudi Light Price ($/bbl)	Average Lower 48 ANS Price ($/bbl)
FY 1990	2,645.0	16.36	17.90
FY 1991	2,765.6	17.72	19.52
FY 1992	2,993.4	18.83	21.03

The High Scenario assumptions are as follows:

1. Economic growth worldwide is assumed to be 3.5% in both 1[illegible] and 1991. Continued growth is driven by increased free trade among nations and high rates of consumption by the rapidly expanding economies of the Far East.

2. Oil consumptions increases by 1.6% in 1990 and 1.4% in 1991 in response to rapid economic growth and relatively low oil prices when adjusted for inflation and the value of the dollar.

3. Non-OPEC production increases by .1 million bbl/day in 1990 and 1991. Non-OPEC production growth remains low in response to frontier production problems, like those in the North Sea and Alaska, and low rates of investment in exploration and development due to relatively low oil prices.

4. OPEC develops a workable system for accomodating greater market demand for OPEC production based loosely on a combination of percentage increases with adjustments for differences in production capability.

5. No new Federal taxes are levied on energy.

6. The implied call on OPEC under this scenario, assuming normal inventory fluctuations, is 21.1 million bbl/day in1990. This compares to our Spring 1[illegible]9 forecast of 19.4 million bbl/day. The 1991 call on OPEC is projected to be 21.6 million bbl/day.

Expected and Historical Crude Oil Prices
For Alaska North Slope Crude and OPEC Marker
($/barrel)

High Scenario

Production Mon/YR	ANS at Wellhead	ANS at West Coast	ANS at Gulf Coast	Saudi Lt Ras Tanura
JUL 88	8.62	13.20	14.26	13.32
AUG 88	9.52	12.98	14.09	13.31
SEP 88	7.81	12.37	13.51	11.81
OCT 88	6.79	11.45	12.65	10.46
NOV 88	6.43	11.20	11.89	10.61
DEC 88	7.40	12.03	12.79	12.68
JAN 89	9.69	14.12	16.28	14.61
FEB 89	10.51	15.17	16.44	14.79
MAR 89	11.85	16.21	17.70	16.28
APR 89	13.04	17.71	19.93	17.74
MAY 89	12.97	17.88	17.96	16.28
JUN 89	12.22	16.97	17.39	15.99
JUL 89	11.65	16.47	17.17	16.03
AUG 89	12.21	16.68	17.30	15.36
SEP 89	13.02	17.50	18.13	16.08
OCT 89	13.17	17.71	18.43	16.27
NOV 89	13.17	17.71	18.44	16.27
DEC 89	13.32	17.86	18.59	16.40
JAN 90	12.42	17.86	18.60	16.40
FEB 90	12.41	17.86	18.60	16.40
MAR 90	13.14	18.60	19.33	17.05
APR 90	13.14	18.60	19.33	17.05
MAY 90	13.14	18.60	19.34	17.05
QTR1 FY91	13.69	19.15	19.86	17.54
QTR2 FY91	14.10	19.56	20.28	17.90
QTR3 FY91	14.73	19.35	20.08	17.72
QTR4 FY91	14.73	19.38	20.10	17.74
QTR1 FY92	15.65	20.04	20.78	18.32
QTR2 FY92	16.01	20.45	21.19	18.68
QTR3 FY92	17.04	21.57	21.54	19.00
QTR4 FY92	17.39	21.93	21.90	19.32

High Scenario

Global Oil Market Assumptions

	GLOBAL OIL CONSUMPTION	OPEC OIL PROD.	OPEC NGL PROD	NON-OPEC PROD.	NET CPE EXPORTS	PROCESSING GAIN	STOCK CHANGE
1989							
Q1	52.7	19.7	2.1	25.1	2.3	1.7	-1.8
Q2	50.3	20.9	2.1	24.7	2.7	1.7	1.8
Q3	51.5	21.6	2.1	25.2	2.6	1.7	1.8
Q4	53.6	21.4	2.1	25.5	2.5	1.7	-0.3
1990							
Q1	52.2	18.4	2.2	25.3	2.5	1.7	-2.2
Q2	52.0	21.3	2.2	25.2	2.6	1.7	1.0
Q3	53.0	22.5	2.2	25.4	2.6	1.7	1.4
Q4	54.2	22.1	2.2	25.4	2.6	1.7	-0.3
1991							
Q1	52.9	18.8	2.3	25.4	2.6	1.7	-2.2
Q2	52.7	21.8	2.3	25.3	2.6	1.7	1.0
Q3	53.7	23.0	2.3	25.5	2.6	1.7	1.4
Q4	55.0	22.6	2.3	25.5	2.6	1.7	-0.3

III. REVENUE FORECAST: LONG-TERM OUTLOOK

(FY 1993 - 2010)

This section focuses on the long term from FY1993 through FY2010. This section provides revenue projections for this period, and also sets out the assumptions behind those projections for the low, mid, and high scenarios.

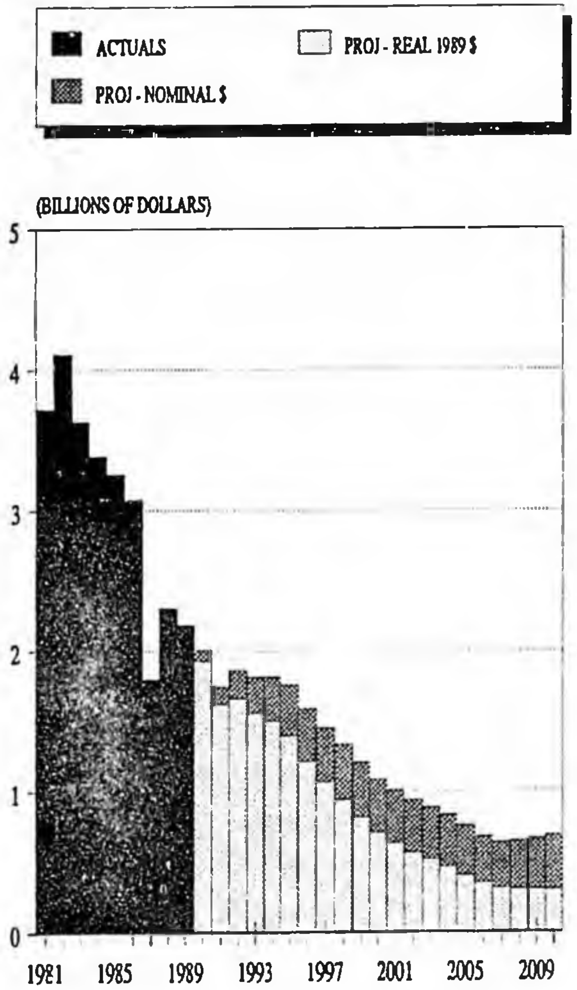
The following graph shows the revenue projections for the low, mid, and high scenarios from FY1981 through FY2010 in both nominal and real dollar terms. The assumptions are shown of each of the three scenarios for the inflation rate, Alaska oil production, the TAPS tariff, and the average Lower 48 price for Alaska North Slope (ANS) crude oil.

The first set of tables provide detailed revenue projections for each category of revenues under each of the three scenarios. The next set of tables show the forecast for each scenario of the petroleum production revenues by type and area of the state. The final sets of tables show for each scenario (1) the expected and historical prices from from FY1982 through FY2010 for Alaska North Slope ("ANS") crude oil at the wellhead and the Saudi Light crude oil price at Ras Tanura, and (2) the simulated oil production by field.

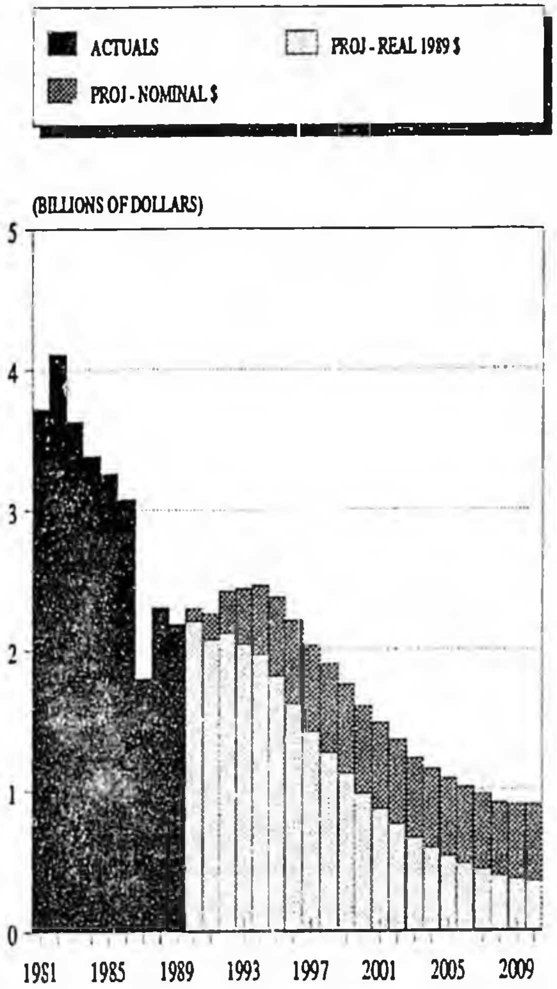
GENERAL FUND UNRESTRICTED REVENUE PROJECTIONS

(FY 1981 - FY 2010)

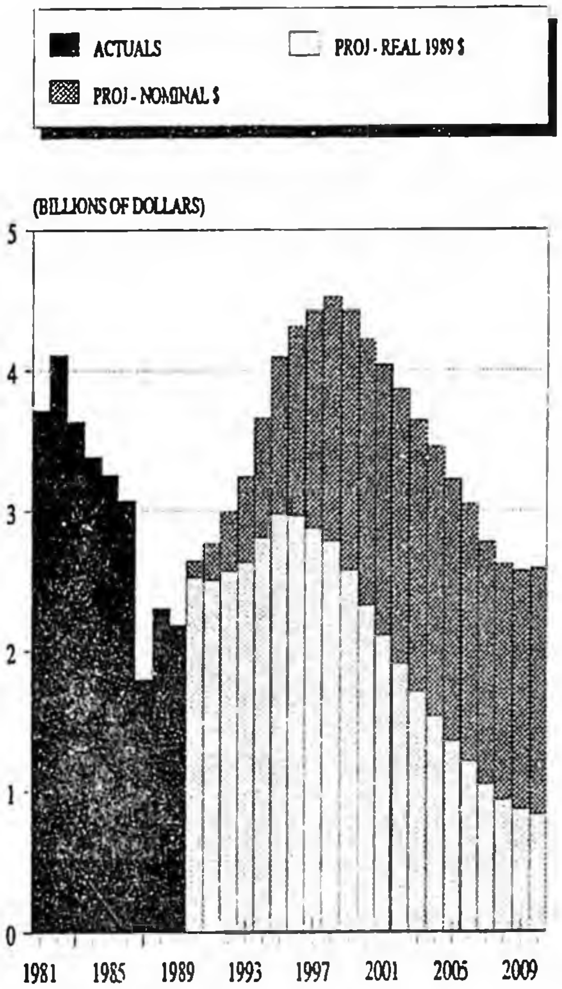
LOW CASE SCENARIO



MID CASE SCENARIO



HIGH CASE SCENARIO



FALL 1989 FORECAST ASSUMPTIONS

The following tables are part of the output from the Department of Revenue's simulation model, the Long-Run Fiscal Model (LRFM). All pertinent assumptions and footnotes are presented below:

1) The conservation surcharge for oil and hazardous release ($0.05/bbl) was included as severance tax.
2) Investment earnings are a function of expenditures and the resulting general investment fund balance. (Note: Permanent Fund earnings are excluded from the long-range revenue forecast.) Expenditures were assumed to increase at the scenario-specific inflation rate from the FY 89 base year. The real rate of return for investment earnings was assumed at 3.00% for all cases.
3) Non-petroleum/non-interest revenues beyond FY 92 were assumed to increase at the scenario-specific inflation rate.

	INFLATION RATE (%)			ALASKA PRODUCTION (Millions of Barrels/Year)			TAPS TARIFF ($/bbl)			AVERAGE LOWER 48 PRICE ($/bbl)		
FY	LOW	MID	HIGH	LOW	MID	HIGH	LOW	MID	HIGH	LOW	MID	HIGH
1990	3.77	4.09	4.65	669.20	685.63	721.76	3.45	3.45	3.45	14.64	16.32	17.90
1991	3.76	4.44	5.39	604.55	635.94	701.27	3.62	3.57	3.49	14.67	17.70	19.52
1992	3.88	4.75	5.57	543.69	588.22	667.43	3.23	3.11	2.96	16.63	19.49	21.03
1993	3.94	4.75	5.69	496.48	563.28	637.37	3.14	3.05	2.90	17.35	20.74	23.46
1994	3.94	4.75	5.69	486.61	548.30	666.92	3.03	2.99	2.74	17.87	21.74	25.09
1995	3.94	4.75	5.69	454.96	503.51	692.58	3.06	2.97	2.70	18.42	22.78	26.87
1996	4.00	4.56	5.69	390.92	443.49	666.87	3.09	2.99	2.68	19.05	23.93	28.85
1997	4.00	4.56	5.69	336.83	385.01	618.97	3.03	2.95	2.64	19.70	25.14	30.97
1998	4.00	4.56	5.69	288.66	335.74	577.74	2.95	2.88	2.63	20.37	26.40	33.24
1999	4.00	4.56	5.69	242.01	292.02	509.93	3.29	3.17	2.77	21.07	27.72	35.68
2000	4.00	4.56	5.69	202.37	249.46	453.13	3.65	3.54	3.04	21.79	29.12	38.30
2001	4.06	4.50	5.56	175.93	217.55	400.05	3.97	3.94	3.31	22.52	30.54	41.06
2002	4.06	4.50	5.56	152.46	186.04	360.51	4.48	4.41	3.60	23.31	32.02	44.02
2003	4.06	4.50	5.56	132.69	160.43	320.30	5.15	4.90	3.91	24.32	33.59	47.19
2004	4.06	4.50	5.56	112.59	139.97	294.37	5.91	5.47	4.25	25.23	35.22	50.58
2005	4.06	4.50	5.56	93.27	120.64	262.99	7.28	6.14	4.57	26.17	36.94	54.23
2006	4.06	4.50	5.56	63.03	105.73	255.02	11.39	6.97	4.94	27.15	38.74	58.13
2007	4.06	4.50	5.56	28.80	91.95	229.19	20.00	8.22	5.38	28.16	40.63	62.32
2008	4.06	4.50	5.56	19.06	69.79	208.86	20.00	9.83	5.85	29.21	42.61	66.81
2009	4.06	4.50	5.56	17.74	60.81	191.48	20.00	11.12	6.25	30.30	44.69	71.62
2010	4.06	4.50	5.56	9.87	49.66	186.90	20.00	13.00	6.76	31.45	46.87	76.78

LOW CASE SCENARIO

(Millions of Dollars)

(1) FY	(2) SEVERANCE TAX	(3) PROPERTY TAX	(4) OIL&GAS INC TAX	(5) GROSS ROYALTIES	(6) MINERAL RENTS	(7) BONUS SALES	(8) SPECIAL PETRO SETTLEMENTS	(9) TOTAL PETROLEUM REVENUES	(10) NON-PETR NON-INTR REVENUES	(11) GEN FUND INTEREST REVENUE	(12) TOTAL REVS W/PERM FND DEDICATION
81	1170.20	143.00	860.10	1501.60	7.90	14.10	0.00	3696.90	186.10	227.80	4110.80
82	1581.70	142.70	668.90	1553.20	26.40	10.30	0.00	3983.20	209.00	324.70	4516.90
83	1493.70	152.60	236.00	1447.40	54.20	73.10	0.00	3457.00	228.60	375.80	4061.40
84	1393.10	131.00	265.10	1409.00	21.90	16.70	0.00	3236.80	245.80	282.70	3765.30
85	1389.40	128.40	168.60	1390.30	23.70	23.60	0.00	3124.00	283.00	233.50	3640.50
86	1107.90	113.50	133.90	1098.20	44.50	70.10	460.70	3028.80	222.40	195.20	3446.40
87	648.50	102.50	120.40	591.60	29.10	1.00	85.20	1578.30	243.00	161.90	1983.20
88	818.70	96.20	158.00	953.50	24.20	11.30	329.00	2390.90	223.60	132.60	2747.10
89	698.80	89.70	166.00	818.70	18.00	23.00	259.70	2073.90	245.10	100.70	2419.70
90	765.44	84.60	109.00	795.45	19.80	0.00	111.40	1885.69	245.70	91.40	2222.79
91	698.92	79.70	114.00	702.33	19.10	0.00	4.00	1618.05	248.80	69.60	1936.45
92	783.73	75.20	110.00	807.74	19.10	0.00	4.00	1799.77	252.40	29.40	2081.57
93	747.55	70.40	105.00	791.08	18.15	0.00	9.40	1741.58	262.34	26.12	2030.04
94	736.98	64.30	95.00	811.81	17.24	0.00	9.40	1734.73	272.68	27.33	2034.74
95	699.56	56.70	90.00	786.47	16.38	0.00	9.40	1658.51	283.42	28.56	1970.49
96	597.85	51.40	76.00	705.09	15.56	0.00	9.40	1455.30	294.76	29.98	1780.04
97	515.82	46.60	62.00	639.00	14.78	0.00	9.40	1287.60	306.55	31.43	1625.58
98	441.16	41.90	53.00	579.56	14.04	0.00	13.40	1143.06	318.81	32.93	1494.80
99	368.74	37.30	44.00	502.13	13.34	0.00	13.40	978.91	331.57	34.47	1344.95
00	291.83	33.00	42.00	431.15	12.67	0.00	13.40	824.05	344.83	36.08	1204.96
01	243.42	29.00	40.00	388.17	12.04	0.00	13.40	726.02	358.83	37.90	1122.75
02	196.01	25.30	33.00	346.29	11.44	0.00	13.40	625.44	373.40	39.65	1038.48
03	151.90	21.40	46.00	306.83	10.86	0.00	0.00	536.99	388.56	41.47	967.02
04	101.53	19.40	57.00	269.31	10.32	0.00	0.00	457.56	404.33	43.36	905.25
05	49.54	17.70	52.00	223.46	9.80	0.00	0.00	352.50	420.75	45.32	818.57
06	18.84	16.20	49.00	139.38	9.31	0.00	0.00	232.73	437.83	47.36	717.93
07	17.94	14.70	44.00	60.21	8.85	0.00	0.00	145.70	455.61	49.46	650.77
08	18.14	13.00	40.00	57.01	8.41	0.00	0.00	136.56	474.11	51.65	662.31
09	18.74	11.10	36.00	58.96	7.99	0.00	0.00	132.79	493.35	53.91	680.05
10	28.00	9.20	32.00	54.74	7.59	0.00	0.00	131.53	513.38	56.35	701.26

(13) FY	(14) TOTAL REVS W/ PERM FND DEDICATION	(15) PUB SCH FUND	(16) NPR-A FUND	(17) OTHER FUNDS	(18) PERM FUND DEDICATN	(19) NET GEN FUND UNRESTRD REVENUES NOM $	(20) NET GEN FUND UNRESTRD REVENUES REAL 1989 $
81	4110.80	7.50	0.00	74.30	385.10	3718.20	
82	4516.90	8.00	0.00	0.00	400.50	4108.40	
83	4061.40	9.40	0.00	0.00	421.00	3631.00	
84	3765.30	9.00	0.00	0.00	366.20	3390.10	
85	3640.50	7.10	5.40	0.00	368.00	3260.00	
86	3446.40	6.50	41.00	0.00	323.40	3075.50	
87	1983.20	3.30	9.90	0.00	170.60	1799.40	
88	2747.10	6.60	1.00	15.80	417.90	2305.80	
89	2419.70	4.30	0.80	0.00	228.40	2186.20	2186.20
90	2222.79	4.10	1.00	0.00	212.20	2005.49	1932.56
91	1936.45	3.60	1.00	0.00	188.50	1743.35	1619.04
92	2081.57	4.10	1.00	0.00	216.40	1860.07	1662.85
93	2030.04	4.06	1.00	0.00	211.83	1813.15	1559.45
94	2034.74	4.16	0.50	0.00	216.79	1813.29	1500.45
95	1970.49	4.03	0.00	0.00	210.50	1755.96	1397.93
96	1780.04	3.63	0.00	0.00	189.76	1586.66	1214.57
97	1625.58	3.30	0.00	0.00	172.88	1449.40	1066.82
98	1494.80	3.00	0.00	0.00	159.55	1332.25	942.88
99	1344.95	2.61	0.00	0.00	139.60	1202.74	818.47
00	1204.96	2.26	0.00	0.00	121.50	1081.21	707.47
01	1122.75	2.04	0.00	0.00	111.38	1009.33	634.67
02	1038.48	1.83	0.00	0.00	100.38	936.27	565.76
03	967.02	1.63	0.00	0.00	83.13	882.26	512.32
04	905.25	1.45	0.00	0.00	73.52	830.29	463.33
05	818.57	1.22	0.00	0.00	61.43	755.93	405.37
06	717.93	0.80	0.00	0.00	39.15	677.98	349.39
07	650.77	0.40	0.00	0.00	17.83	632.54	313.25
08	662.31	0.39	0.00	0.00	16.89	645.03	306.97
09	680.05	0.39	0.00	0.00	17.24	662.41	302.94
10	701.26	0.37	0.00	0.00	16.06	684.82	300.99

MID CASE SCENARIO
(Millions of Dollars)

(1) FY	(2) SEVERANCE TAX	(3) PROPERTY TAX	(4) OIL&GAS INC TAX	(5) GROSS ROYALTIES	(6) MINERAL RENTS	(7) BONUS SALES	(8) SPECIAL PETRO SETTLEMENTS	(9) TOTAL PETROLEUM REVENUES	(10) NON-PETR NON-INTR REVENUES	(11) GEN FUND INTEREST REVENUES	(12) TOTAL REVS W/ PERM FND DEDICATION
81	1170.20	143.00	860.10	1501.60	7.90	14.10	0.00	3696.90	186.10	227.80	4110.80
82	1581.70	142.70	668.90	1553.20	26.40	10.30	0.00	3983.20	209.00	324.70	4516.90
83	1493.70	152.60	236.00	1447.40	54.20	73.10	0.00	3457.00	228.60	375.80	4061.40
84	1393.10	131.00	265.10	1409.00	21.90	16.70	0.00	3236.80	245.80	282.70	3765.30
85	1389.40	128.40	168.60	1390.30	23.70	23.60	0.00	3124.00	283.00	233.50	3640.50
86	1107.90	113.50	133.90	1098.20	44.50	70.10	460.70	3028.80	222.40	195.20	3446.40
87	648.50	102.50	120.40	591.60	29.10	1.00	85.20	1578.30	243.00	161.90	1983.20
88	818.70	96.20	158.00	953.50	24.20	11.30	329.00	2390.90	223.60	132.60	2747.10
89	698.80	89.70	166.00	818.70	18.00	23.00	259.70	2073.90	245.10	100.70	2419.70
90	914.81	84.60	130.00	953.12	19.80	0.00	111.40	2213.73	245.70	94.70	2554.13
91	946.67	79.70	139.00	981.40	19.10	0.00	4.00	2169.87	248.80	103.20	2521.87
92	1020.89	75.20	135.00	1090.99	19.10	0.00	4.00	2345.18	252.40	115.20	2712.78
93	1026.54	70.40	134.00	1139.26	18.15	0.00	9.40	2397.75	264.39	83.84	2745.98
94	1015.22	64.30	133.00	1199.85	17.24	0.00	9.40	2439.01	276.95	70.77	2786.73
95	963.08	56.70	129.00	1186.54	16.38	0.00	9.40	2361.10	290.10	47.35	2698.55
96	861.25	51.40	127.00	1113.89	15.56	0.00	9.40	2178.50	303.33	32.91	2514.74
97	752.58	46.60	112.00	1033.04	14.78	0.00	9.40	1968.40	317.16	34.76	2320.32
98	660.58	41.90	103.00	966.88	14.04	0.00	13.40	1799.80	331.63	36.63	2168.06
99	578.70	37.30	94.00	879.29	13.34	0.00	13.40	1616.03	346.75	38.59	2001.37
00	485.37	33.00	85.00	788.49	12.67	0.00	13.40	1417.93	362.56	40.62	1821.12
01	406.72	29.00	79.00	721.56	12.04	0.00	13.40	1261.72	378.87	42.57	1683.16
02	321.06	25.30	73.00	647.64	11.44	0.00	13.40	1091.84	395.92	44.76	1532.52
03	241.02	21.40	69.00	583.77	10.86	0.00	0.00	926.05	413.74	47.05	1386.84
04	184.45	19.40	64.00	534.64	10.32	0.00	0.00	812.81	432.36	49.42	1294.59
05	132.56	17.70	66.00	482.16	9.80	0.00	0.00	708.22	451.82	51.89	1211.93
06	87.45	16.20	60.00	441.49	9.31	0.00	0.00	614.45	472.15	54.45	1141.05
07	51.19	14.70	56.00	397.23	8.85	0.00	0.00	527.97	493.39	57.15	1078.51
08	33.06	13.00	45.00	318.46	8.41	0.00	0.00	417.93	515.60	59.96	993.48
09	29.13	11.10	42.00	290.97	7.99	0.00	0.00	381.19	538.80	62.89	982.87
10	43.20	9.20	38.00	248.73	7.59	0.00	0.00	346.72	563.04	66.03	975.79

(13) FY	(14) TOTAL REVS W/ PERM FND DEDICATION	(15) PUB SCH FUND	(16) NPR-A FUND	(17) OTHER FUNDS	(18) PERM FUND DEDICATN	(19) NET GEN FUND UNRESTRD REVENUES NOM $	(20) REAL 1989 $
81	4110.80	7.50	0.00	74.30	385.10	3718.20	
82	4516.90	8.00	0.00	0.00	400.50	4108.40	
83	4061.40	9.40	0.00	0.00	421.00	3631.00	
84	3765.30	9.00	0.00	0.00	366.20	3390.10	
85	3640.50	7.10	5.40	0.00	368.00	3260.00	
86	3446.40	6.50	41.00	0.00	323.40	3075.50	
87	1983.20	3.30	9.90	0.00	170.60	1799.40	
88	2747.10	6.60	1.00	15.80	417.90	2305.80	
89	2419.70	4.30	0.80	0.00	228.40	2186.20	2186.20
90	2554.13	4.90	1.00	0.00	252.70	2295.53	2205.33
91	2521.87	5.00	1.00	0.00	260.30	2255.57	2074.82
92	2712.78	5.60	1.00	0.00	290.10	2416.08	2121.69
93	2745.98	5.80	1.00	0.00	304.00	2435.18	2041.47
94	2786.73	6.10	0.50	0.00	319.46	2460.67	1969.30
95	2698.55	6.03	0.00	0.00	316.71	2375.81	1815.16
96	2514.74	5.67	0.00	0.00	300.11	2208.96	1614.08
97	2320.32	5.27	0.00	0.00	283.67	2031.38	1419.59
98	2168.06	4.93	0.00	0.00	266.48	1896.64	1267.63
99	2001.37	4.50	0.00	0.00	244.09	1752.78	1120.38
00	1821.12	4.04	0.00	0.00	219.80	1597.27	976.45
01	1683.16	3.71	0.00	0.00	201.99	1477.46	864.31
02	1532.52	3.34	0.00	0.00	175.55	1353.64	757.77
03	1386.84	3.02	0.00	0.00	158.41	1225.41	656.45
04	1294.59	2.77	0.00	0.00	143.32	1148.49	588.75
05	1211.93	2.51	0.00	0.00	129.79	1079.62	529.61
06	1141.05	2.31	0.00	0.00	118.68	1020.06	478.84
07	1078.51	2.09	0.00	0.00	106.53	969.89	435.68
08	993.48	1.69	0.00	0.00	85.44	906.35	389.61
09	982.87	1.55	0.00	0.00	87.00	894.32	367.88
10	975.79	1.34	0.00	0.00	82.91	891.54	350.96

HIGH CASE SCENARIO
(Millions of Dollars)

(1) FY	(2) SEVERANCE TAX	(3) PROPERTY TAX	(4) OIL&GAS INC TAX	(5) GROSS ROYALTIES	(6) MINERAL RENTS	(7) BONUS SALES	(8) SPECIAL PETRO SETTLEMENTS	(9) TOTAL PETROLEUM REVENUES	(10) NON-PETR NON-INTR REVENUES	(11) GEN FUND INTEREST REVENUES	(12) TOTAL REVS W/ PERM FND DEDICATION
81	1170.20	143.00	860.10	1501.60	7.90	14.10	0.00	3696.90	186.10	227.80	4110.80
82	1581.70	142.70	668.90	1553.20	26.40	10.30	0.00	3983.20	209.00	324.70	4516.90
83	1493.70	152.60	236.00	1447.40	54.20	73.10	0.00	3457.00	228.60	375.80	4061.40
84	1393.10	131.00	265.10	1409.00	21.90	16.70	0.00	3236.80	245.80	282.70	3765.30
85	1389.40	128.40	168.60	1390.30	23.70	23.60	0.00	3124.00	283.00	233.50	3640.50
86	1107.90	113.50	133.90	1098.20	44.50	70.10	460.70	3028.80	222.40	195.20	3446.40
87	648.50	102.50	120.40	591.60	29.10	1.00	85.20	1578.30	243.00	161.90	1983.20
88	818.70	96.20	158.00	953.50	24.20	11.30	329.00	2390.90	223.60	132.60	2747.10
89	698.80	89.70	166.00	818.70	18.00	23.00	259.70	2073.90	245.10	100.70	2419.70
90	1096.56	84.60	157.00	1139.50	19.80	0.00	111.40	2608.86	245.70	98.20	2952.76
91	1203.[illegible]	79.70	164.00	1237.33	19.10	0.00	4.00	2707.37	248.80	143.50	3099.67
92	1290.4[illegible]	75.20	160.00	1367.19	19.10	0.00	4.00	2915.93	252.40	195.40	3363.73
93	1364.4[illegible]	70.40	151.00	1550.14	18.15	0.00	9.40	3163.49	266.76	240.55	3670.79
94	1532.75	64.30	166.00	1769.08	17.24	0.00	9.40	3558.77	281.94	302.84	4143.55
95	1697.54	56.70	191.00	1986.34	16.38	0.00	9.40	3957.36	297.98	387.32	4642.66
96	1720.54	51.40	201.00	2092.65	15.56	0.00	9.40	4090.55	314.94	484.73	4890.22
97	1701.43	46.60	204.00	2119.96	14.78	0.00	9.40	4096.17	332.86	581.01	5010.04
98	1682.47	41.90	204.00	2150.71	14.04	0.00	13.40	4106.52	351.80	671.12	5129.44
99	1566.63	37.30	209.00	2055.77	13.34	0.00	13.40	3895.44	371.81	745.65	5012.91
00	1372.22	33.00	210.00	1960.72	12.67	0.00	13.40	3602.01	392.97	791.40	4786.38
01	1239.40	29.00	213.00	1868.37	12.04	0.00	13.40	3375.21	414.82	793.63	4583.66
02	1108.65	25.30	212.00	1807.18	11.44	0.00	13.40	3177.97	437.88	775.97	4391.82
03	986.04	21.40	215.00	1724.23	10.86	0.00	0.00	2957.53	462.23	723.83	4143.59
04	881.07	19.40	216.00	1701.11	10.32	0.00	0.00	2827.90	487.93	636.38	3952.21
05	789.57	17.70	219.00	1634.47	9.80	0.00	0.00	2670.54	515.06	511.81	3697.41
06	707.41	16.20	222.00	1689.88	9.31	0.00	0.00	2644.80	543.70	349.51	3538.01
07	625.39	14.70	225.00	1625.40	8.85	0.00	0.00	2499.34	573.93	169.44	3242.71
08	550.22	13.00	228.00	1587.02	8.41	0.00	0.00	2386.65	605.84	81.89	3074.38
09	477.13	11.10	230.00	1560.30	7.99	0.00	0.00	2286.52	639.52	87.01	3013.05
10	412.90	9.20	232.00	1611.99	7.59	0.00	0.00	2273.68	675.08	92.94	3041.69

(13) FY	(14) TOTAL REVS W/ PERM FND DEDICATION	(15) PUB SCH FUND	(16) NPR-A FUND	(17) OTHER FUNDS	(18) PERM FUND DEDICATN	(19) NET GEN FUND UNRESTRD REVENUES NOM $	(20) NET GEN FUND UNRESTRD REVENUES REAL 1989 $
81	4110.80	7.50	0.00	74.30	385.10	3718.20	
82	4516.90	8.00	0.00	0.00	400.50	4108.40	
83	4061.40	9.40	0.00	0.00	421.00	3631.00	
84	3765.30	9.00	0.00	0.00	366.20	3390.10	
85	3640.50	7.10	5.40	0.00	368.00	3260.00	
86	3446.40	6.50	41.00	0.00	323.40	3075.50	
87	1983.20	3.30	9.90	0.00	170.60	1799.40	
88	2747.10	6.60	1.00	15.80	417.90	2305.80	
89	2419.70	4.30	0.80	0.00	228.40	2186.20	2186.20
90	2952.76	5.80	1.00	0.00	301.00	2644.96	2527.43
91	3099.67	6.30	1.00	0.00	326.70	2765.67	2507.62
92	3363.73	6.90	1.00	0.00	362.30	2993.53	2570.96
93	3670.79	7.85	1.00	0.00	418.91	3243.04	2635.29
94	4143.55	8.95	0.50	0.00	479.13	3654.97	2810.13
95	4642.66	10.03	0.00	0.00	538.39	4094.25	2978.40
96	4890.22	10.56	0.00	0.00	568.93	4310.73	2967.05
97	5010.04	10.70	0.00	0.00	578.10	4421.24	2879.28
98	5129.44	10.85	0.00	0.00	596.72	4521.87	2786.28
99	5012.91	10.38	0.00	0.00	580.10	4422.43	2578.30
00	4786.38	9.90	0.00	0.00	558.08	4218.40	2326.94
01	4583.66	9.44	0.00	0.00	534.71	4039.51	2110.89
02	4391.82	9.14	0.00	0.00	518.79	3863.89	1912.77
03	4143.59	8.72	0.00	0.00	490.12	3644.75	1709.25
04	3952.21	8.61	0.00	0.00	483.42	3460.19	1537.22
05	3697.41	8.27	0.00	0.00	465.75	3223.39	1356.59
06	3538.01	8.55	0.00	0.00	479.08	3050.38	1216.15
07	3242.71	8.23	0.00	0.00	460.76	2773.72	1047.61
08	3074.38	8.04	0.00	0.00	449.01	2617.33	936.48
09	3013.05	7.90	0.00	0.00	438.40	2566.75	870.01
10	3041.69	8.16	0.00	0.00	447.72	2585.82	830.32

Low Scenario Petroleum Production Revenue Forecast
(Millions of $)

	Alaska North Slope							Cook Inlet							
Fiscal Year	Oil Royalty	Oil Severance	Conservation Tax	Gas Royalty	Gas Severance	Hazardous Rel. Fund	ANS Total	Oil Royalty	Oil Severance	Conservation Tax	Gas Royalty	Gas Severance	Hazardous Rel. Fund	Cook Inlet Total	State Total
1989	784.6	675.3	2.4	14.7	9.2	0.0	1,486.2	23.3	0.4	0.1	19.2	8.9	0.0	51.8	1,538.0
1990	734.4	721.9	2.2	12.7	7.8	25.4	1,504.4	27.7	0.1	0.1	20.6	7.4	0.6	59.5	1,563.9
1991	651.2	657.2	2.0	10.7	6.5	25.2	1,352.8	21.2	0.0	0.1	19.2	7.4	0.6	48.5	1,401.2
1992	754.6	743.1	1.8	13.4	7.9	22.6	1,543.4	19.6	0.0	0.1	20.2	7.7	0.5	48.1	1,591.5
1993	738.6	709.4	1.7	13.3	7.3	20.6	1,491.0	18.1	0.0	0.0	21.1	8.0	0.5	47.7	1,538.6
1994	759.9	699.2	1.6	13.5	7.3	20.2	1,501.7	16.7	0.0	0.0	21.7	8.2	0.4	47.1	1,548.8
1995	735.2	663.2	1.5	13.5	7.2	18.9	1,439.4	15.5	0.0	0.0	22.4	8.3	0.4	46.6	1,486.0
1996	654.5	564.6	1.3	13.1	6.8	16.1	1,256.5	14.3	0.0	0.0	23.1	8.6	0.4	46.4	1,302.9
1997	589.5	485.5	1.1	12.4	6.1	13.9	1,108.6	13.1	0.0	0.0	23.9	8.8	0.3	46.2	1,154.8
1998	527.7	408.8	0.9	11.6	5.4	12.0	966.5	12.0	0.0	0.0	28.2	13.7	0.3	54.2	1,020.7
1999	454.7	340.2	0.8	7.2	3.2	10.1	816.2	11.0	0.0	0.0	29.1	14.1	0.3	54.6	870.8
2000	386.5	267.2	0.6	6.4	2.6	8.4	671.6	10.0	0.0	0.0	28.3	12.7	0.2	51.3	722.9
2001	343.7	219.8	0.5	6.0	2.2	7.3	579.5	9.1	0.0	0.0	29.3	13.2	0.2	51.9	631.5
2002	302.0	173.4	0.4	5.5	1.8	6.3	489.5	8.3	0.0	0.0	30.4	13.7	0.2	52.7	542.2
2003	262.6	130.0	0.4	5.0	1.5	5.5	405.0	7.6	0.0	0.0	31.6	14.2	0.2	53.6	458.6
2004	225.1	80.4	0.3	4.5	1.0	4.7	316.0	7.0	0.0	0.0	32.8	14.8	0.2	54.7	370.7
2005	179.2	29.2	0.3	3.9	0.5	3.9	217.0	6.4	0.0	0.0	34.0	15.3	0.1	55.9	272.8
2006	95.4	0.0	0.1	2.9	0.0	2.6	100.9	5.9	0.0	0.0	35.2	15.9	0.1	57.2	158.0
2007	16.3	0.0	0.0	1.9	0.0	1.1	19.4	5.4	0.0	0.0	36.6	16.5	0.1	58.6	77.9
2008	12.2	0.0	0.0	1.9	0.0	0.7	14.8	5.0	0.0	0.0	37.9	17.1	0.1	60.1	74.9
2009	13.1	0.0	0.0	1.9	0.0	0.7	15.7	4.6	0.0	0.0	39.3	17.7	0.1	61.7	77.5
2010	7.8	0.0	0.0	1.9	0.0	0.3	10.0	4.2	0.0	0.0	40.8	27.3	0.1	72.5	82.5

Mid Scenario Petroleum Production Revenue Forecast
(Millions of $)

	Alaska North Slope							Cook Inlet							
Fiscal Year	Oil Royalty	Oil Severance	Conservation Tax	Gas Royalty	Gas Severance	Hazardous Rel. Fund	ANS Total	Oil Royalty	Oil Severance	Conservation Tax	Gas Royalty	Gas Severance	Hazardous Rel. Fund	Cook Inlet Total	State Total
1989	784.6	675.3	2.4	14.7	9.2	0.0	1,486.2	23.3	0.4	0.1	19.2	8.9	0.0	51.8	1,538.0
1990	887.0	867.4	2.3	17.8	10.9	26.1	1,811.5	27.7	0.1	0.1	20.6	7.4	0.6	56.5	1,867.9
1991	917.1	897.5	2.1	19.1	11.6	26.4	1,873.9	22.7	0.0	0.1	22.4	8.4	0.6	54.2	1,928.1
1992	1,025.4	972.7	2.0	20.9	12.5	24.5	2,057.8	21.1	0.0	0.1	23.7	8.7	0.5	54.1	2,111.9
1993	1,074.2	980.1	1.9	20.1	11.3	23.5	2,111.1	19.7	0.0	0.0	25.2	9.2	0.5	54.7	2,165.8
1994	1,137.5	970.3	1.8	18.7	10.1	22.9	2,161.3	18.4	0.0	0.0	26.4	9.6	0.4	54.9	2,216.2
1995	1,124.3	920.6	1.7	17.4	9.4	21.0	2,094.4	17.2	0.0	0.0	27.7	10.0	0.4	55.2	2,149.6
1996	1,052.9	822.2	1.5	16.0	8.3	18.5	1,919.3	16.0	0.0	0.0	29.1	10.4	0.4	55.8	1,975.1
1997	972.7	716.6	1.3	14.9	7.4	16.0	1,729.1	14.8	0.0	0.0	30.5	10.8	0.3	56.5	1,785.6
1998	902.2	620.5	1.1	14.4	6.9	14.1	1,559.2	13.7	0.0	0.0	36.5	17.7	0.3	68.2	1,627.4
1999	815.4	540.8	1.0	12.8	5.7	12.2	1,388.0	12.7	0.0	0.0	38.3	18.6	0.3	69.9	1,457.9
2000	727.3	451.9	0.7	11.7	5.0	10.4	1,207.0	11.7	0.0	0.0	37.8	17.0	0.2	66.8	1,273.8
2001	659.9	374.4	0.6	11.3	4.4	9.1	1,059.7	10.8	0.0	0.0	39.6	17.9	0.2	68.5	1,128.2
2002	586.2	290.3	0.5	10.0	3.4	7.8	898.2	9.9	0.0	0.0	41.5	18.7	0.2	70.4	968.6
2003	521.6	211.1	0.5	9.5	2.8	6.7	752.1	9.1	0.0	0.0	43.6	19.6	0.2	72.5	824.6
2004	471.6	155.1	0.4	8.9	2.2	5.8	644.0	8.5	0.0	0.0	45.7	20.6	0.2	74.9	718.9
2005	418.2	103.6	0.3	8.2	1.7	5.0	537.0	7.9	0.0	0.0	47.9	21.6	0.1	77.5	614.5
2006	376.5	58.6	0.3	7.4	1.2	4.4	448.4	7.3	0.0	0.0	50.3	22.7	0.1	80.3	528.7
2007	331.2	22.3	0.3	6.5	0.7	3.8	364.8	6.8	0.0	0.0	52.7	23.8	0.1	83.4	448.2
2008	251.3	4.4	0.2	5.6	0.3	2.9	264.7	6.3	0.0	0.0	55.3	24.9	0.1	86.6	351.3
2009	221.5	0.1	0.1	5.6	0.0	2.5	229.8	5.8	0.0	0.0	58.0	26.1	0.1	90.0	319.9
2010	177.8	0.1	0.0	4.7	0.0	2.0	184.6	5.4	0.0	0.0	60.8	40.7	0.1	107.0	291.7

High Scenario Petroleum Production Revenue Forecast
(Millions of $)

	Alaska North Slope							Cook Inlet							
Fiscal Year	Oil Royalty	Oil Severance	Conservation Tax	Gas Royalty	Gas Severance	Hazardous Rel. Fund	ANS Total	Oil Royalty	Oil Severance	Conservation Tax	Gas Royalty	Gas Severance	Hazardous Rel. Fund	Cook Inlet Total	State Total
1989	784.6	675.3	2.4	14.7	9.2	0.0	1,486.2	23.3	0.4	0.1	19.2	8.9	0.0	51.8	1,538.0
1990	1,066.8	1,043.5	2.4	24.4	15.0	27.5	2,179.6	27.7	0.1	0.1	20.6	7.4	0.6	56.5	2,236.1
1991	1,160.4	1,144.6	2.3	28.8	17.7	29.0	2,382.8	23.7	0.0	0.1	24.4	9.0	0.6	57.8	2,440.6
1992	1,287.8	1,231.9	2.2	31.4	19.1	27.6	2,599.9	22.1	0.0	0.1	26.0	9.4	0.5	58.1	2,658.0
1993	1,468.8	1,306.1	2.1	33.1	19.0	26.4	2,855.4	21.0	0.0	0.1	28.5	10.2	0.5	60.3	2,915.6
1994	1,683.9	1,471.9	2.2	34.9	19.5	27.7	3,240.1	19.9	0.0	0.0	30.5	10.8	0.4	61.6	3,301.7
1995	1,897.8	1,632.7	2.3	36.3	20.7	27.5	3,617.4	18.8	0.0	0.0	32.6	11.4	0.4	63.2	3,680.6
1996	2,000.8	1,655.2	2.2	37.2	21.0	25.6	3,742.0	17.8	0.0	0.0	35.3	12.3	0.4	65.8	3,807.9
1997	2,026.8	1,637.3	2.0	37.0	20.7	23.7	3,747.5	16.7	0.0	0.0	37.5	12.9	0.3	67.5	3,815.0
1998	2,050.3	1,612.9	1.9	36.2	20.2	22.1	3,743.6	15.7	0.0	0.0	45.9	22.2	0.3	84.1	3,827.7
1999	1,969.3	1,507.6	1.7	20.0	10.9	19.5	3,528.8	14.7	0.0	0.0	49.3	23.9	0.3	88.2	3,617.0
2000	1,874.6	1,317.9	1.4	20.2	10.7	16.8	3,241.6	13.8	0.0	0.0	49.6	22.4	0.2	86.0	3,327.6
2001	1,780.7	1,186.4	1.3	19.2	9.8	14.8	3,012.2	12.9	0.0	0.0	53.2	24.0	0.2	90.3	3,102.5
2002	1,716.5	1,056.3	1.1	19.2	9.5	13.0	2,815.6	12.1	0.0	0.0	57.0	25.7	0.2	95.1	2,910.7
2003	1,630.4	933.9	1.0	19.1	9.2	11.4	2,604.9	11.4	0.0	0.0	61.1	27.6	0.2	100.3	2,705.1
2004	1,605.3	829.5	0.9	17.3	8.0	10.1	2,471.0	10.8	0.0	0.0	65.5	29.5	0.2	106.1	2,577.1
2005	1,535.0	737.8	0.7	16.8	7.5	8.8	2,306.7	10.2	0.0	0.0	70.3	31.7	0.1	112.3	2,419.0
2006	1,586.6	655.1	0.6	16.2	6.9	7.8	2,273.1	9.7	0.0	0.0	75.3	34.0	0.1	119.1	2,392.2
2007	1,518.1	572.4	0.5	15.4	6.1	6.8	2,119.3	9.2	0.0	0.0	80.7	36.4	0.1	126.4	2,245.7
2008	1,473.4	495.4	0.4	16.4	6.2	5.9	1,997.7	8.7	0.0	0.0	86.6	39.0	0.1	134.4	2,132.1
2009	1,442.0	421.0	0.4	15.3	5.4	5.2	1,889.3	8.2	0.0	0.0	92.8	41.8	0.1	143.0	2,032.3
2010	1,486.5	332.8	0.3	16.3	5.2	4.5	1,845.6	7.8	0.0	0.0	99.5	66.7	0.1	174.1	2,019.7

Expected and Historical Crude Oil Prices For Alaska North Slope Crude and OPEC Marker In 1989 dollars[1]

Fiscal Year	Low Scenario Saudi Lt Ras Tanura	Low Scenario ANS at Wellhead	Mid Scenario Saudi Lt Ras Tanura	Mid Scenario ANS at Wellhead	High Scenario Saudi Lt Ras Tanura	High Scenario ANS at Wellhead
1982	42.13	25.91	42.13	25.91	42.13	25.91
1983	37.11	21.48	37.11	21.48	37.11	21.48
1984	33.52	20.91	33.52	20.91	33.52	20.91
1985	31.09	19.59	31.09	19.59	31.09	19.59
1986	24.36	13.51	24.36	13.51	24.36	13.51
1987	16.18	8.31	16.18	8.31	16.18	8.31
1988	16.75	10.98	16.75	10.98	16.75	10.98
1989	13.85	9.52	13.85	9.52	13.85	9.52
1990	14.05	9.27	14.92	10.83	15.62	12.21
1991	12.94	8.85	14.95	11.55	16.04	12.95
1992	13.08	10.75	15.08	13.15	16.12	14.15
1993	13.13	11.07	15.32	13.63	16.74	15.35
1994	13.01	11.19	15.33	13.82	16.94	15.87
1995	12.90	11.15	15.33	13.97	17.14	16.25
1996	12.83	11.15	15.40	14.13	17.41	16.72
1997	12.75	11.21	15.47	14.33	17.68	17.17
1998	12.68	11.27	15.53	14.54	17.95	17.59
1999	12.61	11.07	15.60	14.54	18.23	17.92
2000	12.54	10.84	15.67	14.51	18.52	18.19
2001	12.50	10.70	15.73	14.44	18.81	18.47
2002	12.46	10.46	15.78	14.36	19.10	18.78
2003	12.42	10.15	15.84	14.27	19.40	19.08
2004	12.39	9.80	15.90	14.17	19.70	19.38
2005	12.35	9.16	15.95	14.05	20.01	19.70
2006	12.31	7.24	16.01	13.87	20.32	20.02
2007	12.27	3.26	16.07	13.53	20.64	20.33
2008	12.23	3.63	16.13	13.12	20.96	20.64
2009	12.20	3.96	16.19	12.85	21.29	21.00
2010	12.16	4.37	16.24	12.45	21.62	21.34

[1] FY 1982 through FY 1989 are nominal dollars.

Simulated Oil Production
(Millions of barrels/day)

Low Scenario

Year	Prudhoe	NGL'S	Kuparuk	Milne Point	Endicott	Lisburne	Pt. Thomson	Niakuk	Pt McIntrye	Total ANS	Cook Inlet	Total Alaska
1989	1.475	0.058	0.300	0.000	0.098	0.038	0.000	0.000	0.000	1.969	0.042	2.011
1990	1.315	0.044	0.279	0.018	0.099	0.037	0.000	0.000	0.000	1.792	0.041	1.833
1991	1.184	0.038	0.255	0.026	0.097	0.019	0.000	0.000	0.000	1.619	0.037	1.656
1992	1.064	0.034	0.235	0.026	0.089	0.000	0.000	0.008	0.000	1.456	0.034	1.490
1993	0.970	0.032	0.216	0.025	0.071	0.000	0.000	0.016	0.000	1.330	0.030	1.360
1994	0.950	0.031	0.182	0.021	0.062	0.000	0.000	0.015	0.045	1.306	0.027	1.333
1995	0.900	0.030	0.156	0.018	0.058	0.000	0.000	0.015	0.045	1.222	0.024	1.246
1996	0.760	0.028	0.133	0.015	0.053	0.000	0.000	0.015	0.045	1.049	0.022	1.071
1997	0.644	0.025	0.113	0.012	0.049	0.000	0.000	0.015	0.045	0.903	0.020	0.923
1998	0.544	0.022	0.097	0.009	0.045	0.000	0.000	0.015	0.041	0.773	0.018	0.791
1999	0.460	0.012	0.081	0.000	0.040	0.000	0.000	0.015	0.039	0.647	0.016	0.663
2000	0.376	0.010	0.067	0.000	0.036	0.000	0.000	0.014	0.037	0.540	0.014	0.554
2001	0.323	0.009	0.057	0.000	0.032	0.000	0.000	0.013	0.035	0.469	0.013	0.482
2002	0.276	0.008	0.049	0.000	0.029	0.000	0.000	0.011	0.033	0.406	0.012	0.418
2003	0.237	0.007	0.042	0.000	0.026	0.000	0.000	0.008	0.032	0.352	0.012	0.364
2004	0.197	0.006	0.036	0.000	0.023	0.000	0.000	0.009	0.028	0.299	0.009	0.308
2005	0.158	0.005	0.031	0.000	0.020	0.000	0.000	0.007	0.026	0.247	0.009	0.256
2006	0.119	0.004	0.000	0.000	0.018	0.000	0.000	0.000	0.024	0.165	0.008	0.173
2007	0.047	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.022	0.072	0.007	0.079
2008	0.023	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.020	0.046	0.006	0.052
2009	0.022	0.002	0.000	0.000	0.000	0.000	0.000	0.000	0.019	0.043	0.006	0.049
2010	0.020	0.002	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.022	0.005	0.027

Simulated Oil Production
(Millions of barrels/day)

Mid Scenario

	Prudhoe	NGL's	Kuparuk	Milne Point	Endicott	Lisburne	Pt. Thomson	Niakuk	Pt McIntrye	Total ANS	Cook Inlet	Total Alaska
1989	1.475	0.058	0.300	0.000	0.098	0.038	0.000	0.000	0.000	1.969	0.042	2.011
1990	1.337	0.050	0.285	0.022	0.104	0.039	0.000	0.000	0.000	1.837	0.041	1.878
1991	1.216	0.047	0.265	0.031	0.106	0.040	0.000	0.000	0.000	1.705	0.037	1.742
1992	1.106	0.041	0.245	0.031	0.105	0.040	0.000	0.010	0.000	1.578	0.034	1.612
1993	1.038	0.036	0.223	0.029	0.091	0.040	0.035	0.021	0.000	1.513	0.030	1.543
1994	0.978	0.031	0.190	0.025	0.080	0.037	0.054	0.020	0.060	1.475	0.027	1.502
1995	0.902	0.027	0.164	0.021	0.075	0.033	0.053	0.020	0.060	1.355	0.024	1.379
1996	0.779	0.023	0.140	0.018	0.070	0.031	0.053	0.019	0.060	1.193	0.022	1.215
1997	0.656	0.020	0.118	0.015	0.066	0.028	0.053	0.019	0.060	1.035	0.020	1.055
1998	0.557	0.018	0.101	0.013	0.061	0.025	0.053	0.019	0.055	0.902	0.018	0.920
1999	0.475	0.015	0.091	0.000	0.055	0.021	0.054	0.020	0.053	0.784	0.016	0.800
2000	0.405	0.013	0.073	0.000	0.049	0.019	0.042	0.017	0.051	0.669	0.014	0.683
2001	0.345	0.012	0.062	0.000	0.044	0.018	0.037	0.016	0.049	0.583	0.013	0.596
2002	0.286	0.010	0.052	0.000	0.040	0.016	0.032	0.013	0.049	0.498	0.012	0.510
2003	0.239	0.009	0.045	0.000	0.036	0.014	0.028	0.010	0.047	0.428	0.012	0.440
2004	0.208	0.008	0.039	0.000	0.032	0.013	0.025	0.006	0.043	0.374	0.009	0.383
2005	0.181	0.007	0.034	0.000	0.029	0.012	0.021	0.000	0.038	0.322	0.009	0.331
2006	0.157	0.006	0.029	0.000	0.026	0.010	0.019	0.000	0.035	0.282	0.008	0.290
2007	0.136	0.005	0.024	0.000	0.022	0.009	0.017	0.000	0.032	0.245	0.007	0.252
2008	0.119	0.004	0.000	0.000	0.019	0.000	0.014	0.000	0.029	0.185	0.006	0.191
2009	0.104	0.004	0.000	0.000	0.016	0.000	0.011	0.000	0.026	0.161	0.006	0.167
2010	0.091	0.003	0.000	0.000	0.013	0.000	0.000	0.000	0.024	0.131	0.005	0.136

Simulated Oil Production
(Millions of barrels/day)

High Scenario

	Prudhoe	NGL's	Kuparuk	Milne Point	Endicott	Lisburne	West Sak	Pt. Thomson	Seal Island	Niakuk	Pt McIntrye	Total ANS	Cook Inlet	Total Alaska
1989	1.475	0.058	0.300	0.000	0.098	0.038	0.000	0.000	0.000	0.000	0.000	1.969	0.042	2.011
1990	1.394	0.058	0.302	0.024	0.117	0.041	0.000	0.000	0.000	0.000	0.000	1.936	0.041	1.977
1991	1.315	0.061	0.306	0.034	0.125	0.043	0.000	0.000	0.000	0.000	0.000	1.884	0.037	1.921
1992	1.220	0.056	0.296	0.035	0.122	0.043	0.007	0.000	0.000	0.016	0.000	1.795	0.034	1.829
1993	1.132	0.050	0.265	0.035	0.104	0.043	0.008	0.052	0.000	0.027	0.000	1.716	0.030	1.746
1994	1.100	0.048	0.228	0.028	0.093	0.043	0.008	0.086	0.000	0.026	0.140	1.800	0.027	1.827
1995	1.122	0.046	0.204	0.024	0.095	0.043	0.008	0.085	0.080	0.026	0.140	1.873	0.024	1.897
1996	1.030	0.043	0.181	0.020	0.093	0.041	0.026	0.085	0.120	0.026	0.140	1.805	0.022	1.827
1997	0.944	0.039	0.159	0.017	0.091	0.038	0.035	0.085	0.102	0.026	0.140	1.676	0.020	1.696
1998	0.873	0.035	0.142	0.015	0.087	0.034	0.057	0.085	0.087	0.027	0.123	1.565	0.018	1.583
1999	0.761	0.017	0.122	0.013	0.079	0.029	0.062	0.086	0.075	0.029	0.108	1.381	0.016	1.397
2000	0.648	0.016	0.102	0.012	0.071	0.027	0.093	0.076	0.064	0.023	0.095	1.227	0.014	1.241
2001	0.571	0.014	0.089	0.010	0.064	0.024	0.084	0.067	0.054	0.022	0.084	1.083	0.013	1.096
2002	0.503	0.013	0.077	0.000	0.058	0.022	0.103	0.060	0.046	0.020	0.074	0.976	0.012	0.988
2003	0.444	0.012	0.067	0.000	0.053	0.020	0.098	0.052	0.040	0.015	0.065	0.866	0.012	0.878
2004	0.392	0.010	0.059	0.000	0.047	0.019	0.121	0.046	0.034	0.012	0.057	0.797	0.009	0.806
2005	0.346	0.009	0.051	0.000	0.042	0.017	0.118	0.041	0.030	0.008	0.050	0.712	0.009	0.721
2006	0.306	0.008	0.044	0.000	0.036	0.015	0.170	0.036	0.026	0.006	0.044	0.691	0.008	0.699
2007	0.270	0.007	0.039	0.000	0.031	0.013	0.167	0.032	0.023	0.000	0.039	0.621	0.007	0.628
2008	0.238	0.007	0.034	0.000	0.027	0.012	0.166	0.028	0.020	0.000	0.034	0.566	0.006	0.572
2009	0.211	0.006	0.029	0.000	0.021	0.011	0.171	0.023	0.017	0.000	0.030	0.519	0.006	0.525
2010	0.184	0.006	0.026	0.000	0.017	0.010	0.203	0.019	0.015	0.000	0.027	0.507	0.005	0.512

IV. HISTORICAL REVENUES

This section reports on revenues collected in the past. The first table shows General Fund revenues by type from FY 1977 - 89, and breaks them into unrestricted and restricted categories. The final table shows petroleum revenues by type from statehood to the present (FY 1959 - 89).

HISTORICAL GENERAL FUND UNRESTRICTED REVENUES
- TAX PORTION -

($ millions)	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
Corporate - General	35.8	33.5	24.8	17.9	34.8	34.8	30.3	39.5	36.0	11.2	20.5	23.4	38.0
Corporate - Petroleum	0.0	0.0	232.6	547.5	860.1	668.9	236.0	265.1	168.6	133.9	120.4	158.0	166.0
Fiduciary	.1	.1	.1	.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Individual	210.4	145.7	117.2	100.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Income	246.3	179.3	374.7	666.0	894.9	703.7	266.3	304.6	204.6	145.1	140.9	181.4	204.0
Alaska Business License	23.2	21.7	28.2	4.2	5.4	5.5	6.9	19.9	38.8	2.1	1.5	1.4	1.0
Fish - Canned Salmon	3.8	5.5	6.7	4.3	5.9	8.6	4.3	5.5	5.6	3.5	0.0	0.0	0.0
Fish - Shore Based	1.9	2.3	3.3	7.6	11.0	8.7	11.5	7.1	8.3	10.1	17.5	13.8	16.1
Fish - Floating	.5	.5	1.9	2.7	3.8	5.5	4.7	6.4	4.8	7.5	9.0	8.7	10.6
Salmon Enhancement	0.0	0.0	0.0	0.0	0.0	2.4	2.6	2.2	2.6	4.3	4.4	5.8	9.5
Seafood Marketing	0.0	0.0	0.0	0.0	0.0	0.0	.9	1.1	1.0	1.1	1.4	2.7	3.3
Insurance Companies	8.1	10.0	10.8	10.4	10.6	12.5	13.8	16.2	17.5	21.1	23.7	23.7	19.4
Other	1.3	1.6	1.9	2.1	1.2	1.4	1.6	2.0	2.1	2.2	2.3	2.4	3.2
Total Gross Receipts	38.8	41.6	52.8	31.3	37.9	44.6	46.3	60.4	80.7	51.9	59.8	58.5	62.1
Gravel, Timber, Etc.	1.0	.8	1.7	1.6	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oil & Gas Production	23.7	107.6	173.6	506.2	1169.9	1581.1	1493.0	1392.4	1388.7	1107.4	647.3	816.4	696.4
Oil & Gas Conservation	.1	.1	.2	.3	.3	.6	.7	.7	.7	.5	1.2	2.3	2.4
Total Severance	24.8	108.5	175.5	508.1	1172.9	1581.7	1493.7	1393.1	1389.4	1107.9	648.5	818.7	698.8
Oil & Gas	139.1	173.0	163.4	168.9	143.0	142.7	152.6	131.0	128.4	113.5	102.5	96.2	89.7
Oil & Gas Reserves	270.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Vehicle Registration	0.0	.2	.2	.1	.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Property	409.7	173.2	163.6	169.0	143.2	142.7	152.6	131.0	128.4	113.5	102.5	96.2	89.7
Alcoholic Beverages	8.0	7.6	7.4	7.4	8.3	9.0	10.4	13.0	13.9	13.3	12.6	12.1	11.8
Fuel Taxes - Aviation	2.5	3.3	3.4	4.0	4.1	6.3	8.7	8.1	8.0	8.1	8.5	9.0	10.1
Fuel Taxes - Highway	16.7	17.9	16.3	18.9	15.6	20.3	23.7	20.2	23.7	22.7	18.3	19.3	20.0
Fuel Taxes - Marine	1.3	2.1	2.6	3.2	3.5	3.7	4.3	3.9	4.3	5.3	5.4	5.3	7.2
Tobacco Products	1.8	1.7	1.7	1.6	1.7	1.9	2.0	2.0	2.0	4.9	6.6	6.1	6.4
Total Sale/Use	30.3	32.6	31.4	35.1	33.2	41.2	49.1	47.2	51.9	54.3	51.4	51.8	55.5
Estate	.2	.2	.1	.2	.5	.3	.7	.7	.5	.7	1.1	.3	.7
School	2.6	2.4	2.5	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Other	2.8	2.6	2.6	2.8	.5	.3	.7	.7	.5	.7	1.1	.3	.7
Total Taxes	752.7	537.8	800.6	1412.3	2282.6	2514.2	2008.7	1937.0	1855.5	1473.4	1004.2	1206.9	1111.8

- NON-TAX PORTION -

($ millions)	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
Business	5.5	6.8	7.5	8.1	9.1	10.8	10.8	10.8	11.9	11.3	10.0	8.6	8.1
Non-Business	10.6	12.3	12.3	10.7	12.2	13.0	14.9	15.9	17.0	18.0	19.2	19.7	20.2
Total Licenses & Permits	16.1	19.1	19.8	18.8	21.3	23.8	25.7	26.7	28.9	29.3	29.2	28.3	28.3
Intergovernmental Receipts													
Federal Shared Revenues	2.5	3.6	4.1	4.8	8.5	21.7	33.3	14.0	10.5	14.5	9.7	6.9	6.1
State Resource Revenue													
Bonus Sales	0.0	0.0	0.0	342.4	7.6	5.0	36.2	10.1	11.5	34.7	.5	5.6	11.4
Investment Earnings	34.8	44.2	59.2	119.9	227.8	324.7	375.8	282.7	233.5	195.2	161.9	132.6	100.7
Rents	3.4	2.3	2.1	3.0	5.4	3.5	4.3	6.0	5.1	6.2	6.0	6.0	5.3
Royalties	34.3	149.6	249.2	688.2	1118.5	1157.3	1078.4	1047.5	1034.0	830.7	439.3	694.8	605.9
Sale of State Property	1.8	1.9	8.4	5.7	4.8	5.2	6.3	7.0	8.5	8.7	7.0	3.8	4.9
Gravel, Timber, etc.	0.0	0.0	0.0	0.0	0.0	1.2	4.0	2.9	3.1	2.9	7.2	1.1	.5
Total Sale/Use	74.3	198.0	318.9	1159.2	1364.1	1496.9	1505.0	1356.2	1295.7	1078.4	621.9	843.9	728.7
Airports	.7	.8	.9	.8	1.1	1.6	1.4	1.5	1.6	1.5	1.5	1.8	1.2
Ferry System—SE	15.4	14.0	17.1	18.7	21.0	25.2	26.4	28.5	29.6	28.5	27.5	26.0	29.3
Ferry System—SW	1.5	1.6	1.8	2.4	3.4	4.0	4.0	3.5	3.8	3.8	3.8	3.8	3.8
Other	2.7	4.0	3.1	4.1	3.7	3.6	5.5	4.3	7.9	5.2	4.1	.7	1.4
Total Facilities Charges	20.3	20.4	22.9	26.0	29.2	34.4	37.3	37.8	42.9	39.0	36.9	32.3	35.7
Court System	3.6	2.8	2.8	2.8	2.9	3.5	4.2	4.1	4.5	5.1	5.3	5.5	6.0
Other	.9	1.7	2.3	2.0	4.1	6.1	5.9	4.8	5.2	4.1	4.8	2.0	1.9
Total Services Charges	4.5	4.5	5.1	4.8	7.0	9.6	10.1	8.9	9.7	9.2	10.1	7.5	7.9
Total State Resource Revenue	99.1	222.9	346.9	1190.0	1400.3	1540.9	1552.4	1402.9	1348.3	1126.6	668.9	883.7	772.3
Miscellaneous Revenue	3.9	3.9	7.2	6.7	5.5	7.8	10.9	9.5	16.8	13.0	16.9	16.1	10.0
Sub-Total Non-Tax Revenue	121.6	249.5	378.0	1220.3	1435.6	1594.2	1622.3	1453.1	1404.5	1183.4	724.7	935.0	816.7
Less: Native Claims		22.4	45.6	131.4									
Plus: Settlements										418.7	70.5	163.9	257.7
Total Non-Tax Revenue	121.6	227.1	332.4	1088.9	1435.6	1594.2	1622.3	1453.1	1404.5	1602.1	795.2	1098.9	1074.4
Total Tax Revenue	752.7	537.8	800.6	1412.3	2282.6	2514.2	2008.7	1937.0	1855.5	1473.4	1004.2	1206.9	1111.8
Total General Fund Unrestricted Revenue	874.3	764.9	1133.0	2501.2	3718.2	4108.4	3631.0	3390.1	3260.0	3075.5	1799.4	2305.8	2186.2

HISTORICAL RESTRICTED REVENUES
AND TOTAL GENERAL FUND REVENUES

($ millions)	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
Federal Grants-In-Aid													
Education	26.7	27.3	27.8	30.7	33.0	25.7	33.8	44.8	76.2	42.0	78.0	54.2	73.3
Social Services	48.9	57.7	57.8	60.0	68.7	60.4	80.7	91.2	100.7	125.2	156.4	154.2	167.4
Health	3.0	15.6	15.4	21.4	26.5	27.1	11.9	10.0	12.5	3.2	3.6	3.4	3.9
Natural Resources	5.4	7.9	10.1	6.5	8.3	12.4	15.0	14.2	18.1	17.9	27.8	28.4	30.0
Public Protection/Admin. of Justice	5.7	7.1	8.4	7.4	7.1	5.5	5.7	6.6	7.5	7.7	15.0	10.3	12.4
Development/Gen.Government	2.7	1.4	2.3	2.8	7.9	4.9	8.6	8.1	6.6	9.3	5.0	7.6	7.8
Transportation	119.1	121.6	84.6	69.5	39.9	22.5	11.0	67.7	110.9	88.5	169.8	185.3	195.8
Total	211.5	238.6	206.4	198.3	191.4	158.5	166.7	242.6	332.5	293.8	455.6	443.4	490.6
Other Grants-In-Aid													
Education	.8	.3	.5	1.6	.8	.9	1.0	1.1	1.3	1.4	1.3	2.0	2.3
Health/Social Services	1.5	2.6	1.2	.5	.2	.3	.4	.4	3.8	4.3	8.5	9.1	6.5
Natural Resources	2.1	1.4	1.2	.6	2.4	1.4	1.0	.9	.9	1.4	2.3	6.0	6.2
Public Protection/Admin. of Justice	.4	1.7	1.9	1.8	1.9	1.9	2.4	3.1	.9	2.0	5.7	5.1	5.3
Development/Gen. Government	.9	1.3	1.6	4.1	2.6	3.3	5.3	15.6	6.5	3.6	3.8	5.2	14.0
Transportation	1.8	1.0	1.1	1.0	1.6	2.5	.9	1.2	3.5	.8	1.1	.7	1.0
Total	7.5	8.3	7.5	9.6	9.5	10.3	11.0	22.3	16.9	13.5	22.7	28.1	35.3
Miscellaneous Restricted Revenue	3.1	.9	3.2	5.7	8.1	7.0	15.7	9.8	16.9	16.4	15.8	3.7	20.8
Total Restricted Revenue	**222.1**	**247.8**	**217.1**	**213.6**	**209.0**	**175.8**	**193.4**	**274.7**	**366.3**	**323.7**	**494.1**	**475.2**	**546.7**
Total Unrestricted Revenue	**874.3**	**764.9**	**1133.0**	**2501.2**	**3718.2**	**4108.4**	**3631.0**	**3390.1**	**3260.0**	**3075.5**	**1799.4**	**2305.8**	**2186.2**
Total General Fund Revenue	**1096.4**	**1012.7**	**1350.1**	**2714.8**	**3927.2**	**4284.2**	**3824.4**	**3664.8**	**3626.3**	**3399.2**	**2293.5**	**2781.0**	**2732.9**

Source: Department of Revenue, Revenue Sources FY 1977 - FY 1989. Updated November 1989.

HISTORICAL PETROLEUM REVENUES
(Millions of Dollars)

FY	Corporate Non-Petroleum	Corporate Petroleum	Oil/Gas Severance Tax	Property Tax	Reserve Tax	Fed. Min. Rents & Royalties (1)	Bonus Sales	Rents (1)	Royalties (1)	Oil/Gas Special Settlements	Total Petroleum Revenues	Total G.F. Unrestricted Revenues	% of Total Unrestricted Revenues
59	1.4					3.1					3.1	25.4	12
60	1.7					5.8	4.0	.1			9.9	48.0	21
61	1.4					2.4	1.6	.2			4.2	40.5	10
62	1.8		.2			4.5	20.3	1.0			26.0	68.9	38
63	2.2		.3			8.6	17.9	1.0			27.8	71.6	39
64	1.8		.3			8.7	4.7	1.2			14.9	67.0	22
65	1.9		.3			8.3	5.9	1.9	.1		16.5	83.0	20
66	4.1		.3			7.7	10.8	2.5	.3		21.6	86.5	25
67	3.5		.5			7.7	8.6	2.8	1.9		21.5	86.6	25
68	3.8	.1	1.2			7.5	21.8	2.9	9.5		43.0	112.7	38
69	4.2	.1	5.6			7.8	.8	3.3	16.9		34.5	112.4	31
70	4.9	.4	7.9			8.2	900.0	3.1	19.3		938.9	1067.3	88
71	5.2	.9	10.5			8.6	.2	2.9	23.9		47.0	220.4	21
72	5.3	1.2	11.4			7.9	.3	3.0	24.6		48.4	219.2	22
73	5.9	.9	12.0			6.7	3.8	3.4	23.5		50.3	208.2	24
74	7.0	1.2	14.8			7.1	24.8	3.6	28.7		80.2	254.9	31
75	14.8	2.5	26.6	6.6		9.8	1.0	3.9	40.0		90.4	333.4	27
76	26.2	4.9	28.0	83.4	223.1	5.1		3.7	43.3		391.5	709.8	55
77	30.8	5.0	23.8	139.1	270.6	2.0*		2.8*	34.3*		477.6*	874.3	55
78	25.1	8.4	107.7	173.0		1.0*		1.8*	149.6*		441.5*	764.9	58
79	24.8	232.6	173.8	163.4		1.0*		1.6*	249.2*		821.6*	1133.0	73
80	17.9	547.5	506.5	168.9		1.2*	342.4*	1.8*	688.2*		2256.5*	2501.2	90
81	34.8	860.1	1170.2	143.0		1.2*	7.6*	3.7*	1118.5*		3304.3*	3718.2	89
82	34.8	668.9	1581.7	142.7		17.1*	5.0*	2.1*	1157.3*		3574.8*	4108.4	87
83	30.1	236.0	1493.7	152.6		27.2*	36.2*	2.5*	1078.4*		3026.6*	3631.0	83
84	39.5	265.1	1393.1	131.0		11.0*	10.1*	3.8*	1047.5*		2861.6*	3390.1	84
85	36.0	168.6	1389.4	128.4		8.2*	11.5*	3.4*	1034.0*		2743.5*	3260.0	84
86	11.2	133.9	1108.4	113.5		14.3*	34.7*	4.2*	830.7*	418.2*	2657.9*	3075.5	86
87	20.5	120.4	648.5	102.5		9.0*	.5*	3.8*	439.3*	70.5*	1394.5*	1799.4	77
88	23.4	158.0	818.7	96.2		6.7*	5.6*	5.7*	694.8*	163.9*	1949.6*	2305.8	85
89	38.0	166.0	698.8	89.7		5.6*	11.4*	5.3*	605.9*	257.7*	1840.4*	2186.2	84

* Net of Permanent Fund contribution.

(1) These categories are primarily composed of oil/gas revenues; however, includes some additional revenues from other minerals (mostly coal).

In accordance with 37.07.060(b)(4), Revenue Sources is compiled annually to assist the Governor in formulating a proposed comprehensive financial plan for presentation to the State Legislature. Since fiscal year (FY) 1975, responsibility for compiling and publishing this summary of State Revenues has come under the Department of Revenue's jurisdiction. Within the publication are shown prior year actuals, revised current year estimates, and upcoming year projections.

Anticipated State income is projected through the use of a number of data sources: 1) econometric models developed by the Department of Revenue to forecast unrestricted non-petroleum revenues, 2) a petroleum revenue model created by the Department's Oil and Gas Audit Division, and 3) estimates from individual State agencies.

The Department of Revenue thanks the various State agencies for their cooperation in computing anticipated revenues for publication in this document.

The Case Against Income Taxes

BY REP. TERRY MARTIN

THE CASE AGAINST INCOME TAXES

By Rep. Terry Martin

They say it was individual pride of achievement that developed Alaska. The miracle of Alaska was forged when men's and women's dreams put on work clothes and the pioneers set forth armed only with self-esteem, ambition and resolve to compete and excel on their own.

How ironic it is today that some of these same people or their children are demanding cash handouts because they arrived first.

Edward Gibbon wrote about the Athenians, "They wanted comfortable life and they lost it all - security, comfort and freedom. When they finally wanted not to give to society, but for society to give to them; when the freedom they worked for was freedom from responsibility, Athens ceased to be free and was never free again." They learned that when the people failed to exercise their control over government, the public servants turned to public masters.

The question is - When does a welfare state destroy the free society that established it? For, it is the sober truth that, as long as government cares for the people, the people will not care for themselves. Some great societies of the past - Rome, Athens, Great Britain - there people have learned that nothing is free; that socialism pulls few up, but drags many down. And a totally unnecessary tax, used to prop up such a system, is nothing more than punishment for working.

Whenever the government spends or taxes a single dollar more than it needs, it sprouts another seed of poisonous inflation.

Looking to government for "security" destroys the self-reliance that built America and Alaska. You cannot vote yourself security - you must earn it. And you cannot bribe poverty to go away - you must work it to death.

The encouragement of pressure groups to "get theirs" at the expense of the working people - by threatening elected officials with defeat - will destroy the self-reliant class and the will to achieve. If the state legislature had more confidence in a hard-work, free-enterprise future than in a cash-for-vote present, there would be a glorious Alaskan future, and it could start now.

We have already indirectly paid a tax to the state by paying for the high cost of oil. The state saved these taxes in the name of the Permanent Fund.

There will always be some indigent, sick or old who cannot produce; they must be taken care of by the rest of us, of course. But that is charity, which is right; not security, which is not a right, but is of our own individual doing, earned by our hard work.

INCOME TAX

The first income tax, in the modern sense, was imposed in England by William Pitt in 1799 to help pay for the wars with Napoleon. It was abolished after the peace of Amiens in 1802. The following year, when war again broke out with France, the tax was reimposed. After Waterloo, it was again abolished. Then, in 1842, the British government adopted the income tax as a permanent feature of its revenue system.

In 1861, the United States government levied a tax on income for the first time in its history. All income in excess of $800.00 was taxed at a 3 percent rate. This wartime tax was abolished after the Civil War was over.

The 16th amendment to the constitution, legalizing federal income taxes as a permanent fund-raising device, was adopted in 1913. It began as an amendment to a bill in Congress lowering the tariff on imports. The idea was that the small deficit from reduced tariff receipts could be taken care of by a tiny tax on prosperous incomes. On incomes from $4,000 to $20,000 the bite was one percent. Few people made more than $4,000 per year back then, and that amount had the buying power of at least $42,000.00 in today's dollars. So, since the tax didn't effect most Americans, few opposed the idea. It didn't seem important.

Well, what started this whole tariff business, anyway? When the Moors were masters of Spain, their ships would lie in wait for merchant vessels coming through the Straits of Gibraltar bound for Italy, Greece and Egypt. The Moors were no fools, and instead of plundering the vessels, they levied a sort of blackmail, with a fixed scale of payment based on the value of the cargo. This amount was determined at their port of Tarifa; thus originated the word "tariff." Some people still think a tariff is a form of piracy, even after all these years of government sanction.

The history of Alaska's tax system has been described as follows by Claus M. Naske, a professor of history at UA-F:

"Territorial Alaska's tax system consisted of a conglomeration of heterogenous taxes imposed by both Congress and the territorial Legislature for different purposes, on different bases, with many forms of rate schedules and a variety of administrative provisions.

"Congress imposed the first taxes in response to the gold rushes of the late 1890's. In 1899, it passed a criminal code and code of criminal procedure that, among other things, imposed some 43 license taxes on specific businesses.

"Congress passed the second Organic Act in 1912, which, among other things, gave Alaska a territorial Legislature to meet biennially. Between 1913 and 1948, the Legislature developed a tax system of its own. It consisted of a number of taxes and fees levied on the fisheries and mining industries, Alaska's two major economic activities.

"There also was an inheritance tax as well as a patchwork quilt of miscellaneous business, professional, and occupational taxes and fees. In addition, the territory also participated in the Federal Social Security Program on the same basis as the contiguous states, and after World War II, at the urging of Territorial Governor Ernest Gruening, the territorial Legislature provided a generous Veteran's Loan and Bonus Program financed by a general sales tax, 1 percent on retail and 0.5 percent on wholesale sales."

"Still another character of the system then (and now) was the narrowness of the tax base. For example, the territorial tax commissioner reported that during the calendar years 1947 and 1948, some 91.25 percent of the tax revenues collected came from a mere five sources. The salmon industry contritubed 21.25 percent, liquor excise taxes 21.31 percent, motor fuel and motor vehicles 15.65 percent, gross sales tax 28.8 percent, and the school head tax 4.12 percent."

"Territorial residents had the habit of asking Congress for providing funds for any number of services. The federal government maintained Alaska's judicial system, managed its fish and game resources, paid the salaries and expenses of the territorial Legislature, built its roads, trails and tramways and educated its Native children. The territory, it is true, made some minor annual contributions to some of these programs. By and large, however, the territory's hardy pioneers expected Uncle Sam to foot the bill for most activities normally conducted and paid for by territorial and local government."

"Governor Gruening battled for 10 years, from 1939 until 1949, for a modern tax system. Finally, in the latter year, [the] Legislature passed a modern tax system, including a personal income tax."

This income tax was in effect until it was repealed by the State Legislature in 1980. In today's debate concerning the reimposition of this tax, people seem to have forgotten that they used to pay state income tax, and how big a bite it took. That was and always should be the first direct share or bonus Alaskans receive as sharing the state's wealth from oil revenues. Those who are working can look at their paycheck and see $0.00 taken out for state taxes.

All working Alaskan can compute their weekly or monthly dividend simply by multiplying their Federal withholding tax by 16%, the amount of the tax at the time of its repeal. You may want to see your total tax dividends over the years since 1979. To do this, just add up your gross federal income tax for the last eight years, and determine an additional 16% that would have gone to the State coffers.

The working people of Alaska have saved more than $1.9 billion in state income taxes since the taxes were repealed in 1980. On the other hand, all persons, six months into conception or older, have received a total of just under $1 billion in permanent fund dividend checks.

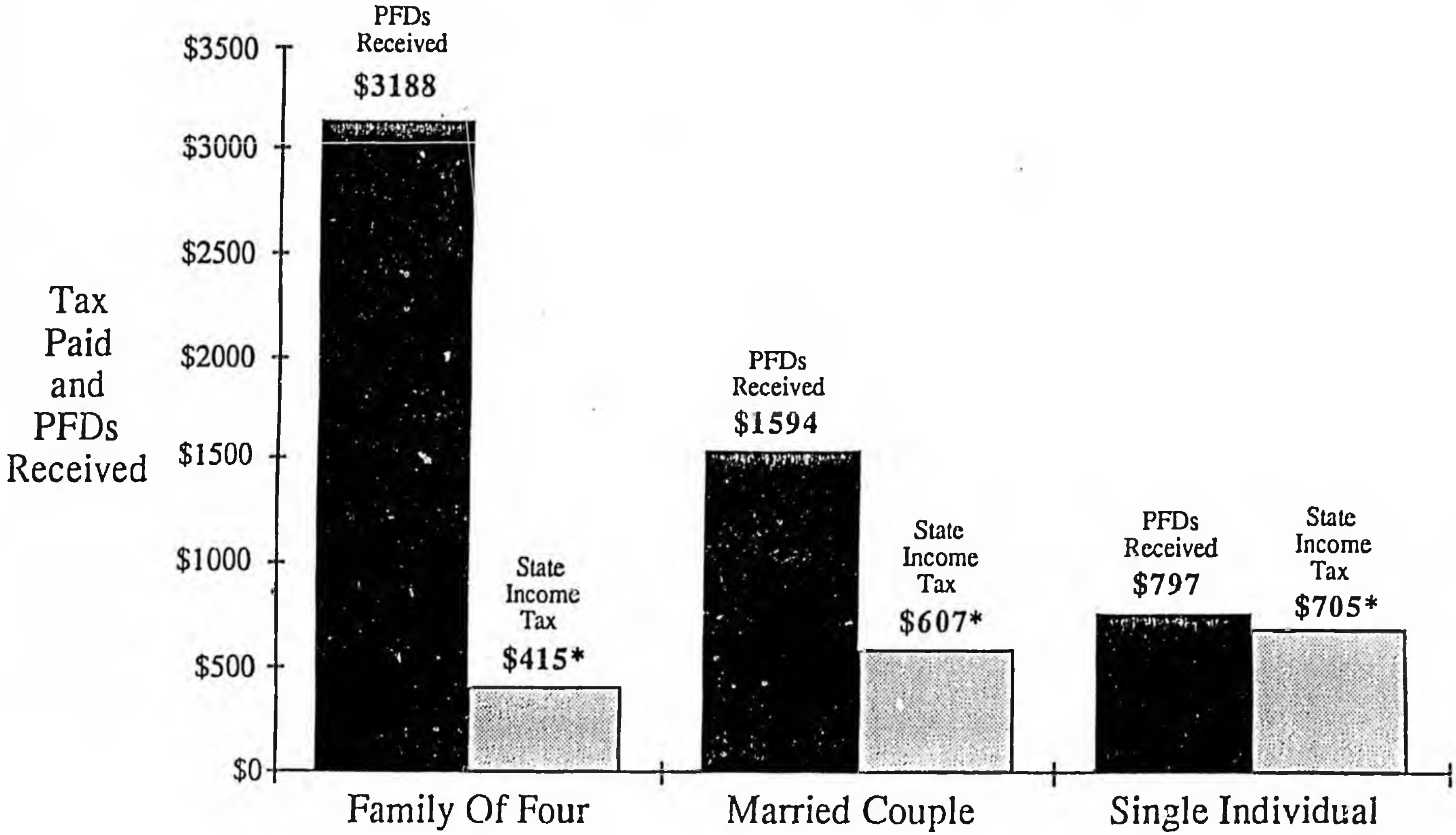
Proponents of reimposing the income tax argue that, at 4% the tax would be on par with what other states levy. But they overlook the fact that with a much higher per capita income, at $17,700, Alaskans would end up paying more in hard dollars.

Figure No. 1 is a graph devised by the Governor's Office of Management and Budget, and purports to compare the income various family groupings would receive from the permanent fund to the amount they would pay in personal income tax. The idea behind it is to graphically illustrate how well-off taxpayers will be with the PFD offsetting their taxes. This graph is quite misleading. Remember, you must first include the total PFD received in your gross income, which causes your taxes to increase. Since the tax on the PFD is not withheld, you will pay, either by receiving a smaller federal refund, or by sending in a bigger check with your 1040 form.

The chart is further misleading, especially for single individuals who must pay federal taxes on their PFD first, at an average of $15 per $100, or from a $800 PFD check, subtract $120.00. In this case, the individual may receive $680.00 clear after federal taxes, but would still have to pay $705 to the state income tax.

Next, misguided assumptions are used to lead families and married couples into accepting the tax, instead of reducing the size of the PFD checks. The major misconception is not taking reality into computation. In the highest percentage of cases for families in Alaska both parents, or both partners in a married couple, are working. Instances where a multi-member

How Does The Tax On $25,000 Income Compare With PF Dividends Received ?



* Net tax will be lower because state tax is an allowable deduction in figuring federal tax liability. Oct. 1988 dividend estimated by PF Corp. OMB/Division of Policy, 3/12/87.

FIGURE No. 1

family unit has only one breadwinner are clearly the exception, not the rule.

So, in computing how your family will actually advance in total income, be sure you include the tax to be paid by each working member of the family, and subtract it from the total dividends received.

The second major factor to be aware of is that these comparisons are made on tax levels of 3.2% and 5.7%. Once the tax is into law, how quickly will it rise? If the most recent state tax level of 16% is used, how then does your gross tax level compare with PFD income?

When one considers the tremendous amount of revenue the State of Alaska will receive during FY 1988 (more than $3 billion) it is illogical, irrational, unnecessary and, most important, unjustifiable to tax the working people of this state. Should we reduce the workers of Alaska to slavery to a government that has billions of dollars in savings, and gives out hundreds of millions of dollars for every conceivable purpose?

Last year, 539,000 people applied for permanent fund dividend checks. Of that group, approximately 200,000 would pay an income tax, if enacted. Remember, only working people pay taxes. For 1987, it is proposed that $364 million be given out in dividend checks. The average taxpayer would have to pay $1820 to equal this giveaway. This is 10% of the average wage earned in Alaska.

Is it really fair, logical or economically sound to give 184,000 children checks for $775 each while taxing their parents twice or three times that amount? This is no way to secure the happiness of the people. You are going to tax mom and dad just to give the kids a dividend check. It used to be the responsibility of the parents to give their children an allowance. Now we are telling the children that from now on they shouldn't bug mom and dad about an allowance - just talk to your legislator. In most cases, with both parents working and considering a high percentage of single parents working in Alaska, there will be no net gain from the dividend checks, because the taxes will be higher than the dividends.

Let's compare taxing the working class to giving $3000 to everyone over 65. Is it really fair - and of what government purpose - to tax a single parent who is barely making ends meet, while giving a bonus to retired persons who in more than 25% of cases have larger incomes. The average per capita income for Alaska in 1985 was $18,187. Under the latest proposal of the present administration, all persons over 65 with an income of less than $25,000 would receive a bonus (plus, of course, their permanent fund dividend check). However, all working people making more than $12,000 would be taxed - which would go to someone who is drawing a higher income in retirement. Of the 16,455 senior citizens who, as of March 1, 1987, are receiving $3,000 each, 4,113 have incomes of $25,000 or more. It would take more than 24,000 taxpayers, at $500 each, just to pay $12,339,000 for this group whose incomes already exceed the average Alaskans annual wage. This amounts to stealing from the have-nots to give to those who have enough. Some who are proposing this unjustified tax on the people who toil for their bread (so others can eat it) must realize the burden you are placing on the people who can least afford it. When legislators impose an unnecessary tax on the state's citizens, we hurt hundreds of thousands of people. This is especially true when we try to regulate human behavior - force charity - as we envision ourselves the redistributors of personal income.

Can the working people of Alaska carry the increased burden of government spending to support the demands of a large non-working segment of our state that demands not only unnecessary services, but in addition, enormous amounts of cold cash to elevate their buying power. I find no reason why we must concern ourselves with the redistribution of the working people's personal income while we continue to give out hundreds of millions of dollars to every citizen who did nothing to earn it.

Now the question is, "How many non-workers can the workers support?" We have to know where the line of refusal to support stops in our system. Maybe it runs until it becomes impossible for the workers any longer to handle the job. Are we approaching the breaking point? Here are some of the figures for people who help increase the costs of government, but contribute little to pay those costs: 184,000 under the age of 19; 16,000 college students; 35,000 seniors over the age of 65, 3/4 of whom have no tax liability; 3,386 inmates in the state correction system; 23,000 military personnel; 22,000 average per year unemployed - all receive permanent fund dividend checks.

Taxing the working class and giving the revenues to the non-working segment of a population is the worst sort of inflation a state government can put into the economy.

An interesting side note to this issue is that under the permanent fund dividend program "hold harmless" provisions, the state will pay $8.5 million in federal income taxes on the behalf of certain low income PFD recipients to ensure that they will not exceed their low income limits, and thereby become ineligible for federal government programs they are currently covered by. An additional $5 million plus is allocated by the state to pay federal taxes under the hold harmless benefit for recipients of the longevity bonus, who would become ineligible for programs such as medicaid with the additional income.

Of course, these hold harmless provisions are just two of tax exemption benefits allowed certain groups of people. Another well-known state subsidy is the payment of $3 million in property taxes to municipalities on behalf of senior citizens.

Too many of my colleagues are crawling all over each other to be canonized as the patron saint of the permanent fund dividend program. They fail to see that the income tax they propose will take away any dividend the working class has coming. The new tax form the department of revenue would send to each taxpayer makes this very clear by telling the taxpayer to subtract the dividend credit from their tax liability. The department also estimates a rebate to the state of $16.6 million from the dividends. Even worse, families earning more than $25,000 for single taxpayers or $40,000 for joint statements, will be deprived of the income of their children's dividend checks. Families (including children) who keep their income below $12,000 a year will receive a full dividend check.

Emotional slogans are useful for rallying people to a cause, but slogans are no substitute for thought. Take, for instance, "we must have an income tax to make the non-resident worker pay for working in the state." The department of revenue, in a hypothetical case, analyzed that a $300 million income tax scenario would only bring in $17 million from out of state workers. Does it make sense, then, to tax ourselves $283 million just to get $17 million? Resident workers would pay 95% of the tax, while out-of-staters would pay 5%.

Another rationale for paying state income taxes is that they can be deducted from your federal tax. Because we have no state income tax, $86 million stays with the federal government each year (out of $399 million in federal taxes paid by Alaskans). This is termed the "federal tax leakage." In other words, if we had a state income tax, 22 cents out of every dollar in income tax paid to the IRS would stay in the state. Does it make sense to tax the working class $316 million to save the $86 million? If this is the case, then the same logic should apply to other leakages to the federal government. Why not stop giving out permanent fund dividends and save that $73 million leakage? Is this not a reasonable trade-off? And who will benefit? - the working people. With the PFD check increasing each year, the federal tax leakage will dramatically increase. This year, close to $100 million will go to the federal government.

I really cannot blame the Juneau representative for pushing for a state income tax, because the program itself would employ, at a minimum, 92 new people with a payroll of at least $3.5 million (and an enormous start-up cost with new machinery and office space required). At the same time, we will still be employing 71 people to give out the dividend checks.

Currently, state employees and teachers across the state are complaining about forced salary cuts. However, many of them also say they support an income tax. I am bewildered by their rationalization. Don't they realize that an income tax is also a reduction in their wages? As everyone has shared equally in the wealth of Alaska through the PFD checks, so everyone should also be willing to share equally in the loss through a reduction in the PFD. With an income tax, working people are being forced to take too great a portion of the burden in replacing the lost revenues.

Others who advocate reimposing the state income tax say people were more interested in government when they paid taxes. This is really grabbing at straws, and is not borne out by the facts. Figure No. 2 shows that the public's participation in government, in terms of percentages of people who voted, has risen since the end of the income tax in 1980. I find people even more interested today in protecting their pocketbooks from the government.

We should consider the tax revolt fever going on all over the nation. Take a hint from the state of Michigan, where the people recalled five Democrat State Senators who voted to increase their income taxes, and replaced them with conservative Republicans. I wouldn't be surprised to find a lot of requests for recall procedures in this state, to be used on those who pass any bill for a new income tax.

A new cliche was introduced to rationalize an income tax, namely "Representation without taxation." I see nothing wrong with this. That's the way our country operated for more than 126 years, except for a brief period during the Civil War. What is really bad and certainly constitutionally questionable, is taxation without equal representation. Alaska is the only state where a simple majority in the Legislature can impose a tax on its citizens. This means 21 members in the House of Representatives, and 11 members of the Senate. Because our state is so mal-apportioned, the majority of legislators do not represent the majority of the citizens, which bears out Lord Acton's famous aphorism, "Power tends to corrupt: absolute power corrupts absolutely." Figure No. 3 illustrates the extent to which Alaskan voting districts have been jerrymandered out of proportion. While an ideal district would consist of just under 7500 registered voters, some districts now contain as few as 5500, while others have ballooned up to almost twice that amount.

No other state allows a simple majority of the legislature to increase taxes on the citizens. Most states, by their constitution or state laws, require a 2/3 or 3/4 majority, and one state even requires 4/5 of each house before a tax

Below is a brief table which reflects the number of registered voters and the number of registered voters who actually cast ballots in the last ten year period.

YEAR	# OF REGISTERED VOTERS	% OF CHANGE OVER PREVIOUS YEAR	VOTES ACTUALLY CAST IN PRIMARY	% OF REGISTERED VOTERS WHO VOTED IN PRIMARY	% OF REGISTERED VOTERS WHO VOTED IN GENERAL
1974	162,876		84,585	51.9%	60.1%
1976	193,546	16%	55,233	28.5%	61.7%
1978	224,118	14%	108,057	48.2%	54.3%
1980	242,898	8%	102,409	42.2%	62.8%
1982	241,357	-1%	139,133	57.6%	74.9%
1984	278,665	13%	97,837	35.1%	70.0%
*1986	280,351 (As of 8/5/86)	1%			

- As of July 1, 1984, Alaska's population had reached approximately 523,000.
- According to the 1980 Census, approximately 67.5% of Alaska's population was of voting age.
- Using the 67.5% estimate as a basis for determining the approximate number of voting age individuals, it would indicate the voting age population in Alaska at about 353,025.

	APPROXIMATE ELIGIBLE POPULATION	REGISTERED VOTERS	% OF ELIGIBLE POPULATION REGISTERED
1983	344,250	254,785	74%
1984	353,025	278,665	78%

*1986 Population Data is not yet available.

FIGURE NO. 2

Disparities In Number of Registered Voters Per House Seat
Division of Elections Count April 1987

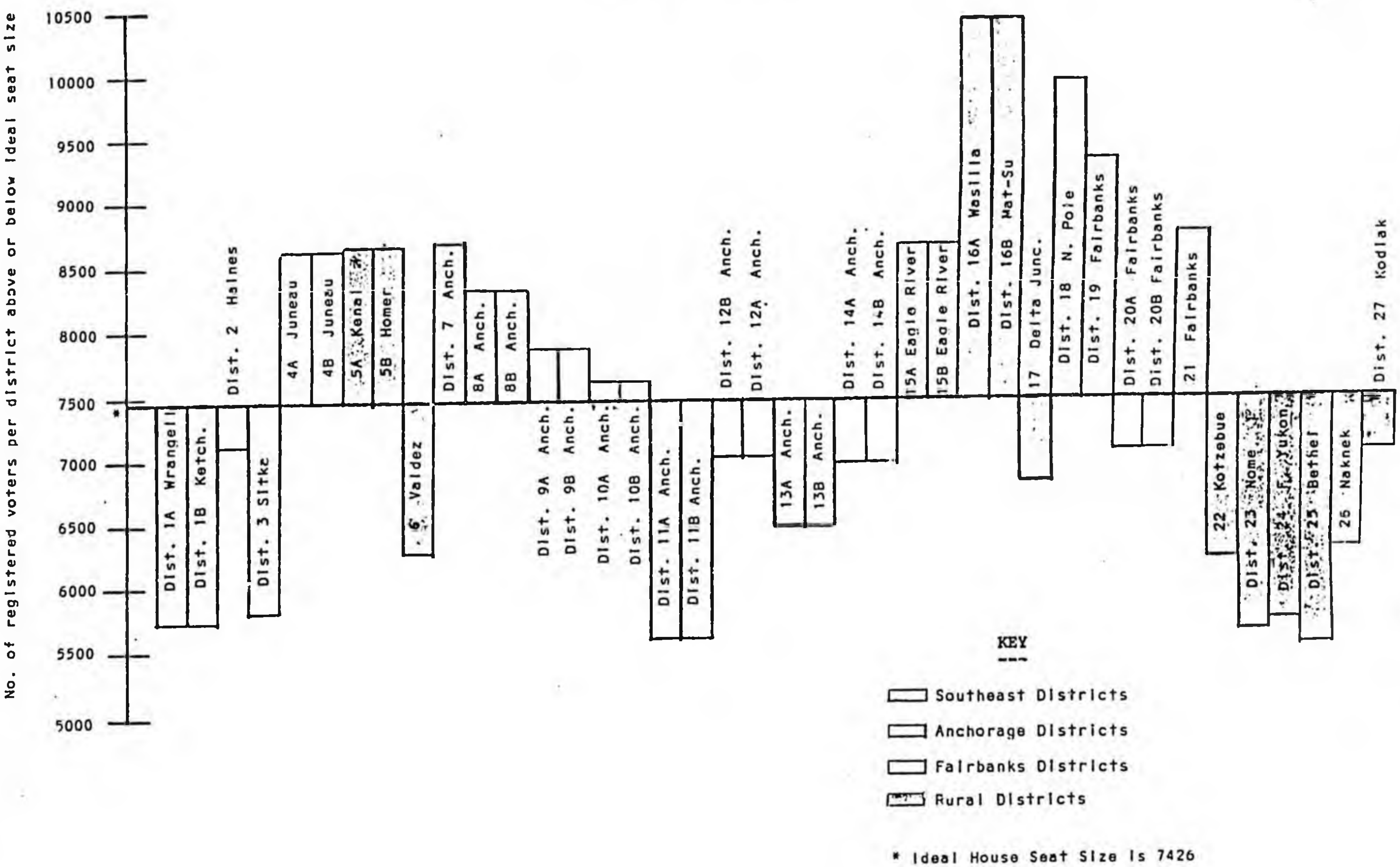


FIGURE No. 3

increase can become effective. Voter approval is required in more than half the states, while here in Alaska, the people are denied this opportunity. The citizens of Alaska, in 1983, have even been denied the right to petition through the initiative process for the right to vote on taxation.

It borders on tyranny if this current legislature would invoke a new tax on the citizens, the majority of whom they do not represent. It certainly would be an affront to the principles of a republic if such a thing were done.

We in Alaska have a golden opportunity to not make the mistake most other states, and especially Congress, have made, by preventing the state from engaging in inflationary deficit spending, and forcing taxation on our children and our children's children - taxation they will be paying until the death of democracy.

On the other hand, what a unique legacy we can establish in Alaska, perhaps for other states to emulate, where future generations - every child born in Alaska - can hope to grow up to enjoy no state taxation. Blessed may be the young Alaskans for they shall not inherit state debt. Once they start providing for themselves, being an independent, self-reliant Alaskan breadwinners, they can be sure the state will not take a big slice of it. A new income tax is the worst type of capital punishment we could impose on the future generations. Especially when the state is collecting more taxes than is absolutely necessary - this may be considered legalized robbery. It is said that the income tax has made more liars out of the American people than any other institution. Alaska does not need to add to this temptation.

Once a new tax is put into law, there would be no limit to how high future legislatures could raise it. Alaskans used to pay 16% income tax (see Figure No. 4). Nor would there be any limit on the growth of state government. The new tax is a threat to the individual's personal and family well-being. The state does not need the extra revenue. The legislature was not created to devour the savings of the widows, nor the income of the single parent who provides the needs of her or his children.

INCOME TAX RATES IN ALASKA
STATE & TERRITORY

Year	Individuals	Corporations
1949	10% of Fed. tax	10% of Fed. tax
1955	12½% of Fed. tax	12½% of Fed. tax
1957	14% of Fed. tax	18% of Fed. tax
1961	16% of Fed. tax	18% of Fed. tax
1964	3.2% - 14.56% of income (graduated)	5.4% & 3.96% surtax of income (surtax on income over $25,000)
	(retroactively repealed)	
1965	16% of Fed. tax	18% of Fed. tax
1975	3% - 14.5% of income (graduated)	5.4% & 4% surtax (surtax on income over $25,000)
1980 (June)	3% - 14.5% of income (graduated) (1/3 of income exempt for each prior year of filing)	5.4% & 4% surtax (surtax on income over $50,000)
1980 (Sept.)	repealed	
1981		2% - 11% (graduated to $4,000,000)
1982		1% - 9.4% (graduated to $90,000)

ALASKA STATE TAX REVENUES BY SOURCE
(STATED IN THOUSANDS)

Fiscal Year	Income Tax	Business & Licenses Tax	Fuel Tax	Disaster Tax School Tax
1977	$246,243	$ 23,252	$ 20,418	$ 2,589
1978	179,332	21,675	23,287	2,401
1979	374,731	28,158	22,323	2,530
1980	665,877	4,180	26,174	2,555
1981	906,087	5,484	23,331	970
1982	701,077	5,477	30,166	---
1983	267,846	6,949	36,675	---
1984	305,773	19,906	32,169	---
1985	205,860	38,815	35,972	---
1986	145,655	2,059	36,076	---

FIGURE NO. 4

A M E N D M E N T

OFFERED IN THE HOUSE BY REP. MARTIN

TO: SSHB 252

Page 1, line 7, after "credits":

Insert ", and providing for an advisory vote on the levy and collection of the tax"

Page 12, following line 20:

Delete all material and insert:

"* Sec. 17. ADVISORY VOTE. The lieutenant governor shall place before the qualified voters of the state at the next general election the following question, advisory to the legislature. The question shall appear on the ballot in substantially the following form:

Q U E S T I O N

Shall the state levy and collect an income tax on income earned by individuals after December 31, 1992?

Yes [ ] No [ ]

* Sec. 18. Sections 1 - 16 of this Act take effect January 1, 1993."

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325
FAX 463-5480

217 SECOND STREET, SUITE 200
JUNEAU, ALASKA 99801

January 24, 1990

MEMORANDUM

TO: Representative Niilo Koponen

FROM: Scott A. Burgess, Executive Director

SUBJECT: HB 252 - Personal Income Tax

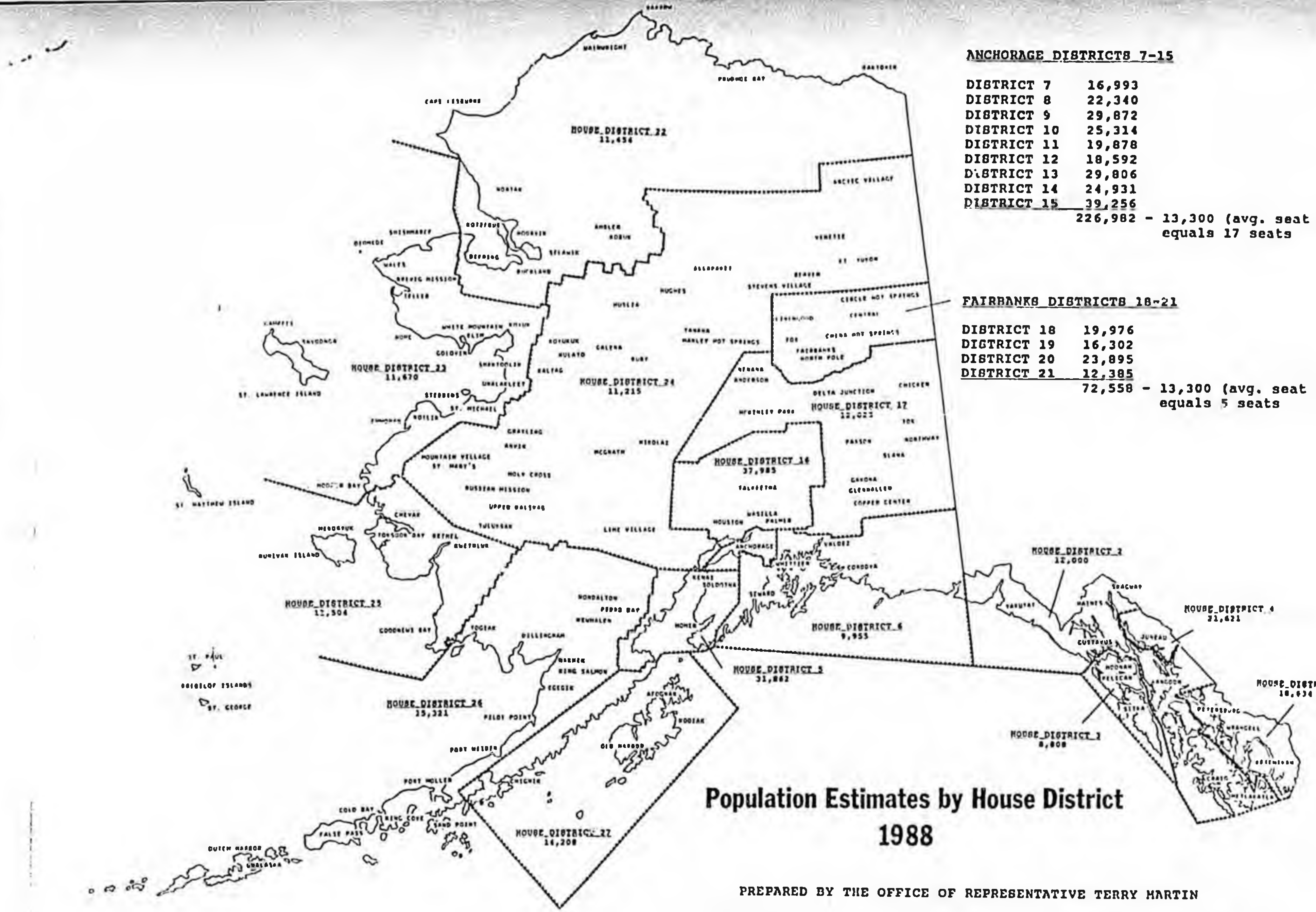
The Alaska Municipal League "supports legislation to reinstate the state income tax to allow for maximum capture of revenue from non-resident employees working within Alaska." This position is contained in the AML's **1990 Policy Statement** (I.J.1) which represents the policy positions of the AML membership as of the annual meeting held in Juneau in November 1989.

The AML Board first went on record supporting the reinstatement of the state income tax in response to its membership's request in November 1988 to look at revenue alternatives to meeting the needs of Alaskans for government services and assistance both at the state and local levels. The AML and local governments have been accused in the past of asking for assistance but not offering revenue alternatives. Reinstatement of the personal income tax along with modifying the Economic Limit Factor (ELF), increasing the motor fuel tax, school tax, an education endowment and a capital improvement revolving loan fund were recommended by the Board to the Legislature last year to address the projected budget deficit along with reasonable and fair cuts. While budget pressures appear to be less severe for FY 91 and in the near future, the State cannot continued to provide government services, which AML believes correctly and justifiably includes assistance to local governments, in the future and rely solely on oil revenues.

The state income tax is perhaps the fairest tax and, when necessary, should be reinstated to pay for government services. Such a tax would encourage accountability between benefits and the beneficiaries, including capturing a return on services to non-residents. The state income tax is only one revenue measure and should be in addition to other taxes, service fees, program receipts, and permit fees, and in addition to budget scrutiny and justification.

As to the specifics of HB 252, the AML has not taken a formal position on HB 252. The AML will follow the legislative debate and may have specific comments in the future.

sab2:hb252tax



ANCHORAGE DISTRICTS 7-15

DISTRICT 7	16,993
DISTRICT 8	22,340
DISTRICT 9	29,872
DISTRICT 10	25,314
DISTRICT 11	19,878
DISTRICT 12	18,592
DISTRICT 13	29,806
DISTRICT 14	24,931
DISTRICT 15	39,256
	226,982 - 13,300 (avg. seat size) equals 17 seats

FAIRBANKS DISTRICTS 18-21

DISTRICT 18	19,976
DISTRICT 19	16,302
DISTRICT 20	23,895
DISTRICT 21	12,385
	72,558 - 13,300 (avg. seat size) equals 5 seats

Population Estimates by House District 1988

PREPARED BY THE OFFICE OF REPRESENTATIVE TERRY MARTIN

POPULATION STATISTICS OBTAINED FROM AK DEPT. OF LABOR 9/11/89

Don't tax you,
don't tax me.
Tax that fellow
behind the tree.
...You know...
the one who's
working!