

HJR

9

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Alaska House of Representatives

DURING SESSION
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SPONSOR SUMMARY

HJR 9

Requiring the approval of the voters for the imposition of state income tax, state ad valorem tax on real property, or state retail sales taxation

HJR 9 is intended to prevent exorbitant and disproportionate taxes from harming Alaskan residents. Taxation, whether of income, property, or retail merchandise, is not the answer to increasing state revenues.

Need for Legislation

At present, Alaskans enjoy paying the lowest annual tax per household in the nation, averaged in our state at \$1,632. Nationwide, the movement to prevent legislatures from implanting tax hikes is spiraling upward. The most recent states to have eliminated the ability of legislatures to impose tax increases without popular vote are: Arizona, Florida, Idaho, Michigan, Colorado, and Oklahoma. The latter two actually require a supermajority to approve any tax increases.

These advances in the elimination of unwarranted taxation are indicative of the national trend. In Alaska, voters are extremely apprehensive about new and elevated taxes. The general viewpoint has been to work in conjunction with the legislature, rather than to grant them full autonomy over taxation. HJR 9 would transfer the power to tax from the legislature to the citizenry.

THE 1992 CASE AGAINST ALASKAN STATE INCOME TAX



"Blessed Be A State Without Income Tax"

Representative Terry Martin - April 15, 1992

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THE 1992 CASE AGAINST INCOME TAXES IN ALASKA

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

How ironic it is today that some of these same people and their children are demanding larger 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? It is the sober truth that as long as government cares for the people, the people will not care for themselves. From great societies of the past: Rome, Athens, Great Britain, our forefathers instilled in their people the principle that nothing is free; that socialism pulls few up, but drags many down; and a completely 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. 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 the indigent, sick and old who cannot produce and must be taken care of by the rest of us. This is a form of charity which is right, rather than a form of government security, which is not a right. The bottom line is that it is of our own individual doing, earned by our hard work.

THE HISTORY OF 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 against Napoleon. It was abolished after the Peace of Amiens in 1802. The following year, when war broke out with France again, 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.

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. The 1990 Almanac presents an informative synopsis on the early history of income tax. It states that "The nation had few taxes in its early history. From 1791 to 1802, the United States Government was supported by internal taxes on distilled spirits, carriages, refined sugar, tobacco and snuff, property sold at auction, corporate bonds, and slaves. The high cost of the War of 1812 brought about the nation's first sales taxes on gold, silverware, jewelry, and watches. In 1817, however, Congress did away with all internal taxes, relying on tariffs on imported goods to provide sufficient funds for running the Government."

The almanac continues by revealing that in 1862, "in order to support the Civil War effort, Congress enacted the nation's first income-tax law. It was a forerunner of our modern income tax in that it was based on the principles of graduated, or progressive, taxation and of withholding income at the source. During the Civil War, a person earning from \$600 to \$10,000 per year paid tax at the rate of 3%. Those with incomes of more than \$10,000 paid taxes at a higher rate. Additional sales and excise taxes were added, and an "inheritance" tax also made its debut. In 1866, internal revenue collections reached their highest point in the nation's 90-year history - more than \$310 million, an amount not reached again until 1911."

"The Act of 1862 established the office of Commissioner of Internal Revenue. The Commissioner was given the power to assess, levy, and collect taxes, and the right to enforce the tax laws through seizure of property and income and through prosecution. His powers and authority remain very much the same today. "

"In 1868, Congress again focused its taxation efforts on tobacco and distilled spirits and eliminated the income tax in 1872. It had a short-lived revival in 1894 and 1895. In the latter year, the U.S. Supreme Court decided that the income tax was unconstitutional because it was not apportioned among the states in conformity with the Constitution."

The history concludes with discussion of taxes in the early Twentieth Century. The almanac states, "By 1913, with the 16th Amendment to the Constitution, the income tax had become a permanent fixture of the U.S. tax system. The amendment gave Congress legal authority to tax income and resulted in a revenue law that taxed incomes of both individuals and corporations. In fiscal year 1918, annual internal revenue collections for the first time passed the billion-dollar mark, rising to \$5.4 billion by 1920. With the advent of World War II, employment increased, as did tax collections - to \$7.3 billion. The withholding tax on wages was introduced in 1943 and was instrumental in increasing the number of taxpayers to 60 million and tax collections to \$43 billion by 1945."

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 the University of Alaska, Fairbanks:

"Territorial Alaska's tax system consisted of a conglomeration of heterogeneous 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 contributed 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 to provide 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."

From Reaching for a Star by Gerald Bowkett, an example of how Alaskans reacted to the imposition of the federal income tax:

TAXATION WITHOUT REPRESENTATION

FAIRBANKS, April 4, 1956 - (AP) - A federal court jury ... last night freed an Alaskan who had pleaded not guilty to ... income tax evasion on grounds that he did not believe in "taxation without representation."

Jack Marler ... was found innocent of charges that he willfully failed to file income tax returns...

...The defendant's attorney, Edgar Paul Boyko of Anchorage, announced before the trial that he would make the case "a test of the income tax laws as applied to the Territory of Alaska."

...In his instruction, the judge [U.S. District Judge Vernon D. Forbes] had told the jurors that the defense of "taxation without representation" was not valid, but the jury could take this defense into account in determining whether or not Marler had willfully failed to file his returns...

...U.S. Attorney Ted Stevens said he did not believe that this case was in any way a test of the federal income tax laws as applied to Alaska ...

WASHINGTON, April 19, 1956 - (AP) - An Internal Revenue Service Spokesman today shattered any dreams Alaskans might hold that a recent Fairbanks jury verdict might relieve them from federal tax responsibility.

...[The spokesman said] ... the case ... "establishes no precedent ... In this particular case the jury found for the taxpayer. In their opinion, his failure to file was not willful. That and nothing more. He [Jack Marler] must pay taxes for all the years he failed to file or pay ..."

The state personal income tax imposed in 1949, remained 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 bonus Alaskans receive in 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 Alaskans can compute their weekly or monthly dividend by simply 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 twelve years, and determine an additional 16% that would have gone to the state coffers.

The working people of Alaska have saved more than \$9 billion in state income taxes since the taxes were repealed in 1980. On the other hand, all Alaskans have received a total of \$3.125 billion in permanent fund dividend checks.

States with the highest taxes usually have the lowest growth rate in income and economic well-being. Higher taxes lessen economic growth. In Alaska,

unstable industry taxes cause businesses to stay away. The best way for legislatures to improve economic conditions in any state is to reduce taxes of all natures.

A new adage was introduced to rationalize an income tax, namely "Who ever heard of representation without taxation?" I have and I see nothing wrong in this. This is the way our country has 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. Until the reapportionment of 1992, our state was so malapportioned, the majority of legislators did not represent the majority of the citizens. This brings to mind the famous aphorism, "Power corrupts: absolute power corrupts absolutely." Few people realize the awesome power given to a few elected officials by Alaska's Constitution, Article IX, Section 1. One may wonder if the framers of the Alaska Constitution ever considered what the Boston Tea Party was all about.



The combination of taxes has become so burdensome that it is shackling America

Those who have the power of taxation are not necessarily the best-informed. According to a special opinion editorial in the Washington Post on March 13, 1992 by George F. Will, the tax revolt of 1970s is alive and well in the 90s. In 1990 the people of New Jersey, the second richest state with a median household income over \$40,000, elected Governor Jim Florio, a Democrat, on the promise of no new

taxes and won (sound familiar!). Upon assuming office he promptly raised taxes far more than the deficit required. His tax increases had redistributive purposes, particularly for helping poor school districts.

The people of New Jersey did not feel as though they had anything extra for government to play with considering their style of living. They were most agitated about the \$2.8 billion tax increase - the largest in their state history. Thus, last November 1991, when Democrats controlled both houses of the state legislature, the voters returned the favor by replacing them with a veto-proof Republican majority in both houses.

To counter the newly promoted myth that "an income tax will encourage the public to decrease demands on government or force legislators to reduce spending," we need only to review ancient, medieval, and modern history. However, the quickest way of evaluating this myth is to acknowledge current budget problems of states with income taxes. Californians struggling with a major deficit in 1991 tried to solve its problems by increasing new taxes over \$7 billion and piling on an explosion of anti-growth regulations.

Throughout the nation, tax-cutting, grassroot legions are once again circulating statewide initiatives to try and control their legislature's excessive use of taxes. Here are a few initiatives proposed for November, 1992, that exemplify a freedom the Alaska citizens are deprived of since this state's constitution gives exclusive powers of taxation to the legislature only:

Oklahoma: In March, 1992, Voters approved State Question 640 which requires voter approval of any tax hike that doesn't achieve a 3/4 vote in each house of the legislature. The Oklahoma measure mirrors the model legislation of the American Legislative Exchange Council (ALEC's) Tax and Fiscal Policy Task Force which mandates a super-majority vote in the legislature for any tax increase.

Michigan: Signatures have been gathered for proposal to cut school property taxes by 30% over five years and limit future assessment hikes.

Colorado: Proposal would require voter approval of higher taxes, new debt and state spending hikes above inflation.

Oregon: Activists seek support for a move to require a vote of at least three-fifths of the legislature for tax hikes.

Clearly, other state legislatures are finding that there is a rising voter discontent with increased state spending and tax. One measure which is emerging in other states is the prevention of the legislature from placing emergency clauses on revenue bills which would allow the measure to go into effect immediately. This prevention statute will allow the voters time to circulate petitions on any tax increases prior to implementation of laws requiring new revenues. In Alaska the people are constitutionally prohibited from interfering with legislative appropriations and sources of revenue (taxes).

There are taxpayers' petition drives in a number of other states such as Arizona, Florida, North Dakota and Washington, but such is not allowed in Alaska. The last time a group of citizens tried this (1982), it was ruled as unconstitutional through an interpretation of an assistant attorney general that limiting the source of revenues for taxation would infringe on the untouchable powers of the legislature to appropriate. From this, one is to assume the powers of taxation are superior to the guaranteed right of petition in Alaska.

Obviously, Alaskans' right of petition is severely limited and the pro-tax legislators who defend the stand for additional taxation are bubbling with joy in recognition of the barrier preventing the petition drive. Many Alaskan are unaware that their rights have been stripped through liberal and undemocratic interpretations.

Taxing the working class and transferring the revenues to the non-working segment of a population is the worst sort of socialism a state government can practice. Can we not learn from the downfall of eastern Europe and the U.S.S.R.?

Every time the big spenders create a crisis in Alaska - "tax, tax, tax" is always their answer. They forward the idea that increased taxes reduce the size of government. People think the world of communism and socialism is over, unfortunately in Alaska the charms of these bells ring loudly in the halls of Juneau.

California's super crazy new cracker tax is another example showing that paying taxes does little to curtail the appetite of tax-hungry liberal legislators. In order to balance the budget, or at least make a dent in the deficit, California increased the 6 percent sales tax by a cent and a quarter on sales of certain items such as magazines, ship and aviation fuel, bottled water, and snack foods. So what's a taxable snack? Not peanuts, pork rinds or doughnuts. All crackers are, except saltines, graham crackers, animal crackers and arrowroot. Granola bars are taxed, granola isn't. Hershey milk chocolate chips are exempt, a Hershey milk chocolate bar is taxed. Tostitos tortilla chips are exempt, Doritos tortilla chips are taxed. (Did someone forget to make a campaign contribution to the finance chairman or to the war chest of the controlling political party?)

The out-of-control spending frenzy of New York's government led to the raise of taxes over \$1 billion for each year from 1989 to 1991 (total \$3 billion) and still the fiscal year budget for 1992 faced a \$6 billion deficit. This state, with the highest tax burden in the nation, will increase its spending another 7 percent this year with its credit rating cut to the third-lowest in the nation.

The myth of a tax-paying public having control of a wild spending legislature should not be employed in Alaska. Be aware that a simple majority of legislators can impose a tax on a majority of the citizenry whom they do not represent. The time to

Speak out against the tax movement is now, during the fall election on November 3rd, 1992.

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 \$28,182, Alaskans would end up paying more in hard dollars. The more you tax the people, the less ability they have for economic survival.

In 1986, Governor Cowper's Office of Management and Budget developed graphs and charts purporting 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 was to graphically illustrate how well-off taxpayers will be with the PFD offsetting their taxes. The graph was 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.

For a single individual who must pay federal taxes on their PFD first, at an average of \$20.00 per \$100.00, or from an \$931.00 PFD check, subtract \$188.00. In this case, the individual may receive \$743.00 clear from their PFD after federal taxes, but would still have to pay an additional \$30.00 to the state income tax plus 4% of gross = \$1,440 of one's annual wages for a person whose income is \$36,000.

Misguiding assumptions were used to lead families and married couples into accepting the tax, instead of capping 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 are working and taxed. Instances where a multi-member parent 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 5.6%. Once the tax is put into law, not voted on by the public, how quickly will it rise? If the most recent state tax level at 16% of federal is used, how then does your gross tax level compare with PFD income? Be careful in the use of terms when you evaluate the difference of 16% of federal tax and 4% or 5% of your gross income. The income tax may sound much less (at 4% or 5%) but keep in mind that it loses the innocence of the so-called "truth", when the true intent gouges out the most tax.

A vivid example of this would be to look at an individual whose gross earnings are \$18,000. If this person is single with no dependents, whereas the federal tax would be \$2,505.60 in one year, 16% would amount to approximately \$400. This is compared to the wondrous savings of a personal income tax which would take 5% of the gross equalling \$900. In the same respect, one who earns \$36,000 gross would have \$6927 removed for federal tax, 16% of which is approximately \$1107 vs. the personal income tax of 5% on the gross amounting to \$1,800. Obviously there is major discrepancy resulting in a much greater amount paid through the personal income tax method. Yet again, it is evident that those who have the power of taxation are not necessarily the best informed.

When one considers the tremendous amount of revenue the State of Alaska received during FY 1980s, it is illogical, irrational, unnecessary and, most importantly 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 in "cold" cash that no other state would dream of doing.

Last year, 532,174 people applied for permanent fund dividend checks. Of that group, approximately 158,000 with incomes above \$15,000 would pay an income tax, if enacted. Remember, only working people and those with high pensions would pay taxes. For 1991, \$464 million was given out in dividend checks. All workers available for taxation would have to pay approximately \$3000 for state income taxes to equal this giveaway.

Is it really fair, logical, or economically sound to give 184,000 children checks for \$931.00 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. Today 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 give \$3,000 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 1990 was \$28,187.00. All persons over 65 receive a bonus plus their permanent fund dividend check. The bonus amounts to \$63,000,000 for 21,000 people, which if continued, would come from 63,000 workers who are taxed at least \$1,000 each. All working people making more than \$15,000 would be taxed - which would in many cases go to someone who is drawing a higher income in retirement. Of the 21,000 senior citizens who, as of March 1, 1991, were receiving \$3,000 each; 5,000 had incomes of

\$30,000 or more. It would take 15,000 taxpayers, at \$1,000 each, just to pay \$15,000,000 for this group whose incomes already exceed the average Alaskan's annual wage. This amounts to stealing from the have-nots to give to those who have enough. Those who are proposing this unjustified tax on the people who toil for their bread (so others can eat it) must realize the burden they 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), since some envision themselves the redistributors of personal income.

Some legislators reason it to be the purpose of government to equalize economic power. Can the working people of Alaska carry the increased burden of government spending to support the desires of a large non-working segment of our state who demand 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 does 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 to handle the job any longer or when they see they can have a higher income by not working. Are we approaching the breaking point? Here are some of the figures for people who help increase the costs of government, but for obvious reasons contribute little to pay those costs: 179,939 under the age of 19; 25,000 college students in Alaska at full-time equivalency; 22,095 seniors over the age of 65, 3/4 of whom have no tax liability; 2,350 inmates in the state correction system; 17,300 average per year unemployed - a

total of 229,384 individuals receiving permanent fund dividend checks (excluding felons who are now ineligible). In essence, this results in the employed workers of Alaska being forced to pay for almost 230,000 dividend checks distributed to individuals who are not working.

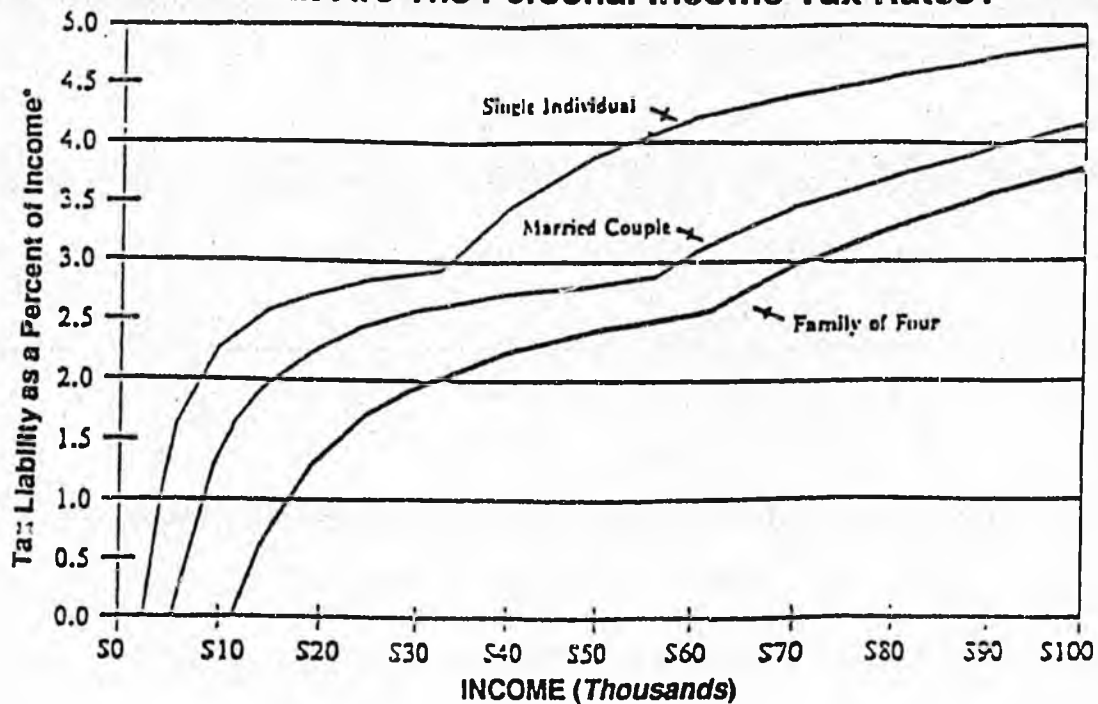
Taxing the working-class and giving the revenues to the non-working segment of a population is the worst sort of inflation a state government can put into the economy.

An interesting side note to this issue is that under the permanent fund dividend program "hold harmless" provisions, the state will pay \$24 million in federal income taxes on behalf of certain low-income PFD recipients to ensure that they will not be taxed, because they exceed their low-income limits and thereby become ineligible for federal government programs they are currently covered under. 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. Each of the 158,000 taxpayers would have to pay \$120 to pay this tax of the "poor".

Of course, these hold harmless provisions are just two tax exemption benefits allowed to 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. How about the state paying 80% of monthly rents for thousands who claim poverty but the income from the state is not counted.

Too many of my colleagues are crawling all over each other to be canonized as the patron saint and savior of the permanent fund dividend program.

What Are The Personal Income Tax Rates?



Many legislators fail to see that the income tax they propose will take away any dividend the working-class and their children would receive. The new tax form the Department of Revenue designed from HB154 and proposed by members of the House Democrats in 1988 would have been sent to each taxpayer, making it 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. Thus 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 allocation of dividend checks.

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 \$100 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.

I cannot really blame the Juneau representatives for pushing a state income tax because the program itself would employ, at a minimum, 92 new people with a payroll of at least \$4.1 million (\$50,000 for the average employee including benefits), plus an enormous start-up cost with new machinery and office space required. At the same time, we will still be employing 92 full-time equivalent employees to give out the dividend checks.

Currently, state employees and teachers across the state are complaining or threatening to go on strike for a 3% to 4% pay increase. 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? Do they not realize that government workers and teachers far and above receive a higher salary than the average private worker and would pay a higher percentage of taxes. 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. Figures show in Alaska 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 the private sector 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 or see a lot of new faces after the November 3, 1992 election in the state legislature.

No other state allows a simple majority of the legislature to increase taxes on the citizens. A number of 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 new tax 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, were even denied the right to petition through the initiative process for the right to vote on taxation.

It borders on tyranny if our 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 action were implemented.

We in Alaska have a golden opportunity to avoid the mistake numerous states and Congress have made by preventing the state from engaging in

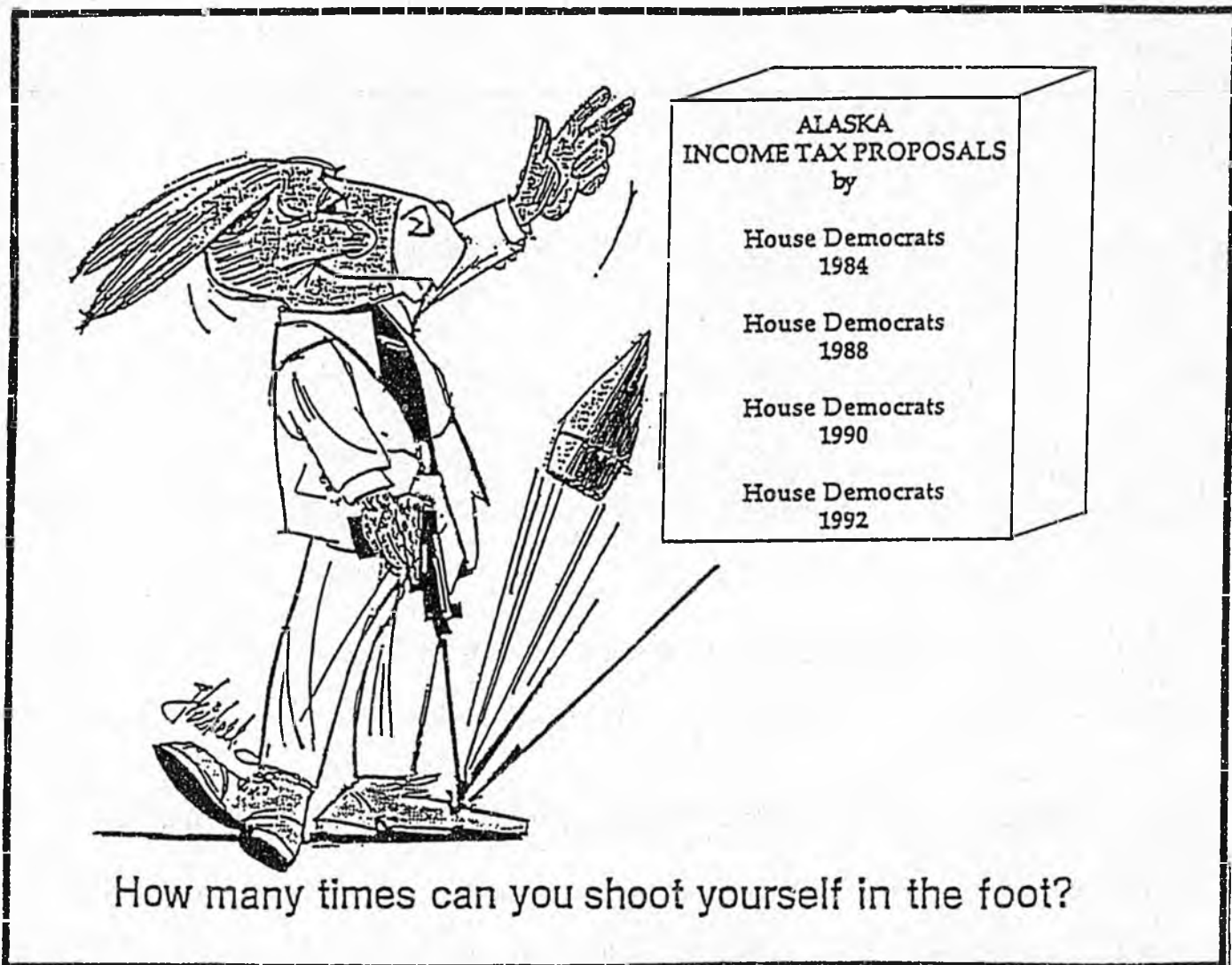
inflationary deficit spending, and forcing taxation on our children and our children's children - taxation they will be paying until the death of democracy.

On the other hand, what a unique legacy we can establish in Alaska, perhaps for the 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 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. Nor would there be any limit on the growth of state government as some suggest. You don't see the federal government decrease as people pay taxes, nor did the state government decrease when an income tax was imposed. The new tax is a threat to every 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 struggles to provide for the needs of her or his children.

BLESSED BE A STATE WITHOUT INCOME TAX!!!

BLESSED BE A STATE WITHOUT INCOME TAX!!!



STATE OF ALASKA EXPENDITURES

PER CAPITA COMPARISON

48	times the national average on	AIRPORTS
29	times the national average on	FISH & GAME
13	times the national average on	INTEREST ON DEBT
9	times the national average on	PUBLIC BUILDINGS
8	times the national average on	JUDICIAL/LEGAL ADMN.
8	times the national average on	NATURAL RESOURCES
7	times the national average on	GOVERNMENT ADMN.
6	times the national average on	FINANCIAL ADMN.
6	times the national average on	HIGHWAYS

4	times the national average on	TOTAL STATE SPENDING

4	times the national average on	CORRECTIONS
3	times the national average on	PARKS & RECREATION
3	times the national average on	HEALTH
2.5	times the national average on	TRANSFERS - LOCAL GOV
1.8	times the national average on	HIGHER EDUCATION
1.8	times the national average on	PUBLIC WELFARE
0.6	times the national average on	HOSPITALS

ELECTIVE DISTRICT 14
ELMENDORF A.F.B.
EAST ANCHORAGE
GOVERNMENT HILL

REP. TERRY MARTIN



HOME
355 DONNA DR., #11
ANCHORAGE, AK 99504
PHONE: 333-6990

DURING SESSION
P.O. BOX V
STATE CAPITOL BUILDING
JUNEAU, AK 99811
PHONE: 465-3783

Alaska House of Representatives

MEMORANDUM

DATE: February 3, 1993
TO: Representative Brian Porter, Judiciary Chairman
FROM: Representative Terry Martin *T.M.*
RE: HJR 9 - Voter approval of new state taxes.

This is a formal request to please schedule HJR 9 at your earliest convenience in the Judiciary Committee. The resolution was passed out of State Affairs on Tuesday, February 2nd.

If you have any questions, please contact my aide Tom Anderson at 6618.

ELECTIVE DISTRICT 14
ELMENDORF A.F.B.
EAST ANCHORAGE
GOVERNMENT HILL

REP. TERRY MARTIN

HOME
355 DONNA DR., #11
ANCHORAGE, AK 99504
PHONE: 333-6990



Alaska House of Representatives

DURING SESSION
P.O. BOX V
STATE CAPITOL BUILDING
JUNEAU, AK 99811
PHONE: 465-3783

SECTIONAL ANALYSIS

HJR 9

Requiring the approval of the voters for the imposition of state income tax, state ad valorem tax on real property, or state retail sales taxation

Section 1.

Amends Article IX, sec. 1 of the Constitution of the State of Alaska by prohibiting any imposition of state income tax, ad valorem taxation on real property, or retail sales tax, without the approval of the voters of the state.

Section 2.

Places the amendment proposed by the resolution before the voters throughout the state in the next general election.

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. HJR 9

Revision Date: _____
Title: Amendment to the Constitution RE: prohibiting imposition of taxation without voter approval
Sponsor: Representative Martin
Requestor: _____

Department Affected: Office of the Governor
BRU: Division of Elections
Component: General and Primary Elections
COMPONENT SERIAL NO. 22

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	2.2*	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	2.2*	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE FUND SOURCE:	0	0	0	0	0	0
----------------------	---	---	---	---	---	---

FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	2.2*	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHT/A	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	2.2*	0	0	0	0	0

POSITIONS:

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

Estimate of current year (FY93) impact: 0

ANALYSIS: (Attach a separate page if necessary.) *This figure covers cost of inclusion of information about this issue in the Official Elections Pamphlet as required by AS 15.58, and programming for DataVote counting of votes cast on the measure. However, only 4 measures can be printed on a single ballot card. Should this measure require printing an additional ballot card, the fiscal impact would be 53.4.

Prepared by: Charlot E. Thickstun, Director *Charlot E. Thickstun* Phone: 465-4611
Division: Division of Elections Date: 1/15/93

Approved by Commissioner: Lt. Governor John B. Coohill *John B. Coohill*
Agency: Office of the Lt. Governor Date: 1/15/93

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FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. HJR 9

Revision Date: _____ Dept. Affected: Revenue
 Title: Prohibiting the imposition of state personal income taxation, state ad BRU: Revenue Operations
 valorem taxation on real property, or state retail sales taxation without the approval... Component: Income & Excise Audit
 Sponsor: Representative Martin
 Requestor: Representative Martin COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL						

REVENUE FUND SOURCE:

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS: -

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ 0.00

ANALYSIS: (Attach a separate page if necessary)
 The requirement of voter approval prior to the implementation of certain taxes has no operating budget impact on the Department of Revenue.

Prepared by: Rod R. Mourant *Rod R. Mourant* Phone: 465-2300
 Division: Commissioner's Office
 Approved by Commissioner: Darrel J. Rexwinkel *Darrel J. Rexwinkel* Date: 1/15/93
 Agency: Revenue Date: 1/15/93

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Initiatives

Fiscal Issues Crowd November Ballots

Tax and spending issues are perennial favorites in the initiative states. This year is no exception.

Scott Mackey

A broad range of fiscal matters will be before the voters in at least 13 states this month. Issues range in importance from easing debt restrictions on local governments to a major transfer in budget authority from the legislature to the governor.

Unlike previous years when fiscal ballot initiatives primarily sought to limit taxes and spending, this year's proposals include nearly an equal number of measures that would increase taxes or change the mix of revenue sources to make the state's tax system more progressive.

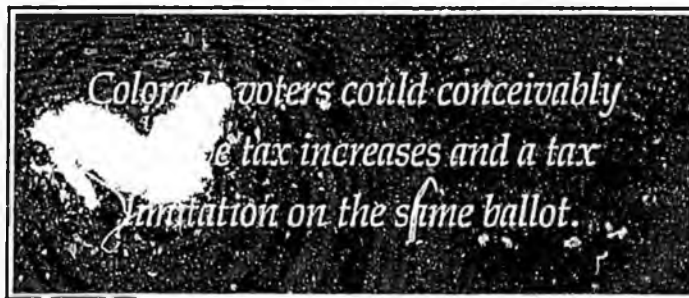
State voters will make decisions on budget process reforms, state lotteries, liberalizing fiscal restrictions on local governments, and property tax relief. With this mix 1992 may not be the "tax revolt" year that some observers predicted in the wake of widespread state tax increases in 1990 and 1991.

Budget Process Reforms

Citizens in five states—California, Connecticut, Florida, Missouri and Rhode Island—will vote on changes in the legislative budget process. The most significant change could be in California, where voters will decide

whether or not to give the governor almost unilateral control over the budget process if the Legislature fails to meet certain deadlines.

Legislatures in Connecticut and Rhode Island have placed constitutional amendments before the voters that would impose new limits on state spending. The Rhode Island measure is



modeled after Delaware's law, which limits general fund appropriations to 98 percent of the revenue estimate and requires additional revenues to be placed in a "rainy day fund." Fund balances could be used for repayment of debt service or capital construction projects only if they exceed 3 percent of the revenue estimate. The Connecticut proposal would limit state spending to the percentage increase in inflation or state personal income, whichever is greater. The General Assembly could override the limit with a three-fifths vote and an emergency declaration by the governor.

Florida voters will decide whether to

approve a statutory "Taxpayers' Bill of Rights" similar to those in 13 other states. Another measure would place new restrictions on Florida's budget process, such as requiring a three-day layover between committee approval and floor consideration of appropriation bills. Missouri voters will decide whether to create a constitutionally protected "rainy day fund."

Limitations on Legislative Tax Powers

Voters in Arizona and Colorado will decide whether to place new restrictions on the legislature's ability to raise taxes. The Arizona measure would require a two-thirds legislative vote for tax increases; tax measures vetoed by the governor would require a three-fourths majority to override. In Colorado, an initiative would require voter approval for any new tax increases unless they were adopted by a two-thirds legislative vote.

If these initiatives are approved, Arizona and Colorado would join seven other states with supermajority requirements for tax increases. Voters in Oklahoma approved a three-fourths supermajority requirement in a September referendum.

Property Tax Changes

Property tax limitations will be on the ballot in Colorado, Florida, Idaho and Michigan. The Colorado initiative would require voter approval for property tax increases above certain limits, while the Florida initiative would limit assessment increases to 3 percent per year. Similar to California's Proposition 13, assessments would be brought up to market value when the home is sold or substantial renovations are completed.

The Idaho initiative calls for a cap on

Scott Mackey specializes in state and local tax issues for NCSL.

property taxes at 1 percent of market value. While Idaho is generally a low property tax state, there are certain areas where property tax payments greatly exceed this 1 percent cap. These areas would be forced to roll back property tax rates.

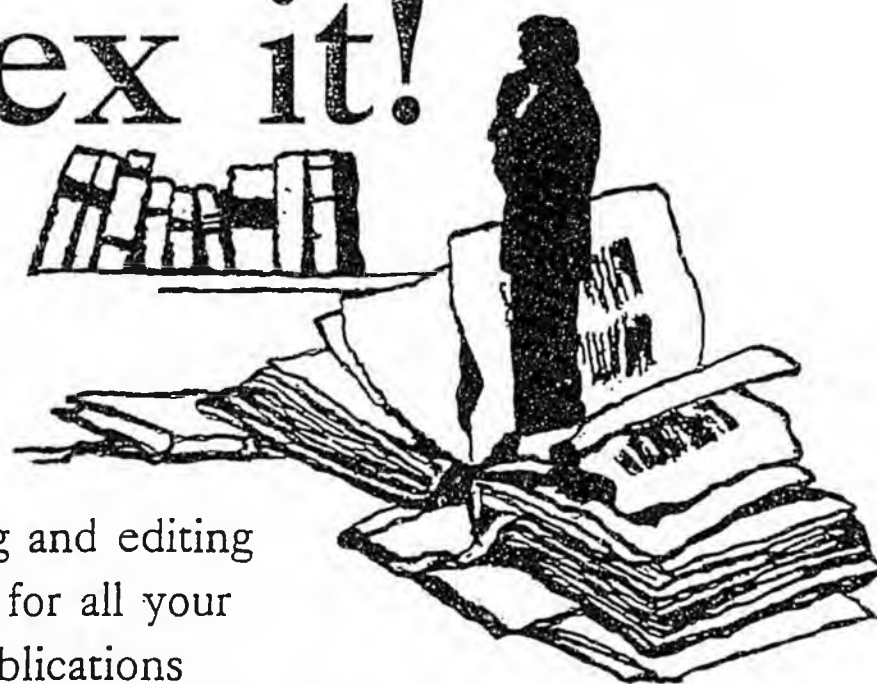
Two competing initiatives will be on the ballot in Michigan. The "cut and cap" proposal, sponsored by the gover-

nor, would roll back school taxes by 30 percent and limit future assessment increases to 3 percent annually. Another measure, referred to the voters by the Legislature, would limit annual increases in state equalized valuation to the inflation rate or 5 percent, whichever is lower.

Four other states have property tax measures on the ballot. Kansas voters

will decide whether to amend the constitution to allow the Legislature to create a classified assessment system, which allows different types of property to be valued for tax purposes at different levels. The state constitution now contains a uniformity clause that requires all property to be treated the same. Voters in Arkansas, California and Oklahoma will consider limited

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Governors Take Proposals to the People

Governors in three states, unable to win legislative support for their fiscal agendas, are seeking to bypass the legislature with initiatives on the November ballot. Voters in California, Colorado and Michigan will decide major tax and budget questions that could alter their states' fiscal landscape for many years to come.

In California, Governor Pete Wilson is seeking voter approval of a measure that would substantially alter the balance of power between the legislature and the executive in the budget process. Not surprisingly, the Legislature would come out on the short end of the stick. The measure would reduce the time for legislative consideration of the budget by nearly two months. It would require the Legislature to submit the budget bill to the governor by June 15 and require that the budget be signed into law by July 1. Failure to meet these deadlines would trigger "fiscal emergency" powers that would give the governor almost unilateral control over program expenditures for the fol-

lowing fiscal year. The governor would also have the option of vetoing budget bills that meet the June 15 deadline in order to create the "fiscal emergency" that would give him these expanded powers.

The Wilson initiative would also cut welfare grants by 25 percent. And as a final jab at the Legislature, the initiative would suspend lawmakers' (and the governor's) pay between July 1 and such time as the budget is passed and signed into law.

Colorado Governor Roy Romer was unable to win legislative approval for a tax increase to boost state funding for K-12 education, so he launched an initiative crusade. A ballot measure sponsored by Romer would increase the state sales tax from 3 percent to 4 percent and earmark the proceeds for education.

A school finance reform bill enacted in 1988 committed Colorado to major increases in school funding in the early 1990s. The state finds itself in the same boat as others that promised K-12 mon-

ey during the 1980s that they cannot afford now. While the legislature has boosted school funding substantially, the state has not fully funded the increases required by the 1988 law.

Michigan voters will decide whether to approve a 30 percent rollback in school property taxes proposed by Governor John Engler. Governor Engler's "cut and cap" initiative would also limit the future growth in property assessments to 3 percent annually. The initiative requires the state to make up local school revenues lost because of the 30 percent rollback. However, revenues lost due to the 3 percent limitation on assessment increases would not be reimbursed through state aid. Engler argues that Michigan's property tax burden, which is among the highest in the country, is hurting small businesses and is responsible for Michigan's chronically high unemployment. Opponents, including state teachers' groups, counter that Engler's argument is a red herring and that the initiative would devastate schools.

property tax exemptions.

Liberalizations of Local Tax Restrictions

Not all of the ballot measures will restrict taxes and spending. Voters in Arizona will decide whether to relax spending and debt restrictions on local governments. Missouri citizens will vote on allowing local governments to pass tax increases with a four-sevenths majority instead of a two-thirds majority. Florida voters will decide whether to give counties the authority to levy a penny sales tax.

In California, a broad tax increase package would significantly weaken the portion of Proposition 13 that limits taxes on business property. The current law limits assessment increases for business property to 2 percent annually, unless the business is sold or substantially renovated. The proposed ballot measure would require business property to be reassessed at full market value every three years, unless the business could

prove that 50 percent of its stock had not changed hands during the 3-year period. Passage of this initiative could provide local governments in California with between \$550 million and \$1.2 billion in new revenue in FY 1994.

In Oregon, voters will decide whether to increase taxes on business property by liberalizing the property tax limits approved in 1990. Under the proposal, business property taxes for schools would be limited to 2 percent of market value. The cap under current law, once fully phased in, is 0.5 percent of value.

Tax Increases and Tax Shifts

Tax increases will be on the ballot in Arkansas, California, Colorado, Massachusetts, North Dakota and Oklahoma. Included are cigarette tax increases (Arkansas and Massachusetts), sales tax increases (Colorado and North Dakota), and Medicaid provider taxes (Oklahoma). California's "soak the rich" ini-

tiative would raise personal income tax rates and most business taxes while reducing sales taxes by a quarter-cent and repealing the sales tax on candy and snack foods. It would also reinstate the renter credit for higher income renters.

A South Dakota initiative would create a new personal and corporate income tax with graduated rates ranging from 2 percent to 5 percent. It would also repeal the sales tax on food, clothing and utilities and roll back property taxes.

The broad range of fiscal initiatives on the 1992 ballot defy sweeping generalizations. In Colorado, for example, voters could conceivably approve tax increases and a tax limitation on the same ballot. Arizona voters could liberalize local tax restrictions at the same time that they severely restrict state tax options. What seems clear is that governors and citizens of some states are moving to circumvent the legislature in ways that threaten the legislative role in budgeting and policymaking. ■

Money

January

Volume 22 Number 1

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In many places, perhaps 50% of all property-tax assessments are flat-out wrong. Correcting such errors can save you 10% or more.
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Cover photographs by Ken Probst

NEW READERS' POLL



TELL US YOUR IDEAS.
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THE BARGAIN STOCKS
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could risk having New York State and City insist that they are due taxes on your interest, dividends and capital gains as well as the income from your job. While New Jersey will give you a credit for the New York taxes, your final bill will be the same as if you lived in Manhattan.

It can be difficult to prove that you aren't actually a resident of the high-tax state even though you own a home there. The reason: If you spend more than half the year in the high-tax state, you meet the definition of resident used by many states. You can try to prove otherwise by, say, showing that you vote in the other state, register your car there and belong to social clubs and send your kids to schools there. But fewer and fewer revenue-hungry states accept such evidence as conclusive. In the end, you may have to either pay up or give up your second home. "Domicile is a state of mind," says Gattegno, "but the burden of proof is all yours."

■ **If you're married, don't automatically file a standard joint state return.** Ten states (Arkansas, Delaware, Iowa, Kentucky, Maryland, Mississippi, Missouri, Montana, Tennessee and Virginia) and the District of Columbia give a special break to married couples in which both spouses have income and file a joint federal return. These states let a couple calculate each spouse's state tax separately—at lower effective rates than if they filed jointly—and file a so-called joint-separate return. For example, a Virginia couple with one spouse earning \$40,000 and the other \$20,000, two children and \$10,000 in itemized deductions would pay a 1992 state tax of \$2,434 by filing jointly. With a joint-separate return, however, the couple would pay only \$2,204, a \$230 saving. "Two-earner couples should calculate their taxes both ways to find the lower tax," advises Kenneth Zemsky, a partner with Ernst & Young in New York City.

■ **Look into triple-tax-exempt bonds.** If you're in the 28% federal tax bracket or higher and live in a state with heavy income taxes, you might consider buying municipal bonds issued in your home state. That's because they are triple-tax-free: Any income they generate is exempt from federal, state and local taxes. (Only Indiana, Utah and, in some cases, North Dakota exempt income from other states' munis.) For example, Fidelity's New York Tax-Free High-Yield Fund, which, despite its name, invests primarily in investment-grade bonds, is 100% tax-exempt for residents of New York State. For top-bracket taxpayers—a combined effective rate of 39.51% if they live in New York City—the fund's current 5.39% yield is equivalent to 8.91% from a taxable investment. (For more about investing in municipal bonds, see page 82.)

■ **Consider investing in Treasury securities.** While income from Treasury bills, notes and bonds is taxed federally, it is free of all state and local taxes. You can buy Treasuries direct from the Federal Reserve

FROM \$1,632 IN ALASKA TO \$10,016 IN NEW YORK

What's the difference between living in Alaska and in New York? For a typical two-income family of four that subscribes to MONEY, as much as 17 feet of snow a year and \$8,384 in state and local taxes—the widest gap in our fourth annual study of such taxes.

The table at right lists the tax load of a family that earned \$72,385 in 1992, plus \$2,782 in interest, \$455 in dividends and \$1,472 in capital gains. They spent \$35,112 on food, clothing, prescription drugs, household goods, a new car (\$12,456) and other items. Their two autos consumed 1,912 gallons of gas.

The first two columns show each state's rank and the family's combined bill for state and local income, sales, property and gas taxes. The third column grades each state on the likelihood of tax increases in 1993 or 1994, according to tax experts: A, no major tax hikes expected (seven states); B, moderate chance (16); C, strong probability (15); and D, best bet (13). Property taxes are estimates of this family's bill in each state. Tax rates in the comments column are for couples filing jointly in 1992.

All state income tax estimates were provided by the state and local tax group of Ernst & Young, the international accounting and management consulting firm.

—Deborah Lohse

Other sources: Verex Inc.; *A Fair City* From Fair by Citizens for Tax Justice and the Institute on Taxation and Economic Policy. **Notes:** ¹Additional local income tax may also be assessed. ²Local income tax calculated on state return. ³"None" means state imposes no death tax; "0" means no tax applies to spouse or child heir.

State	Rank	Family Bill	Grade	Comments
Alaska	1	\$1,632	A	
Wyoming	2			
Nevada	3			
Florida	4			
Tennessee	5			
South Dakota	6			
New Hampshire	7			
Texas	8			
Washington	9			
North Dakota	10			
Delaware	11			
Alabama	12			
Louisiana	13			
Mississippi	14			
New Mexico	15			
West Virginia	16			
Missouri ¹	17			
South Carolina	18			
Arizona	19			
Indiana	20			
Kentucky ¹	21			
Montana	22			
Oklahoma	23			
Kansas	24			
Pennsylvania	25			
Iowa ¹	26			
Arkansas	27			
Illinois	28			
Virginia	29			
North Carolina	30			
Colorado	31			
Georgia	32			
New Jersey	33			
Michigan ¹	34			
California	35			
Idaho	36			
Nebraska	37			
Ohio	38			
Utah	39			
Vermont	40			
Hawaii	41			
Minnesota	42			
Rhode Island	43			
Connecticut	44			
Oregon	45			
Maryland ²	46			
Maine	47			
Massachusetts	48			
Wisconsin	49			
District of Columbia	50			
New York ¹	51	\$10,016	D	

Compiled by Kirsten Chancellor and Deborah Lohse

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Y-O-U-R-T-A-X-E-S

Total annual typical household	Grade	Tax on earned income				Sales tax		Property tax		Death tax on		Notes
		For single earning \$35,000	For two married earning \$50,000	For two married earning \$75,000	For two married earning \$100,000	Statewide rate	Highest combined state and local	\$600,000 estate left to spouse	\$600,000 estate left to child	Comments		
\$1,632	A	None	None	None	None	0.00%	7.00%	\$1,479	None	None	Most tax revenue from the oil and gas industry	
2,945	B	None	None	None	None	3.00%	5.00%	1,451	None	None	Most tax revenue from oil company and sales taxes	
3,539	B	None	None	None	None	6.50%	7.00%	1,161	None	None	Most tax revenue from sales, gambling and gas taxes	
3,846	D	None	None	None	None	6.00%	7.00%	1,730	None	None	Most tax revenue from sales, use and admissions taxes	
4,038	C	None	None	None	None	7.00%	8.75%	1,147	0	0	Certain interest and dividend income taxed at 6%	
4,284	C	None	None	None	None	4.00%	8.00%	2,331	0	\$41,250	Primary source of tax revenue: sales and gas taxes	
4,591	D	None	None	None	None	0.00%	0.00%	4,023	0	0	Dividends and interest over \$2,400 taxed at 5%	
4,647	D	None	None	None	None	6.25%	8.25%	2,245	None	None	Revenue mainly from sales and oil company taxes	
4,694	C	None	None	None	None	7.00%	8.20%	1,896	None	None	Revenue mostly from sales, property and corporate taxes	
5,292	B	\$751	\$721	\$1,547	\$2,399	5.00%	6.00%	1,948	None	None	Top rate: 12% on taxable income over \$50,000	
5,354	C	1,812	1,822	3,351	4,950	0.00%	0.00%	1,234	0	31,250	Top rate: 7.7% on taxable income over \$40,000	
5,552	D	1,267	1,652	2,442	3,222	4.00%	9.50%	617	None	None	Top rate: 5% on taxable income over \$6,000	
5,752	D	895	1,195	1,829	2,456	4.00%	10.00%	925	0	17,050	Top rate: 6% on taxable income over \$50,000	
5,792	B	1,185	1,251	2,339	3,427	7.00%	7.00%	1,200	0	0	Top rate: 5% on taxable income over \$10,000	
5,948	B	1,329	1,489	3,038	4,824	5.125%	6.875%	902	None	None	Top rate: 6.5% on taxable income over \$41,600	
5,981	B	1,260	1,695	3,230	4,855	5.00%	6.00%	522	None	None	Top rate: 6.5% on taxable income over \$60,000	
6,047	C	1,265	1,660	2,612	3,552	4.225%	7.725%	1,154	None	None	Top rate: 6% on taxable income over \$9,000	
6,531	C	1,728	2,005	3,485	4,964	5.00%	6.00%	1,381	None	None	Top rate: 7% on taxable income over \$10,600	
6,537	B	1,271	1,402	2,436	3,578	5.00%	8.50%	1,781	None	None	Top rate: 7% on taxable income over \$300,000	
6,712	C	1,156	1,564	2,414	3,264	5.00%	5.00%	1,613	0	24,950	Rate: a flat 3.4% of federal AGI, with modifications	
6,744	B	1,841	2,131	3,436	4,742	6.00%	6.00%	1,137	0	45,350	Top rate: 6% on taxable income over \$8,000	
6,781	D	1,552	2,199	3,776	5,393	0.00%	0.00%	2,301	0	0	Top rate: 11% on taxable income over \$57,600	
6,907	C	1,885	2,051	3,574	5,097	4.50%	9.50%	1,062	0	17,725	Top rate: 7% on taxable income over \$21,000	
6,935	A	1,630	1,395	2,755	4,153	4.90%	6.50%	1,923	0	21,750	Top rate: 6.45% on taxable income over \$60,000	
6,969	B	1,033	1,475	2,213	2,950	6.00%	7.00%	2,059	\$35,880	36,000	Rate: a flat 2.6% on a broad base of taxable income	
7,006	A	1,667	1,967	3,176	4,468	5.00%	6.00%	2,052	0	39,825	Top rate: 9.98% on taxable income over \$47,700	
7,074	B	1,690	2,289	3,812	5,335	4.50%	7.50%	902	None	None	Top rate: 7% on taxable income over \$25,000	
7,125	D	1,020	1,223	2,045	2,767	6.25%	8.75%	2,357	None	None	Rate: a flat 3% of modified federal AGI; 2.75% in 1993	
7,217	B	1,537	2,061	3,312	4,563	4.50%	4.50%	2,159	None	None	Top rate: 5.75% on taxable income over \$17,000	
7,263	B	1,973	2,274	3,797	5,320	6.00%	6.00%	1,232	0	7,000	Top rate: 7.75% on taxable income over \$100,000	
7,268	A	1,455	1,716	2,604	3,892	3.00%	9.00%	1,884	None	None	Rate: a flat 5% of modified federal taxable income	
7,301	C	1,682	1,991	3,296	4,602	4.00%	5.00%	1,637	None	None	Top rate: 6% on taxable income over \$10,000	
7,371	A	750	997	1,791	3,178	6.00%	6.00%	3,772	0	0	Top rate: 7% on taxable income over \$150,000	
7,493	B	1,513	1,914	3,064	4,214	4.00%	4.00%	2,566	0	34,300	Rate: a flat 4.6% of taxable income	
7,605	C	1,512	1,159	2,897	4,920	7.25%	3.50%	1,998	None	None	Top rate: 11% on taxable income over \$414,400	
7,634	A	2,119	2,272	4,033	5,817	5.00%	7.00%	1,492	None	None	Top rate: 8.2% on taxable income over \$40,000	
7,728	D	1,371	1,545	2,961	4,466	5.00%	6.50%	2,703	0	5,850	Top rate: 6.92% on taxable income over \$45,000	
7,751	D	1,085	1,396	2,648	4,153	5.00%	7.00%	1,537	2,100	30,100	Top rate: 6.9% on taxable income over \$100,000	
7,892	A	1,839	2,242	3,596	4,943	6.00%	7.25%	1,751	None	None	Top rate: 7.2% on taxable income over \$7,500	
7,962	D	1,562	1,494	3,323	5,332	5.00%	5.00%	2,750	None	None	Top rate: 34% of federal income tax above \$13,100	
8,272	C	2,783	3,015	5,182	7,358	4.00%	4.00%	1,079	None	None	Top rate: 10% on taxable income over \$41,000	
8,311	C	2,041	2,326	4,067	5,807	6.50%	7.50%	2,027	None	None	Top rate: 8.5% on taxable income over \$83,300	
8,314	C	1,476	1,416	3,038	4,761	7.00%	7.00%	2,928	None	None	Rate: 27.5% of modified federal tax liability	
9,389	C	1,377	1,071	3,037	4,500	5.00%	6.00%	3,245	0	37,895	Rate: a flat 4.5% of taxable income	
8,390	D	2,469	2,930	4,889	6,847	0.00%	0.00%	2,910	None	None	Top rate: 9% on taxable income over \$10,000	
8,568	B	2,295	2,914	4,446	6,078	5.00%	5.00%	2,098	5,000	6,000	Top rate, with local surtax: 9% over \$150,000	
9,611	D	2,030	1,965	3,907	5,884	6.00%	6.00%	2,495	None	None	Top rate: 9.89% on taxable income over \$75,000	
8,764	B	1,952	2,594	4,082	5,569	5.00%	5.00%	2,732	23,500	55,500	Rate on earned income is 5.95%; unearned, 12%	
8,770	B	2,113	2,474	3,985	5,554	5.00%	5.50%	2,813	None	None	Top rate: 6.93% on taxable income over \$20,000	
9,348	C	2,505	2,856	4,829	6,878	6.00%	6.00%	2,296	None	None	Top rate: 9.5% on taxable income over \$20,000	
10,016	D	1,846	2,157	4,108	5,821	4.00%	8.50%	3,255	0	25,500	Top rate: 7.85% on taxable income over \$26,000	

NFIB Alaska

National Federation of
Independent Business

POSITION PAPER

OF

NATIONAL FEDERATION OF INDEPENDENT BUSINESS
(NFIB/ALASKA)

IN SUPPORT

OF

HJR 9 PROPOSING AN AMENDMENT TO THE CONSTITUTION
PROHIBITING THE IMPOSITION OF STATE TAXES WITHOUT
THE APPROVAL OF THE VOTERS OF THE STATE.

State Office
9159 Skywood Lane
Juneau, AK 99801
(907) 789-4278



The Guardian of
Small Business

CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS RESA JERREL, AND I AM THE STATE DIRECTOR FOR NATIONAL FEDERATION OF INDEPENDENT BUSINESS - NFIB/ALASKA. I AM HAPPY TO BE HERE TODAY TO TESTIFY IN FAVOR OF HJR 9.

NFIB/ALASKA IS COMPRISED OF 5,000 SMALL AND INDEPENDENT BUSINESS OWNERS. THE LEGISLATIVE AGENDA OF NFIB/ALASKA IS DETERMINED BY OUR BALLOT. THE BALLOT IS OUR ANNUAL POLL OF OUR MEMBERS ON A SERIES OF ISSUES DEEMED CRITICAL TO SMALL BUSINESS. A MAJORITY VOTE, OF THE MEMBERS IN RESPONSE TO THE POLL, SETS OUR POLICY AND POSITION ON LEGISLATIVE ISSUES. WE THEN SHARE THE RESULTS OF OUR POLL WITH THE LEGISLATURE AND ADMINISTRATION. THERE IS NOT ENOUGH SPACE ON THE ANNUAL POLL TO PLACE EVERY POSSIBLE ISSUE BEFORE OUR MEMBERS. THEREFORE, WE ALSO USE THE PREVIOUS YEARS BALLOT RESULTS AS GUIDANCE ON ISSUES.

ALTHOUGH WE HAVE NOT POLLED OUR MEMBERS ON THIS SPECIFIC RESOLUTION, WE DO HAVE RESULTS ON THE ISSUE OF TAXES THAT GIVES US A VERY GOOD IDEA OF WHERE THEY STAND.

ON THE 1993 STATE BALLOT THE MEMBERS OVERWHELMINGLY VOTED, (93%) TO REDUCE STATE GOVERNMENT SPENDING BEFORE INCREASING PRESENT TAXES OR IMPOSING NEW TAXES.

ALSO, IN 1990 THE MEMBERS VOTED CLEARLY TO REJECT, (80%) THE REINSTATEMENT OF THE STATE PERSONAL INCOME TAX.

NFIB/ALASKA THANKS YOU FOR THE OPPORTUNITY TO COMMENT ON THIS LEGISLATION. IF YOU HAVE ANY QUESTIONS I WOULD BE HAPPY TO TRY AND ANSWER THEM.