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# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: CSHB 303(FIN)  
 Bill Version: \_\_\_\_\_  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Statewide Sales Tax BRU: Revenue Operations  
 Component: Tax Division  
 Sponsor: Representative Whitaker  
 Requester: House Finance Committee Component Number: 2476

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	2,389.4	3,774.5	3,774.5	3,774.5	3,774.5	3,774.5
Travel	80.0	70.0	70.0	70.0	70.0	70.0
Contractual	875.5	954.0	983.5	983.5	983.5	983.5
Supplies	75.3	91.0	91.0	91.0	91.0	91.0
Equipment	520.0	67.5	15.0	15.0	15.0	15.0
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>3,940.2</b>	<b>4,957.0</b>	<b>4,934.0</b>	<b>4,934.0</b>	<b>4,934.0</b>	<b>4,934.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>1,904.0</b>	<b>427.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES (increase)</b>	<b>100,000.0</b>	<b>240,000.0</b>	<b>240,000.0</b>	<b>240,000.0</b>	<b>240,000.0</b>	<b>240,000.0</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	5,844.2	5,384.5	4,934.0	4,934.0	4,934.0	4,934.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>5,844.2</b>	<b>5,384.5</b>	<b>4,934.0</b>	<b>4,934.0</b>	<b>4,934.0</b>	<b>4,934.0</b>

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

**POSITIONS**

Full-time	65	72	72	72	72	72
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

The Department of Revenue estimates the 3% year-round statewide sales tax in this legislation would generate approximately \$240 million a year in state revenues. Uncertainties over the effect of limiting the sales tax to the first \$2,000 of a sales or service invoice, and the lack of detailed statistics on the sales of goods and services in Alaska corresponding to the exemptions granted in this legislation make it difficult to provide a better estimate of revenues -- the actual revenues could be higher. The revenue estimate for FY2003 assumes five months of collections in the first fiscal year, starting with February receipts from January's collections.

The cost projections assume the new Sales Tax Section would take over space in the State Office Building in Juneau currently occupied by the Permanent Fund Dividend Division and would take over space in the Atwood Building in Anchorage currently occupied by the Alcoholic Beverage Control Board. These moves would allow the Sales Tax Section to share premises (and staff) with the department's Tax Division. The estimated cost of relocating the Dividend Division and ABC Board are a combined one-time relocation expense of approximately \$325,000 and an annual operating budget increase of perhaps \$150,000 a year (due to the higher rents for private property as opposed to state-owned buildings). The capital costs are reflected in this fiscal note; the ABC and Dividend Division operating budget increments are not reflected in this fiscal note and would be requested in a supplemental appropriation next year.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469  
 Division: Department of Revenue Date/Time 3/25/2002 6:30 p.m.  
 Approved by: Larry Persily, Deputy Commissioner Date 3/25/2002  
 Agency: Department of Revenue

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: CSHB 303(STA)  
 Bill Version: \_\_\_\_\_  
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Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Statewide Sales Tax BRU: Revenue Operations  
 Component: Tax Division  
 Sponsor: Representative Whitaker  
 Requester: House Finance Committee Component Number: 2476

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	2,003.1	3,162.7	3,162.7	3,162.7	3,162.7	3,162.7
Travel	46.0	40.0	40.0	40.0	40.0	40.0
Contractual	702.5	829.1	854.1	904.1	904.1	904.1
Supplies	38.0	63.0	63.0	63.0	63.0	63.0
Equipment	448.0	56.0				
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>3,237.6</b>	<b>4,150.8</b>	<b>4,119.8</b>	<b>4,169.8</b>	<b>4,169.8</b>	<b>4,169.8</b>

<b>CAPITAL EXPENDITURES</b>	<b>1,087.0</b>	<b>427.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES (increase)</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	4,324.6	4,578.3	4,119.8	4,169.8	4,169.8	4,169.8
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>4,324.6</b>	<b>4,578.3</b>	<b>4,119.8</b>	<b>4,169.8</b>	<b>4,169.8</b>	<b>4,169.8</b>

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

**POSITIONS**

Full-time	56	63	63	63	63	63
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

\*\* The Department of Revenue estimates the 3% year-round statewide sales tax in this legislation would generate between \$250 million and \$350 million a year in new state revenues. Uncertainties over how to interpret some of the tax exemptions in this legislation, and additional uncertainties over the effect of the provision limiting the sales tax to the first \$2,000 of a purchase or service, make it difficult to provide a better estimate of revenues.

The Department of Revenue also believes there are significant problems with this legislation, which would need to be addressed to provide a workable statewide sales tax. Specifically, the department believes the state should take over all administration and collection of municipal sales taxes in order to better manage Alaska's sales tax program for businesses statewide while also joining a nationwide effort for streamlined sales taxes to deal with the increase in mail-order and internet sales. These issues and more are explained in the attached pages.

Prepared by: Brett Fried, Economist & Chuck Harlamert, Revenue Audit Supervisor Phone 4C5-3682  
 Division: Tax Division Date/Time 3/19/2002 8 p.m.  
 Approved by: Larry Persily, Deputy Commissioner Date 3/19/2002  
 Agency: Department of Revenue

## **CSHB303(STA) – Department of Revenue**

This legislation provides a skeletal framework for a statewide sales tax program. It is incomplete and would create significant administration problems — and considerable problems for businesses charged with collecting the tax. Among the issues:

### **Municipal Taxation Issues**

- The Department of Revenue believes the only way for a state sales tax to operate efficiently, and to avoid placing undue burdens on businesses, would be for the state to take over collection and administration of all municipal sales taxes in Alaska. This would mean a common set of laws and regulations for state and municipal sales taxes — although the rates could be different. The state then would forward to the municipalities their share of collections in each jurisdiction. This change in state law would bring Alaska into conformity with the nationwide effort to provide certainty and uniformity among sales tax laws within each state. *(See explanation of Uniform Multi-State Tax Agreement later in this fiscal note).*
- Although this legislation allows individual municipalities to opt in and have the state collect their local sales and use tax, it makes no provision for municipal taxes outside of the general sales tax, such as hotel bed tax, rental car tax, fish taxes and retail alcohol tax. Is it the intent of the legislature that the state should also take over those municipal taxes?
- The bill should contain some provisions governing joint enforcement and collection of municipal and state sales taxes. What if a community is dissatisfied with the state's enforcement and audits efforts allocated to the municipal sales tax? If the program is to operate efficiently, the state should be given autonomy for audit selection and should be the sole arbiters of tax disputes. Otherwise, businesses could be subject to two sets of enforcers with possibly differing opinions on the same tax issues.
- The language in Section 1, Lines 10 and 11, requiring that a municipal sales tax must be "consistent with AS 43.44" should refer to all of Title 43 in order to include all administrative provisions including rates of penalty and interest.
- The "reasonable fee" provision for what the state may charge municipalities for collecting the sales tax could become a point of dispute. Disputes over the state's costs could lead some municipalities to opt out of the program, creating confusion for businesses — another reason in favor of turning over all sales tax administration to the state.

### **Taxation of Services**

- The legislation should better define services and the point of taxation for services. Is it where the service is performed, or the location of the individual or business ordering the service? The bill also needs to provide rules for services delivered in interstate commerce.
- What about services between related parties? Do we want to tax services provided by BP PLC to BP Exploration Alaska?

## **CSHB303(STA) – Department of Revenue**

### Use Tax

- Although the legislation allows the state to administer and collect a municipal use tax, there is no provision for a state use tax. This encourages importing products into the state to avoid the sales tax on goods purchased in Alaska.
- If the legislature wants to include a state use tax in this bill, it would make sense to amend state law to require the payment of the use tax on motor vehicles purchased outside Alaska. This would serve to eliminate the price advantage out-of-state car and truck dealers might have over Alaska businesses that would be required to collect the sales tax.
- Every state that imposes a statewide sales tax also has a use tax. In general, a use tax is a tax on the initial use, storage or consumption of tangible personal property in the state. Enforcing use taxes is difficult, particularly with the growth of internet sales. Most states are addressing this and other sales and use tax issues by passing versions of a Model Sales and Use Tax Act. *(See explanation of Uniform Multi-State Tax Agreement later in this fiscal note).*

### Definitions of Taxable and Tax-Exempt Sales and Services

- The legislation lacks definitions needed for the administration of the tax. For example:
  - What is meant by “educational services” in the legislation’s list of tax-exempt purchases and services? College and university tuition? Any class offered by any business or self-proclaimed school, regardless of accreditation, religious affiliation or venue? Would tutoring be exempt? And what about educational computer software?
  - Petroleum products would be exempt under the legislation, but does that include aspirin, Vaseline, products made of carbon fiber and other petroleum or carbon-based products?
  - Is a commercial operation, such as a salmon bake at an old mine site, considered an “historic site” for tax-exempt status under the legislation?
  - Are club dues taxable?
  - Under this legislation, Girl Scout cookies would be taxable, as would any other sale by a nonprofit organization for fund-raising purposes.
  - It’s also possible that under this legislation the state would have collected sales tax on the sale of Arco’s assets to Phillips.
  - Is the sales tax on a vehicle lease due up front, or strung out based on the stream of lease payments?
  - Are barter exchanges subject to sales tax?

## **CSHB303(STA) – Department of Revenue**

### Resale

- There is no provision in this legislation for resale or tax-exempt certificates. Such certificates are essential for the state and businesses for the administration of tax-exempt purchases. Without a tax-exempt certificate, the business could be held liable for the taxes if the state determines the sale should have been taxed. For example, there is vast uncertainty regarding tax liability if a sale is made for resale and the product is subsequently used by the purchaser rather than incorporated into a product for taxable sale. Requiring a resale certificate would protect the business from any tax liability.
- Does the “sale for resale” exemption apply if the resale is to occur outside the state?
- Does “sale for resale” apply to items that do not become an integral part of another product (for resale), such as packaging?
- What about a new home? Under this bill, “construction services” are exempt. Does that mean homebuyers would pay sales tax to contractors on the value of the building materials originally purchased at a lumber yard as tax-exempt for resale, but not on the value of the labor?

### \$2,000 Cap on the Taxable Transaction

- If a lawyer submits interim bills under \$2,000 each for a large, ongoing case, would all of the bills be fully taxable under this legislation, even if the total cost of services provided on the case exceeded \$2,000? And what if the lawyer submitted only one bill for the entire project — would the \$2,000 limit apply, even if the work stretched out over several months?
- The same problem would arise in furniture and large appliance purchases. If the transaction include several items totaling far in excess of \$2,000, could the business and consumer take advantage of the \$2,000 cap by writing up the items on a single invoice and calling it a “set”?

### Uniform Multi-State Tax Agreement

Businesses nationwide and other states are working hard to win nationwide adoption of a Streamlined Sales and Use Tax Agreement.

One of the major reasons for the push is to address the issue of lost state and municipal sales tax revenues to mail-order and internet commerce. The retail industry has made it clear that it wants to see a set of uniform sales tax rules nationwide as a condition of working with the states to collect sales taxes on interstate commerce. The growth of mail-order and internet sales is costing states and municipalities billions of dollars a year in lost sales tax revenues.

The agreement, which has been adopted by about 20 states, requires:

*“States to administer any and all sales and use taxes levied by local jurisdictions within the state so that sellers collecting and remitting these taxes will not have to register or file returns with, remit funds to, or be subject to independent audits from local taxing jurisdictions.”*

## **CSHB303(STA) – Department of Revenue**

### **Enforcement and Audit Issues**

- There is no authority under this legislation for the department to use sampling in its audits of taxpayers. Sampling would make the audit process easier for the department and the taxpayer.
- There is no requirement for sellers to register with the state. Without such a provision, the state would be unable to track businesses responsible to collect and remit the sales tax — making it easier for businesses, particularly at-home or part-time businesses to avoid the tax.

### **Revenue Estimate**

How the department arrived at its estimate of \$250 million to \$350 million:

- The U.S. Economic Census estimates that the total value of all sales, receipts or revenue for Alaska establishments in 1997 was more than \$35 billion. We excluded the mining and wholesale sectors as a result of the exemption of goods and services for resale. Professional, scientific and technical services and most transportation services were also excluded for this same reason.
- If we adjust for the remaining exemptions, and exclude finance and insurance (insurance is potentially precluded by state law and “financial” sales are not defined in this legislation), and assume that petroleum products is more narrowly defined as fuel, then we arrive at a rough estimate of \$9 billion in taxable sales.
- Clearly, some goods and services excluded here would probably not be exempt under this bill, but some goods and services included in our estimate would probably be exempt.
- One reason this estimate is so rough is that the exemptions are so broadly defined.

The difficulty in estimating the effect of the \$2,000 cap are:

- We are not aware of any direct method to estimate the reduction in revenue as a result of the exclusion of “that part of a single item or the periodic selling price of a single service that exceeds \$2,000” from taxable sales. Because there is no estimate of the volume of sales or services, or the amount of each sale or service, it is very difficult to adjust revenue estimates for the \$2,000 cap. Also, because the definition of a single item is related to function and service related to time, it is not absolutely clear, for some goods and services, what constitutes a single sale or service.
- We can offer a couple of examples of Alaska municipalities with a cap. The City of Kodiak limits sales tax to the first \$500 of the sales price. In 2001, retail sales, rentals and services in Kodiak totaled \$279 million. Exemptions for sales, rental or services in excess of \$500 per item totaled \$54 million, or 19% of total sales. That compares to Juneau, where the limit is \$7,500, or 2% of taxable sales in 2001. We believe the \$2,000 limit of CSHB303(STA) would fall somewhere between Juneau's 2% and Kodiak's 19% exemption of taxable sales.

## **CSHB303(STA) – Department of Revenue**

### **Proposed Sales Tax Bills**

The Department of Revenue has at least two draft sales tax bills it could share with interested legislators — one was prepared by a consultant three years ago, and one was prepared by a Tax Division staff member. The department also could obtain tax statutes from other states and information from national tax administrator organizations to assist the legislature.

The department could meet with legislators and staff at any time to discuss the details of drafting a workable, comprehensive statewide sales tax.

### **Operating and Capital Budget Request**

- Operating expenditure projections are based on the assumption that the tax is imposed on January 1, 2003.
- The projections do not include the cost of collecting municipal sales taxes.

The cost projections assume:

- The new sales tax section would take over space in the State Office Building in Juneau currently occupied by the Permanent Fund Dividend Division and would take over space in the Atwood Building in Anchorage currently occupied by the Alcoholic Beverage Control Board. These moves would allow the new sales tax section to share premises (and staff) with the department's Tax Division. The estimated cost of relocating the Dividend Division and ABC Board are a combined one-time relocation expense of approximately \$325,000 and an annual operating budget increase of perhaps \$200,000 a year (due to the higher rents of private property as opposed to state-owned buildings).
- The sales tax section also would staff small field offices in Fairbanks and one other community (to be determined).

Adopted 3/22/02

**CS FOR HOUSE BILL NO. 303(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-SECOND LEGISLATURE - SECOND SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES WHITAKER, Fate, Lancaster

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the levy and collection of a sales tax and a use tax and to levy and  
2 collection of municipal sales and use taxes; and providing for an effective date."

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

4 \* Section 1. AS 29.05.210(b) is amended to read:

5 (b) The department shall provide assistance to each borough and unified  
6 municipality incorporated after December 31, 1985, in

7 (1) establishing the initial sales and use tax assessment [AND  
8 COLLECTION DEPARTMENT] if the borough or unified municipality has adopted a  
9 sales or use tax;

10 (2) determining the initial property tax assessment roll if the borough  
11 or unified municipality has adopted a property tax, including contracting for appraisals  
12 of property needed to complete the initial assessment.

13 \* Sec. 2. AS 29.10.200(50) is amended to read:

14 (50) AS 29.45.650 [AS 29.45.650(c), (d), (e), AND (f)] (sales and use

1 tax);

2 \* Sec. 3. AS 29.10.200(51) is amended to read:

3 (51) AS 29.45.700 [AS 29.45.700(d)] (sales and use tax);

4 \* Sec. 4. AS 29.35.170 is amended to read:

5 Sec. 29.35.170. Assessment and collection of taxes. (a) A borough shall  
6 assess [AND COLLECT] property, sales, and use taxes and collect taxes, other than  
7 general sales and use taxes, that are levied in its boundaries, subject to AS 29.45.

8 (b) Taxes, other than general sales and use taxes, levied by a city shall be  
9 collected by a borough and returned in full to the levying city. This subsection applies  
10 to home rule and general law municipalities.

11 \* Sec. 5. AS 29.45.650 is repealed and reenacted to read:

12 Sec. 29.45.650. Sales and use taxes. A borough may levy a general sales tax  
13 on the sale of goods, on the sale of real property, on rents, and on services provided in  
14 the borough and taxable under AS 43.44.010(a), and a general use tax on the storage,  
15 use, or consumption of tangible personal property in the borough taxable under  
16 AS 43.44.010(b), with the exemptions provided in AS 43.44.020. A borough may  
17 also levy a specific sales tax on the rental of overnight accommodations for fewer than  
18 30 consecutive days.

19 \* Sec. 6. AS 29.45.700 is repealed and reenacted to read:

20 Sec. 29.45.700. Power of levy. A city may levy sales and use taxes in the  
21 manner provided for boroughs.

22 \* Sec. 7. AS 29.45 is amended by adding a new section to read:

23 **Article 5A. Collection of Sales and Use Taxes by the State.**

24 **Sec. 29.45.750. Collection of municipal sales and use taxes by the state.**

25 The Department of Revenue shall collect sales and use taxes levied by a municipality  
26 under AS 29.45.650 or 29.45.700 and remit the proceeds to the municipality. The  
27 Department of Revenue may use its administrative authority under AS 43.05 and its  
28 enforcement and collection authority under AS 43.10 to collect general sales and use  
29 taxes levied by a municipality under AS 29.45.650 or 29.45.700.

30 \* Sec. 8. AS 43 is amended by adding a new chapter to read:

31 **Chapter 44. Sales and Use Taxes.**

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**Sec. 43.44.010. Levy of sales and use taxes; tax rate.** (a) A sales tax is levied on the sale of goods, on the sale of real property, on rents, and on services performed for consideration ~~in the state.~~ *goods or use of*

(b) A use tax is levied on the storage, use, or consumption of ~~tangible personal property~~ *Real property* acquired on or after January 1, 2003, or on the storage, use, or consumption in the state of ~~a tangible personal property~~ or service stored, used, or consumed, the sale of which, if it had occurred in this state, would be subject to tax under (a) of this section. The use tax is not levied if the tax under (a) of this section has been paid on the property.

(c) The rate of the sales tax is three percent of the price of goods sold, the price of real property sold, rents, and the value of services performed. The rate of the use tax is three percent of the value of the ~~tangible personal property~~ or service stored, used, or consumed.

**Sec. 43.44.020. Exemptions.** The tax levied under AS 43.44.010 does not apply to

- (1) goods sold, real property sold, rents, or services performed that are
  - (A) explicitly exempted from taxation under another provision of state law; or
  - (B) exempt from taxation under federal law, including sales to the federal government, and purchases made with
    - (i) food coupons, food stamps, or other types of certificates issued under 7 U.S.C. 2011 - 2036 (Food Stamp Act); and
    - (ii) food instruments, food vouchers, or other types of certificates issued under 42 U.S.C. 1786 (special supplemental nutrition program for women, infants, and children);
- (2) sales of goods, ~~real property~~, <sup>or</sup> services for resale, including the ~~sale of property~~ *↓ Transformation* that will become an ingredient or component part of property *goods* manufactured, processed, or fabricated for resale;
- (3) electricity, natural gas, water and sewer utility services, and fuel for heating or electrical generation;
- (4) funeral, cemetery, and crematory goods and services;

1 (5) health care services provided by a person licensed or certified to  
2 provide those services under AS 08, by a public home care provider as that term is  
3 defined in AS 47.05.017(c), by a health care facility operating under a certificate of  
4 need issued under AS 18.07, by a hospital licensed under AS 18.20, or by an assisted  
5 living home licensed under AS 47.33;

6 (6) prescription drugs, devices, and supplies prescribed by a person  
7 licensed to prescribe those goods under AS 08;

8 (7) the following sales and services provided by banks, savings and  
9 loan associations, credit unions, <sup>brokerage firms</sup> and investment banks:

10 (A) services associated with any deposit accounts, including  
11 service fees, not sufficient funds fees, and attachment fees;

12 (B) fees for the purchase of bank checks, money orders,  
13 traveler's checks, and similar products for payment;

14 (C) loan fees and points associated with loan transactions;

15 (D) pass-through charges on loan transactions that include sales  
16 tax;

17 (E) services associated with the sale, exchange, or transfer of  
18 currency, stocks, bonds, and other securities; <sup>+ purchases</sup> <sup>interest earned + paid</sup>

19 (8) sales by federal, state, or local government entities;

20 (9) wages, salaries, commissions, and any other form of remuneration  
21 paid to employees for personal services;

22 (10) educational services provided by a non-exempt or exempt  
23 religious or other private school reporting to the commissioner of education and early  
24 development under AS 14.45.030 or 14.45.110(b) or by a postsecondary educational  
25 institution authorized to operate under AS 14.48;

26 (11) refined petroleum products taxed under AS 43.40;

27 (12) real estate rentals of 30 consecutive days or more;

28 (13) construction services;

29 (14) admission to museums and historic sites;

30 (15) sales made to an entity described in 2 <sup>add to</sup> U.S.C. 501(c)(3) (Internal  
31 Revenue Code) and exempt from federal income tax under 26 U.S.C. 501(a);

1 (16) sales made by an entity described in 26 U.S.C. 501(c)(3) (Internal  
2 Revenue Code) and exempt from federal income tax under 26 U.S.C. 501(a) if the  
3 income from the sale is exempt from federal income taxation;

4 (17) casual and isolated sales or rentals by a seller who does not  
5 regularly engage in the business of selling goods or services, or making rentals, but  
6 only if

7 (A) the total sales do not exceed \$1,000 a year and the sales of  
8 goods do not occur for more than 14 days in a calendar year and are not made  
9 through a dealer; or

10 (B) the sales of goods are made by a licensed business to sell  
11 business equipment used in the business and not held as inventory;

12 (18) sales of insurance and bonds of guaranty and fidelity, and  
13 commissions on those sales.

14 **Sec. 43.44.030. Maximum value or amount of transaction subject to tax.**

15 (a) The sales and use taxes levied under AS 43.44.010 shall be applied only to the first  
16 \$2,000 of each separate sale, rent, or service transaction, except as otherwise provided  
17 in this section.

18 (b) Except as provided in (f) of this section for long-term personal property  
19 leases, the payment of rent, whether for real or personal property, in excess of \$2,000  
20 and for more than one month, shall be treated as several separate transactions covering  
21 the rental or lease for one month each.

22 (c) A transaction involving payment for services to be rendered or delivered  
23 over a period of more than one month for a consideration in excess of \$2,000 shall be  
24 treated as several separate transactions occurring once each month over the period of  
25 time that the service is rendered or delivered.

26 (d) Services provided on account and billed to the purchaser on a monthly  
27 basis are subject to application of the tax on a maximum of \$2,000 of each monthly  
28 billing, for each account.

29 (e) Each night's rental of overnight accommodations for fewer than 30  
30 consecutive days total shall be considered a separate transaction and the maximum tax  
31 computation shall be calculated on a per room per night basis.

1 (f) Long-term personal property leases shall be treated as one transaction for  
2 each year and for each fractional year, or for the lease term, whichever is longer. The  
3 tax paid for a fraction of a year shall equal the tax paid for a whole year. The sales tax  
4 for the entire long-term personal property lease shall be due and collected at the time  
5 of the first payment. The taxes may not be refunded if the lease terminates earlier than  
6 on its terms. An extension of the initial lease term shall be treated as a new long-term  
7 personal property lease. For purposes of this subsection, a long-term personal  
8 property lease is a lease that grants use of the property for a period of more than one  
9 month; a long-term personal property lease does not include month-to-month rental  
10 agreements.

11 **Sec. 43.44.040. Collection of sales tax.** (a) A seller shall add the amount of  
12 the tax levied by this chapter to the total price of goods, rentals, or services subject to  
13 the tax, and the tax shall be stated separately on any sales receipt, invoice, or other  
14 record of the sale or rental, except as provided in (d) of this section.

15 (b) A seller shall collect the tax from the purchaser and remit the tax collected  
16 to the department not later than 30 days following the last day of the month in which  
17 the tax was collected.

18 (c) A seller remitting the tax collected under this chapter to the department  
19 within 30 days after the last day of the month in which the tax was collected and filing  
20 a complete and timely return on a form prescribed by the department may retain one  
21 percent of the amount collected to cover expenses associated with collecting and  
22 remitting the tax.

23 (d) A person may not include the tax in the sales price except for sales by  
24 coin-operated devices, sales of food and beverages at concession stands, bars, and  
25 movable vendor carts, metered sales where the sales price is computed by the metering  
26 device, general admission tickets and cover charges to places of amusement, parks,  
27 movies, plays, concerts, bars, and other events, and as otherwise determined or  
28 allowed by the department.

29 **Sec. 43.44.050. Payment of use tax.** A buyer subject to the use tax shall  
30 remit the tax to the department not later than 30 days following the last day of the  
31 month in which the taxable storage, use, or consumption occurs.

1           **Sec. 43.44.060. Accounting.** The department shall deposit the proceeds of the  
2 sales and use tax levied under this chapter in the general fund of the state.

3           **Sec. 43.44.070. Exemption certificate.** The department shall provide for an  
4 exemption certificate for a purchaser who is exempt from payment of the tax under  
5 AS 43.44.020(2) or (15). The purchaser shall present the original exemption  
6 certificate or a copy to the seller. The certificate must include the name and address of  
7 the purchaser and a signature line for the purchaser. The exemption certificate for a  
8 purchaser exempt under AS 43.44.020(2) must also describe

9                   (1) the general character of property or service sold by the purchaser in  
10 its regular course of business; and

11                   (2) the property or service purchased for resale.

12           **Sec. 43.44.080. Nexus.** (a) A business that has nexus with Alaska for sales  
13 tax purposes but is not required to hold a business license under AS 43.70 must  
14 register with the department for the collection and remittance of the sales and use tax  
15 under this chapter.

16                   (b) To the fullest extent permitted by the Constitution of the United States, a  
17 person that takes advantage of an economic market or opportunity in the state and that  
18 possesses a legally sufficient minimum contact with the state and a substantial nexus  
19 with the state, regardless of whether the person has a physical presence in the state,  
20 shall collect the sales and use taxes imposed by this chapter and remit the taxes to the  
21 department as required by this chapter.

22   \* **Sec. 9.** The uncoded law of the State of Alaska is amended by adding a new section to  
23 read:

24           **TRANSITION: REGULATIONS.** The Department of Revenue may proceed to adopt  
25 regulations necessary to implement the provisions of this Act. The regulations take effect  
26 under AS 44.62 (Administrative Procedure Act), but not before the effective date of the  
27 provision being implemented. In adopting regulations, the department shall strive for  
28 consistency with the Streamlined Sales Tax Project.

29   \* **Sec. 10.** Section 9 of this Act takes effect immediately under AS 01.10.070(c).

30   \* **Sec. 11.** Except as provided in sec. 10 of this Act, this Act takes effect January 1, 2003.

*Hild*AMENDMENT~~3~~ 4

OFFERED IN THE HOUSE

TO: CSHB 303, Draft Version "W"

1 Page 4, line 3 . through page 5, line 2:

2 Delete all material and insert:

3 "(c) The rate of the sales tax shall be applied to the price of goods sold, the  
4 price of real property sold, rents, and the value of services performed. The rate of the  
5 use tax shall be applied to the value of the goods or services stored, used, or  
6 consumed. The applicable tax rate for a calendar year is:

7 (1) zero if the average price of Alaska crude oil, West Coast delivery  
8 for the most recent 24-month period beginning October 1 and ending September 30  
9 was more than \$28 a barrel;

10 (2) one-half of one percent if the average price of Alaska crude oil,  
11 West Coast delivery for the most recent 24-month period beginning October 1 and  
12 ending September 30 was more than \$27 a barrel, but not more than \$28;

13 (3) one percent if the average price of Alaska crude oil, West Coast  
14 delivery for the most recent 24-month period beginning October 1 and ending  
15 September 30 was more than \$26 a barrel, but not more than \$27;

16 (4) one and one-half percent if the average price of Alaska crude oil,  
17 West Coast delivery for the most recent 24-month period beginning October 1 and  
18 ending September 30 was more than \$25 a barrel, but not more than \$26;

19 (5) two percent if the average price of Alaska crude oil, West Coast  
20 delivery for the most recent 24-month period beginning October 1 and ending  
21 September 30 was more than \$24 a barrel, but not more than \$25;

22 (6) two and one-half percent if the average price of Alaska crude oil,  
23 West Coast delivery for the most recent 24-month period beginning October 1 and

1 ending September 30 was more than \$23 a barrel, but not more than \$24;

2 (7) three percent if the average price of Alaska crude oil, West Coast  
3 delivery for the most recent 24-month period beginning October 1 and ending  
4 September 30 was not more than \$23.

5 (d) As soon as practicable after September 30 of each year, the department  
6 shall publish the applicable tax rate under this section for the following calendar year."

passed  
8-3

3/25/02

22-LS1206\W.1  
Kurtz  
3/25/02

AMENDMENT \

OFFERED IN THE HOUSE

TO: CSHB 303(FIN), Draft Version "W"

1 Page 4, line 31, through page 5, line 2:

2 Delete all material and insert:

3 "(c) The rate of the sales tax shall be applied to the price of goods sold, the  
4 price of real property sold, rents, and the value of services performed. The rate of the  
5 use tax shall be applied to the value of the goods or services stored, used, or  
6 consumed. The applicable tax rate for a calendar year is:

7 (1) three percent if, on September 30 of the previous year, the  
8 unaudited balance in the budget reserve fund created by art. IX, sec. 17, Constitution  
9 of the State of Alaska, was equal to or less than \$2,000,000,000;

10 (2) two percent if, on September 30 of the previous year, the unaudited  
11 balance in the budget reserve fund created by art. IX, sec. 17, Constitution of the State  
12 of Alaska, was more than \$2,000,000,000 but not more than \$2,500,000,000;

13 (3) one percent if, on September 30 of the previous year, the unaudited  
14 balance in the budget reserve fund created by art. IX, sec. 17, Constitution of the State  
15 of Alaska, was more than \$2,500,000,000; but not more than \$3,000,000,000; or

16 (4) zero if, on September 30 of the previous year, the unaudited  
17 balance in the budget reserve fund created by art. IX, sec. 17, Constitution of the State  
18 of Alaska, was more than \$3,000,000,000. ] DELETE

19 (d) As soon as practicable after September 30 of each year, the department  
20 shall publish the applicable tax rate under this section for the following calendar year."

Adopted

22-LS1206 W.1  
Kurtz  
3/25/02

AMENDMENT \

OFFERED IN THE HOUSE

TO: CSHB 303(FIN), Draft Version "W"

1 Page 4, line 31, through page 5, line 2:

2 Delete all material and insert:

3 "(c) The rate of the sales tax shall be applied to the price of goods sold, the  
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8 unaudited balance in the budget reserve fund created by art. IX, sec. 17, Constitution  
9 of the State of Alaska, was equal to or less than \$2,000,000,000;

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15 of Alaska, was more than \$2,500,000,000; but not more than \$3,000,000,000; or

16 (4) zero if, on September 30 of the previous year, the unaudited  
17 balance in the budget reserve fund created by art. IX, sec. 17, Constitution of the State  
18 of Alaska, was more than \$3,000,000,000.

19 (d) As soon as practicable, <sup>September</sup> September 30 of each year, the department  
20 shall publish the applicable tax rate under this section for the following calendar year."

AMENDMENT 2

OFFERED IN THE HOUSE

TO: CSHB 303, Draft Version "W"

1 Page 7, line 3, following "sales":

2 Insert ";

3 (19) sales of goods, sales of real property, rents, and services  
4 performed for consideration, and storage, use, or consumption in the state of goods or  
5 a service stored, used, or consumed, on or after October 1 and before April 1 of the  
6 following year"

W/D

22-LS1206 W.3  
Kurtz  
3 25 02

AMENDMENT 3

OFFERED IN THE HOUSE

TO: CSHB 303, Draft Version "W"

1 Page 4, line 31, through page 5, line 2:

2 Delete all material and insert:

3 "(c) The rate of the sales tax shall be applied to the price of goods sold, the  
4 price of real property sold, rents, and the value of service performed. The rate of the  
5 use tax shall be applied to the value of the goods or services stored, used, or  
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11 West Coast delivery for the most recent 24-month period beginning October 1 and  
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15 September 30 was more than \$26 a barrel, but not more than \$27;

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17 West Coast delivery for the most recent 24-month period beginning October 1 and  
18 ending September 30 was more than \$25 a barrel, but not more than \$26;

19 (5) two percent if the average price of Alaska crude oil, West Coast  
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21 September 30 was more than \$24 a barrel, but not more than \$25;

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23 West Coast delivery for the most recent 24-month period beginning October 1 and

1 ending September 30 was more than \$23 a barrel, but not more than \$24;

2 (7) three percent if the average price of Alaska crude oil, West Coast  
3 delivery for the most recent 24-month period beginning October 1 and ending  
4 September 30 was not more than \$23.

5 (d) As soon as practicable after September 30 of each year, the department  
6 shall publish the applicable tax rate under this section for the following calendar year."

3-8

~~Delta~~

Failed

22-LS1206\W.2  
Kurtz  
3/25/02

AMENDMENT

~~2~~ 3

OFFERED IN THE HOUSE

TO: CSHB 303, Draft Version "W"

1 Page 7, line 3, following "sales":

2 Insert ";

3 (19) sales of goods, sales of real property, rents, and services  
4 performed for consideration, and storage, use, or consumption in the state of goods or  
5 a service stored, used, or consumed, on or after October 1 and before April 1 of the  
6 following year"

# ALASKA STATE AFL-CIO

2501 Commercial Drive · Anchorage, Alaska 99501 · 907-258-6284 · Fax 274-0570

MANO FREY  
Executive President



BRUCE LUDWIG  
Secretary / Treasurer

March 21, 2002

To: The Alaska Legislature,

There are numerous reasons for the state to implement an Income Tax – just like the old days, instead of a sales tax:

- The most onerous tax for the poor and disadvantaged is the sales tax. For necessities of life they will pay the same in taxes as the wealthy. That is not fair!!
- A sales tax is not tax deductible. An income tax is fairer for those who itemize their federal tax returns.
- The communities in Alaska that have a tax, other than property tax, utilize a sales tax. In Wrangell they have a seven percent (7%) sales tax. If the state initiates an additional three percent (3%) the people in that community would be paying **TEN PERCENT (10%) IN TAXES! UNBELIEVEABLE**
- The thousands of non-residents working in Alaska would pay little or no sales taxes. Because they buy so few products in Alaska. We, as a state, could at least recapture from them some of the cost of infrastructure that is spent on them now if they were paying an income tax.
- We could truthfully say, as we testify at Legislative hearings "as a tax payer". We cannot say that now.

Just a few thoughts – I will be happy to expand these points.

Thank you,

Mano Frey  
Executive President  
Alaska AFL-CIO



**DON VALESKO**  
Business Manager/  
Secretary-Treasurer

**JIM ASHTON**  
Assistant Business Manager

**HEADQUARTERS**  
2510 Arctic Blvd.  
Anchorage, Alaska 99503  
FAX (907) 279-7171  
(907) 276-7211

2122 Airport Way  
Fairbanks, Alaska 99701  
FAX (907) 456-1771  
(907) 452-5024

710 West 9th Street  
Juneau, Alaska 99901  
FAX (907) 586-5757  
(907) 586-6993

March 21, 2002

Dear Members of the Alaska State Legislature,

I believe the mechanism by which the new revenues are derived should be generated in complete fairness to all working Alaskans. I want to urge you to seriously consider an income tax as the best option for fulfilling the revenue needs of our state government needs.

A sales tax has a much greater adverse effect upon those who make less while having a far lesser impact upon those in higher income brackets. It really is regressive when you think of the purchasing power that someone on a minimum wage has compared to someone with the ability to earn a comfortable living.

If an income tax were enacted, we would also be realizing revenue from many seasonal and non-resident workers who enjoy working in Alaska while residing in another state. It's a common fact that many oil field, fishermen and other workers barely spend a thin dime in our great state while enjoying the benefits of our state operated airports, highway systems, and public safety measures.

Too often those same seasonal and non-resident workers have their paychecks deposited in an outside bank. If a sales tax were enacted, their yearly total expenditures in Alaska would probably amount to less revenue generated than that of a typical tourist.

I sincerely hope that you come to the conclusion that a progressive income tax will enhance revenues from everyone who shares in Alaska's wealth and lucrative employment far better than a regressive sales tax, which would hurt our lower income working Alaskans and their families.

Thank you for your consideration. If you have any questions, please do not hesitate to call upon me.

Sincerely,

Don Valesko  
Business Manager



## Anchorage Central Labor Council AFL-CIO

Valerie Baffone  
President

P.O. Box 91136  
Anchorage, AK 99509-1136  
(907) 276-7211  
(907) 279-7171 Fax  
Email: val@local71.com

March 21, 2002

The Honorable Elden Mulder and  
The Honorable Bill Williams  
Co-Chairmen  
House Finance Committee  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear House Finance Committee Members:

The issue of Alaska's fiscal gap is of major concern to working Alaskans. We fully recognize the need for the state to resolve this issue.

The Anchorage Central Labor Council supports the implementation of a statewide income tax in order to help pay for state services. An income tax based on adjusted federal taxes would help to capture lost income from out-of-state workers and have the added benefit of being a deductible expense from federal income tax.

We commend the committee in its efforts to address this problem. The time has indeed come for our leadership to "step up to plate" and address the issue of revenue increases and redistribution of existing state funds.

Sincerely,

Valerie K. Baffone  
President  
Anchorage Central Labor Council



## United Food & Commercial Workers Union Local 1496

501 W. Northern Lights Blvd., Suite 200, Anchorage, AK 99503 (907) 258-1496 Toll Free 1-800-478-1496 Fax (907) 276-1798

FAIRBANKS BRANCH: P.O. Box 71349, Fairbanks, AK 99707 (907) 456-6571 Fax (907) 456-2392 [www.alaska.net/~ulcw1496](http://www.alaska.net/~ulcw1496)

**WALTER E. STUART**  
President

**PETE BOEHLEN**  
Secretary-Treasurer

March 21, 2002

Alaska State Legislature  
Attention: Finance Committee

Dear Committee Members:

I am writing to let you know that I support a state income tax as the most favorable and beneficial way to create more revenue for Alaska. I believe that a state income tax makes the most sense of the options that are available to implement.

Sincerely,

A handwritten signature in cursive script that reads 'Walter E. Stuart'.

Walter E. Stuart  
President  
UFCW Local 1496

WES/ds



# Inlandboatmen's Union of the Pacific

MARINE DIVISION -- INTERNATIONAL LONGSHORE & WAREHOUSE UNION  
 NATIONAL OFFICE • 1711 W. NICKERSON ST. STE. D • SEATTLE, WA 98119 • (206) 284-6001 • FAX: (206) 284-5043



## Memo

March 21, 2002

**To:** Members of the Legislative Finance Committee

**From:** Inlandboatmen's Union of the Pacific

**Re:** Additional Revenue Sources

On behalf of the members of the Inlandboatmen's Union of the Pacific who reside throughout the State of Alaska we wish to inform the Legislative Finance Committee that we support a statewide income tax. There is no fairer way to spread the cost of government than to address it to all those that find and receive work within Alaska. As you are aware there are substantial amounts of seasonal workers who take advantage of our public resources and services that both municipal and State Government provides to all residents. But it is our year round residents that end up with the cost through property taxes and cuts to our State Government Budget. We, the life-long, year-round residents of Alaska believe we need to seek other sources of revenue and not depend on the taxation of oil as our sole source of income.

A sales tax is not an appropriate option. A sales tax should be left for our municipalities to fund the further cuts to their subsidies. A sales tax will adversely affect those that can not afford it the most, our working class families. They are our backbone of our State and to allow us to be straddled with the increases to the cost of government in the years ahead is not what this State needs. What we need is our responsible leadership in our Legislature to make history-making decisions this year. Decisions to act now with a fiscal responsible budget and not more budget cutting.

Sincerely,

Darryl Tseu, Regional Director  
 Alaska Region

### REGIONAL OFFICES

**PUERT BOUND**  
 1 W. Nickerson, Ste. D  
 Seattle, WA 98119  
 (206) 284-6040  
 NY: (206) 284-5043

**REGION 37**  
 1711 W. Nickerson, Ste. D  
 Seattle, WA 98119  
 (206) 284-5321  
 FAX: (206) 284-5043

**COLUMBIA RIVER**  
 2435 NW Front Ave.  
 Portland, OR 97209  
 (503) 228-8000  
 FAX: (503) 223-2836

**SAN FRANCISCO**  
 430 Harrison Street  
 San Francisco, CA 94106  
 (415) 898-1234  
 FAX: (415) 898-1298

**HAWAII**  
 1001 Dillingham Blvd., Rm 217  
 Honolulu, HI 96817  
 (808) 847-0611  
 FAX: (808) 847-8061

**SOUTHERN CALIFORNIA**  
 1811 N. Gaffey, Ste. A-6  
 San Pedro, CA 90721  
 (310) 521-9003  
 FAX: (310) 521-9094

**KETCHIKAN**  
 Post Office Box 6300  
 Ketchikan, AK 99901  
 (907) 225-6360  
 FAX: (907) 225-8668

**JUNEAU**  
 3017 Clinton Drive, Ste 201  
 Juneau, AK 99801  
 (907) 780-8644  
 FAX: (907) 780-8646

Income Tax vs. Sales Tax

	Income							
	lower limit	-	20	30	50	75	100	200
	upper limit	20	30	50	75	100	200	
	mean	10	25	40	60	88	150	400
<b>Income Tax (HB 413)</b>								
number of returns	327,510	142,308	38,368	54,758	43,651	24,213	20,174	4,038
total tax liability (000)	1,899,496	54,658	68,910	212,533	318,641	303,884	479,292	461,578
average tax liability	5,800	384	1,796	3,881	7,300	12,550	23,758	114,309
state tax per return	20%	77	359	776	1,460	2,510	4,752	22,862
<b>Total State Revenue (000)</b>	<b>379,899</b>	<b>10,932</b>	<b>13,782</b>	<b>42,507</b>	<b>63,728</b>	<b>60,777</b>	<b>95,858</b>	<b>92,316</b>
	379,899		24,714			167,012		188,174
DOR Projections 2/27/02	376,360		21,178			167,008		188,174
Note: DOR projections exclude returns with income less than \$10,000								
% Returns		43%	12%	17%	13%	7%	6%	1%
% Liability		3%	4%	11%	17%	16%	25%	24%
this percent of returns pay		43%	55%	72%	85%	93%	99%	100%
this percent of the revenue		3%	7%	18%	34%	50%	76%	100%
<b>Sales Tax (HB 303)</b>								
average gross income		10,000	25,000	40,000	60,000	88,000	150,000	400,000
federal tax		(384)	(1,796)	(3,881)	(7,300)	(12,550)	(23,758)	(114,309)
disposable income		9,616	23,204	36,119	52,700	75,450	126,242	285,691
% spent on taxable items		56%	53%	49%	46%	46%	45%	43%
taxable spending		5,411	12,203	17,752	24,207	34,657	56,248	123,472
state sales tax	3.0%	162	366	533	726	1,040	1,687	3,704
total paid by Alaskans (000)	172,182	23,100	14,046	29,162	31,700	25,174	34,042	14,957
nonresidents	15%							
<b>Total State Revenue (000)</b>	<b>198,009</b>							
% in income bracket		43%	12%	17%	13%	7%	6%	1%
% Liability		12%	7%	15%	16%	13%	17%	8%
this percent of Alaskans pay		43%	55%	72%	85%	93%	99%	100%
this percent of the revenue		12%	19%	33%	49%	62%	79%	87%
<b>Individual Comparison</b>								
sales tax	3%	162	366	533	726	1,040	1,687	3,704
income tax	20%	77	359	776	1,460	2,510	4,752	22,862
pay more under income tax		(86)	(7)	244	734	1,470	3,064	19,158

Income Tax vs. Sales Tax

	income	taxable					
	53,028						
	6,964	6,964					
	591	591					
	6,360						
	3,264						
	2,485						
	1,096						
	900	900					
	738	738					
	2,661	2,661					
	2,490	2,490					
	4,276						
	1,334						
	3,172	3,172					
	1,030						
	2,530						
	3,392	3,392					
	710	710					
	274	274					
	701	701					
	468	468					
	1,297	1,297					
	1,837						
	4,459						
	53,029	24,358	46%				
		3%					
		731	tax paid				

Table 24. Selected western metropolitan statistical areas: Average annual expenditures and characteristics, Consumer Expenditure Survey, 1999-2000

Item	All consumer units in the West	Los Angeles	San Francisco	San Diego	Portland	Seattle	Honolulu	Anchorage	Phoenix	Denver
Number of consumer units (in thousands) ....	24,158	5,377	2,757	878	1,044	1,430	294	101	1,223	1,106
Consumer unit characteristics:										
Income before taxes <sup>1</sup> .....	\$47,086	\$52,776	\$64,818	\$52,898	\$49,035	\$51,292	\$51,906	\$54,506	\$47,492	\$55,168
Age of reference person .....	46.6	47.1	47.6	47.5	47.3	48.5	52.6	43.9	47.2	44.4
Average number in consumer unit:										
Persons .....	2.6	2.8	2.5	2.6	2.5	2.4	2.7	2.6	2.5	2.5
Children under 18 .....	.7	.8	.6	.7	.7	.6	.6	.8	.7	.7
Persons 65 and over .....	.3	.3	.3	.3	.2	.3	.4	.2	.3	.2
Cars .....	1.4	1.5	1.4	1.4	1.4	1.4	1.5	1.5	1.3	1.5
Vehicles .....	2.0	1.9	1.8	2.0	2.2	2.3	1.6	2.5	1.8	2.3
Percent homeowner .....	60	52	60	55	64	64	56	60	64	64
Average annual expenditures .....										
Food .....	\$41,933	\$44,748	\$55,040	\$47,338	\$44,331	\$43,602	\$41,972	\$53,028	\$41,991	\$46,002
Food at home .....	5,508	5,490	7,442	5,243	5,655	6,543	5,771	6,964	5,486	5,676
Food away from home .....	3,257	3,187	4,355	2,725	3,362	3,839	3,278	4,400	2,895	3,279
Cereals and bakery products .....	482	455	681	422	527	573	485	604	453	489
Meats, poultry, fish, and eggs .....	807	870	1,106	650	750	902	828	1,044	828	808
Dairy products .....	355	342	420	286	378	409	308	466	348	347
Fruits and vegetables .....	588	604	800	496	568	741	649	794	520	561
Other food at home .....	1,025	917	1,349	871	1,139	1,213	1,009	1,557	946	1,073
Food away from home .....	2,250	2,303	3,086	2,518	2,293	2,703	2,493	2,498	2,591	2,397
Alcoholic beverages .....	407	337	781	406	519	427	409	591	467	621
Housing .....	14,086	16,550	19,682	17,011	14,654	14,644	14,084	17,504	13,123	15,773
Shelter .....	8,746	10,203	12,963	10,996	9,095	9,489	9,717	10,720	7,793	10,110
Owned dwellings .....	5,393	5,958	8,266	6,423	6,100	5,781	5,704	6,360	4,974	5,910
Rented dwellings .....	2,788	3,828	3,963	4,102	2,359	2,896	3,404	3,264	2,341	2,916
Other lodging .....	565	507	734	471	636	812	610	1,096	478	1,284
Utilities, fuels, and public services .....	2,202	2,290	2,226	2,104	2,344	2,225	2,113	2,485	2,599	2,311
Household operations .....	864	1,429	1,477	1,013	812	660	630	900	577	794
Housekeeping supplies .....	492	481	595	479	451	636	497	738	538	473
Household furnishings and equipment .....	1,781	2,056	2,421	2,419	1,953	1,634	1,127	2,661	1,616	2,084
Apparel and services .....	2,021	2,450	3,137	2,020	1,517	1,917	1,974	2,490	1,979	2,178
Transportation .....	7,873	7,701	9,726	9,982	7,800	7,401	5,775	9,812	8,858	8,340
Vehicle purchases (net outlay) .....	3,462	2,933	4,409	5,323	3,304	2,766	1,553	4,278	4,223	3,257
Gasoline and motor oil .....	1,291	1,383	1,424	1,349	1,248	1,300	1,071	1,334	1,118	1,196
Other vehicle expenses .....	2,605	2,924	2,992	2,684	2,658	2,657	2,101	3,172	2,965	3,141
Public transportation .....	515	461	900	625	590	679	1,050	1,030	552	746
Health care .....	1,982	1,833	2,030	1,927	1,984	2,514	2,211	2,530	2,168	2,045
Entertainment .....	2,181	1,962	2,290	2,888	2,718	2,301	1,997	3,392	2,042	2,548
Personal care products and services .....	582	674	692	669	48	579	702	710	627	599
Reading .....	173	148	230	210	2	209	182	274	181	193
Education .....	701	695	967	575	824	609	906	701	562	617
Tobacco products and smoking supplies .....	239	204	222	249	239	366	230	468	261	324
Miscellaneous .....	957	1,220	1,023	768	832	930	978	1,297	883	1,075
Cash contributions .....	1,297	1,447	904	810	2,265	1,061	1,926	1,837	1,584	1,103
Personal insurance and pensions .....	3,927	4,038	5,915	4,580	4,623	4,100	4,826	4,459	3,770	4,909
Life and other personal insurance .....	356	370	354	545	378	421	655	496	364	524
Pensions and Social Security .....	3,571	3,668	5,561	4,035	4,245	3,679	4,171	3,963	3,406	4,385

<sup>1</sup> Components of income and taxes are derived from "complete income reporters" only; see glossary.

# Selected Historical and Other Data

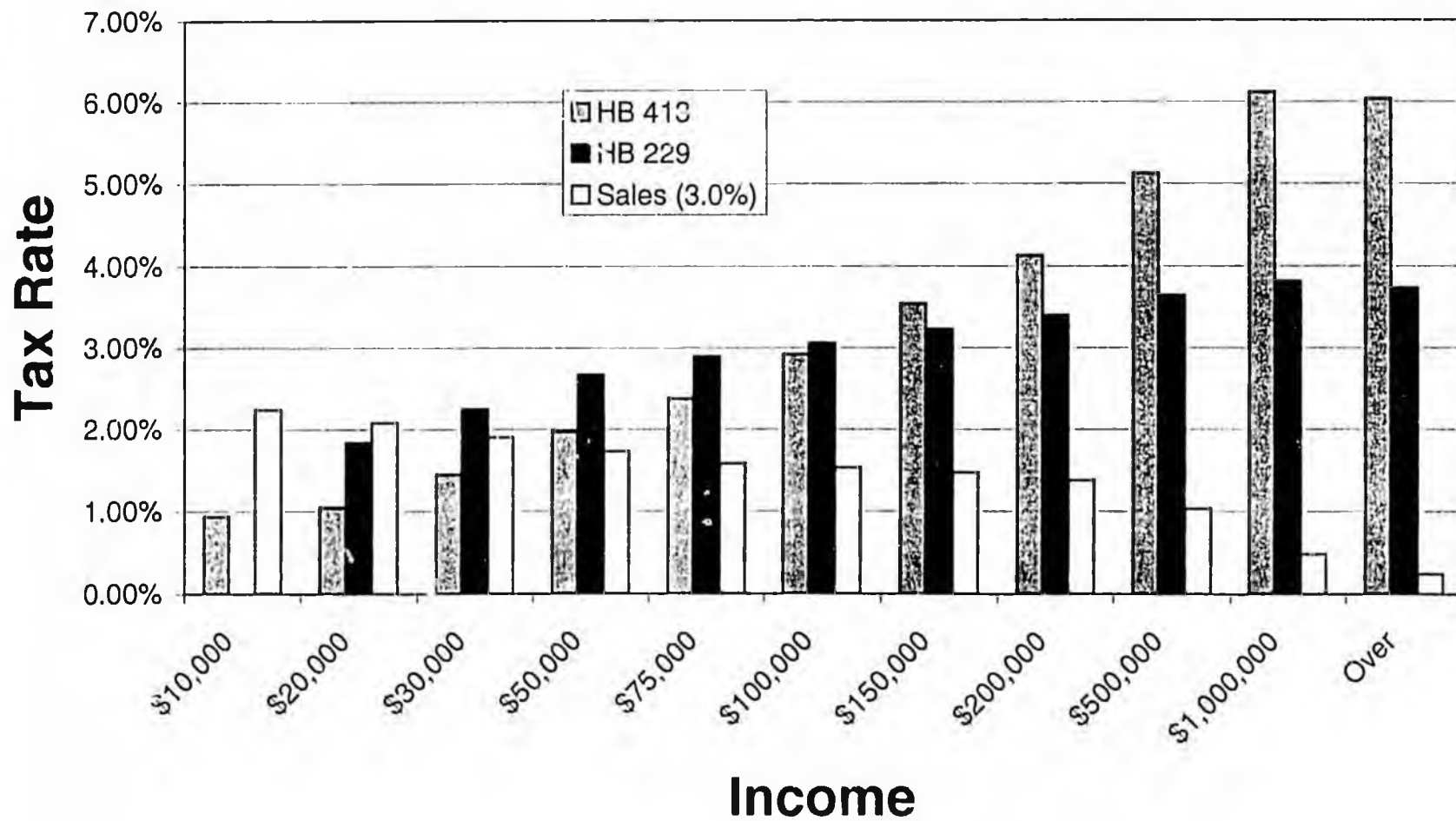
**Table 2.--Individual Income and Tax Data, by State and Size of Adjusted Gross Income, Tax Year 1999--Continued**

(Money amounts are in thousands of dollars)

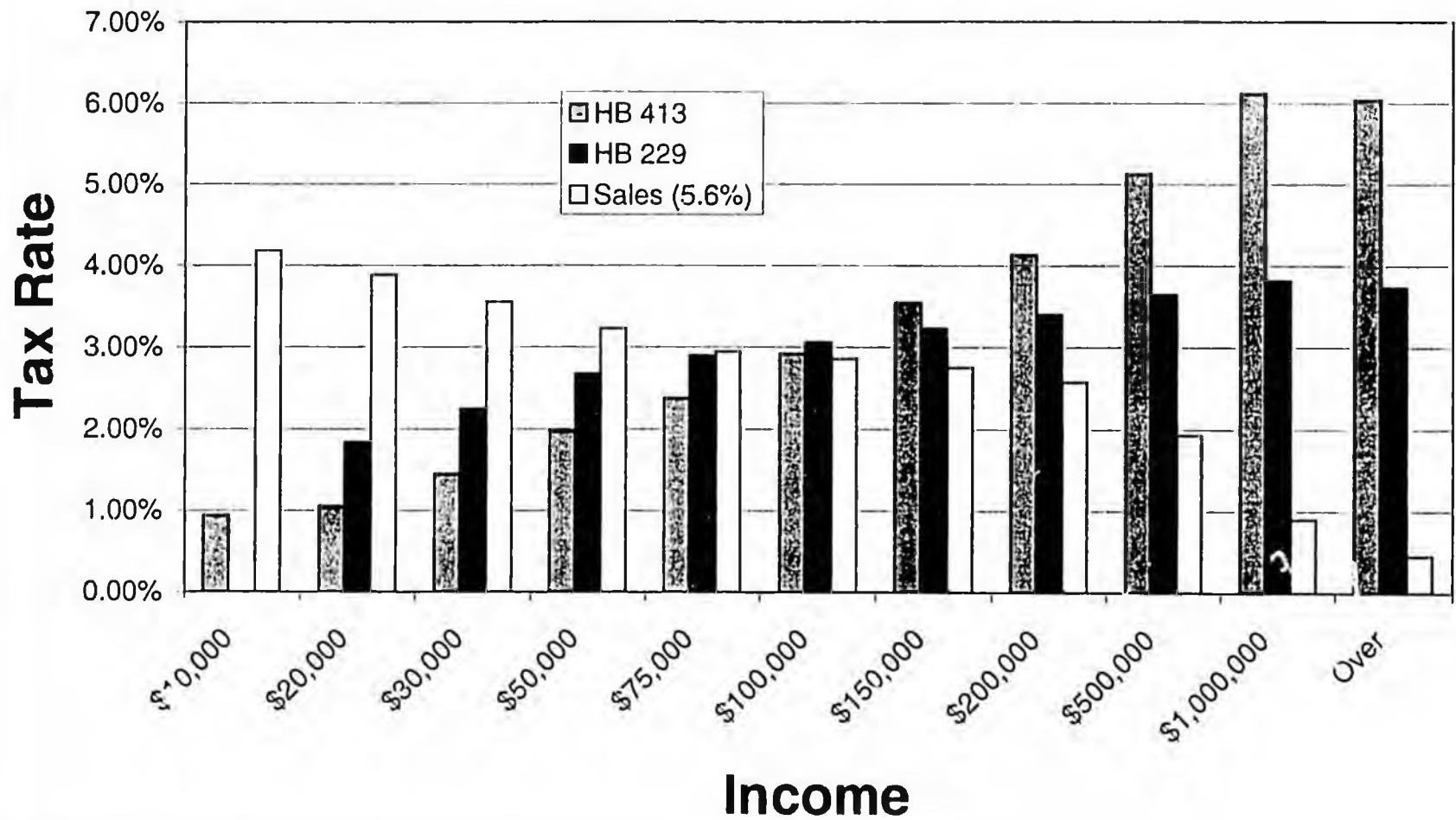
State and item	All returns	Size of adjusted gross income						
		Under \$20,000 <sup>1</sup>	\$20,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$75,000	\$75,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>ALASKA</b>								
Number of returns.....	327,510	142,308	38,388	54,758	43,651	24,213	20,174	4,038
Number of joint returns.....	114,889	10,461	10,187	22,818	29,707	20,485	17,790	3,481
Number with paid preparer's signature.....	152,273	57,181	17,455	28,249	22,804	13,160	12,119	3,295
Number of exemptions <sup>2</sup> .....	628,223	178,085	74,447	119,754	116,842	70,858	58,980	11,277
Adjusted gross income (AGI) <sup>3</sup> .....	13,047,086	814,333	951,183	2,155,628	2,879,870	2,081,488	2,595,511	1,068,128
Salaries and wages in AGI: <sup>4</sup> Number.....	255,982	88,372	34,288	49,838	39,705	22,371	18,323	3,298
Amount.....	9,142,495	898,604	737,304	1,889,913	2,053,814	1,587,358	1,774,064	601,440
Taxable interest: <sup>5</sup> Number.....	173,197	50,474	16,182	31,327	32,337	20,440	18,531	3,818
Amount.....	289,711	29,028	16,323	32,740	45,295	37,338	61,902	78,084
Tax-exempt interest: <sup>6</sup> Number.....	8,600	1,197	479	996	1,478	1,289	2,122	1,039
Amount.....	54,924	2,537	2,198	3,645	6,838	6,097	12,248	21,357
Dividends: <sup>7</sup> Number.....	88,444	28,009	8,787	13,781	15,374	10,695	12,480	3,308
Amount.....	221,880	23,883	9,958	21,038	28,687	23,810	47,413	87,338
Business or profession net income (less loss): <sup>8</sup>								
Number.....	55,937	15,071	6,018	10,477	10,374	5,955	5,865	1,474
Amount.....	611,073	20,890	38,586	76,323	94,887	72,807	153,889	153,901
Number of farm returns.....	1,271	241	83	196	254	174	243	78
Net capital gain (less loss) in AGI: <sup>9</sup> Number.....	69,334	17,883	4,824	10,110	12,654	9,352	11,407	3,304
Amount.....	864,867	28,537	10,778	28,345	49,719	54,628	158,833	337,948
Taxable Individual Retirement Arrangements Distributions: <sup>10</sup> Number.....	13,945	1,438	1,184	2,798	3,534	2,803	2,076	318
Amount.....	154,118	6,024	8,128	18,583	31,580	29,956	45,375	18,473
Pensions and annuities in AGI: <sup>11</sup> Number.....	42,830	6,338	4,587	6,646	9,695	6,533	5,902	931
Amount.....	814,880	44,881	50,984	137,395	188,638	159,363	184,896	38,843
Social Security benefits in AGI: <sup>12</sup> Number.....	18,597	334	1,975	4,370	4,282	2,232	1,885	539
Amount.....	120,739	1,061	3,631	22,820	40,829	23,731	21,203	7,376
Total statutory adjustments: <sup>13</sup> Number.....	64,229	18,863	8,874	14,185	12,228	5,528	5,638	1,962
Amount.....	150,270	13,575	11,774	23,820	28,493	17,980	33,126	23,421
Self-employment retirement plan: <sup>14</sup> Number.....	4,061	144	169	434	748	709	1,237	810
Amount.....	33,960	377	520	1,859	3,548	4,246	12,701	10,910
Total itemized deductions: <sup>15</sup> Number.....	78,633	3,880	4,340	14,878	21,408	18,179	16,462	2,796
Amount.....	1,158,768	46,271	46,450	163,772	281,448	241,749	278,979	101,095
Medical and dental expenses: <sup>16</sup> Number.....	10,135	2,119	1,438	2,878	2,353	807	542	39
Amount.....	54,479	12,801	7,096	12,852	11,340	5,174	4,511	706
Taxes paid: <sup>17</sup> Number.....	74,919	3,208	3,648	13,828	20,495	16,796	15,181	2,775
Amount.....	199,488	8,000	8,778	28,217	45,823	41,632	51,629	21,308
Interest paid: <sup>18</sup> Number.....	72,334	2,934	3,853	13,150	20,017	15,428	14,624	2,530
Amount.....	642,600	20,009	23,128	90,860	164,884	140,705	164,400	48,816
Contributions: <sup>19</sup> Number.....	65,208	2,176	3,081	11,259	17,594	14,224	14,278	2,819
Amount.....	198,057	3,420	5,870	21,628	40,333	37,449	53,812	35,847
Taxable income: <sup>20</sup> Number.....	292,159	108,137	37,432	54,570	43,609	24,204	20,189	4,038
Amount.....	9,538,878	390,357	621,434	1,432,939	1,936,543	1,590,803	2,121,925	1,342,378
Total tax credits: <sup>21</sup> Number.....	93,834	18,789	13,860	21,479	20,627	12,551	7,170	1,378
Amount.....	80,793	5,983	10,111	20,839	22,288	12,872	8,675	3,225
Child care credit: <sup>22</sup> Number.....	14,182	773	1,877	3,428	3,880	2,417	1,755	262
Amount.....	5,921	218	650	1,399	1,817	1,114	810	123
Earned income credit: <sup>23</sup> Number.....	30,374	22,232	7,973	189	--	--	--	--
Amount.....	40,058	32,748	7,298	11	--	--	--	--
Excess earned income credit (refundable): <sup>24</sup>								
Number.....	21,952	19,435	4,487	30	--	--	--	--
Amount.....	32,709	28,485	4,222	2	--	--	--	--
Income tax: <sup>25</sup> Number.....	282,325	102,931	34,075	53,403	43,618	24,185	20,186	4,037
Amount.....	1,898,478	54,858	68,910	212,533	318,641	303,864	479,292	461,578
Total tax liability: <sup>26</sup> Number.....	200,648	109,181	36,098	53,828	43,558	24,189	20,188	4,038
Amount.....	2,008,015	85,455	77,258	229,489	330,015	318,662	503,051	475,214
Tax due at time of filing: <sup>27</sup> Number.....	128,786	65,427	9,551	15,489	14,855	10,570	10,892	2,302
Amount.....	288,081	20,878	10,484	25,128	34,523	33,883	65,604	75,384
Overpayments: <sup>28</sup> Number.....	182,908	88,313	27,874	37,940	27,504	12,657	7,892	818
Amount.....	286,441	89,277	38,950	58,542	60,085	31,790	28,374	13,413

See notes at end of this section.

## Average Tax Rates at Various Levels of Income



## Average Tax Rates at Various Levels of Income



Tax Year 1999, United States Selected Income and Tax Items for Individual Income Tax Returns: Forms 1040, 1040A & 1040EZ.

By State and Size of Adjusted Gross Income, Filing/Processing Period: January 1, 2000 to December 31, 2000

(Amounts are in thousands of dollars)

Alaska	Total Returns	Size of Adjusted Gross Income										
		\$0-\$10,000	\$10,000-\$20,000	\$20,000-\$30,000	\$30,000-\$50,000	\$50,000-\$75,000	\$75,000-\$100,000	\$100,000-\$150,000	\$150,000-\$200,000	\$200,000-\$500,000	\$500,000-\$1,000,000	\$1,000,000 and Over
		Under \$10,000	Under \$20,000	Under \$30,000	Under \$50,000	Under \$75,000	Under \$100,000	Under \$150,000	Under \$200,000	Under \$500,000	Under \$1,000,000	Over
1 Returns Count	325,204	92,596	47,406	38,368	54,758	43,651	24,213	16,249	3,925	3,356	486	196
2 AGI Amount	13,210,727	373,924	704,049	951,163	2,155,626	2,679,870	2,081,458	1,925,253	670,258	952,339	328,253	388,534
3 Average AGI	40.623	4.038	14.851	24.791	39.366	61.393	85.964	118.484	170.766	283.772	675.418	1,982.316
4												
5 Taxable Income:												
6 Number of Returns	224,567	**	40,545	37,432	54,570	43,609	24,204	16,246	3,923	3,356	486	196
7 Amount	9,424,788	**	276,668	521,434	1,432,939	1,938,543	1,590,903	1,552,844	569,081	866,932	313,009	362,435
8 Average Taxable Income			6.824	13.930	26.259	44.453	65.729	95.583	145.061	258.323	644.051	1,849.158
9												
10 Federal Income Tax:												
11 Amount	1,899,365	17,568	36,979	68,910	212,533	318,641	303,864	340,888	138,404	243,956	100,375	117,247
12 Average Tax	5.841	0.190	0.780	1.796	3.881	7.300	12.550	20.979	35.262	72.692	206.533	598.199
13 Average Tax Rate		4.7%	5.3%	7.2%	9.9%	11.9%	14.6%	17.7%	20.6%	25.6%	30.6%	30.2%
14												
15 Income Tax (HB 229)	4%	of Federal Taxable Income										
16 State Tax per Return			0.273	0.557	1.050	1.778	2.629	3.823	5.803	10.333	25.762	73.966
17 Average Tax Rate			1.84%	2.25%	2.67%	2.97%	3.06%	3.23%	3.40%	3.64%	3.81%	3.73%
18 State Revenue (000)	379,705	0	12,939	21,379	57,515	77,616	63,660	62,125	22,775	34,677	12,520	14,497
19 Note: State revenue excludes returns with a loss and does not adjust for tax rate adjustments that have occurred since 1999												
20												
21 % Returns	100%	28%	15%	12%	17%	13%	7%	5%	1%	1%	0%	0%
22 % Tax Liability	100%	0%	3%	6%	15%	20%	17%	16%	6%	9%	3%	4%
23 This % of returns pays		28%	43%	55%	72%	85%	93%	88%	99%	100%	100%	100%
24 this % of the revenue		0%	3%	9%	24%	45%	61%	78%	84%	93%	96%	100%
25												
26 % Returns > \$10,000	232,608		20%	16%	24%	19%	10%	7%	2%	1%	0%	0%
27 % Tax Liability	379,705		3%	6%	15%	20%	17%	16%	6%	9%	3%	4%
28 This % of returns pays			20%	37%	60%	79%	90%	97%	98%	100%	100%	100%
29 this % of the revenue			3%	9%	24%	45%	61%	78%	84%	93%	96%	100%
30												
31 Sales Tax (HB 303)	3.0%											
32 average gross income		4.038	14.851	24.791	39.366	61.393	85.964	118.484	170.766	283.772	675.418	1,982.316
33 federal tax		-0.190	-0.780	-1.796	-3.881	-7.300	-12.550	-20.979	-35.262	-72.692	-206.533	-598.199
34 disposable income		3.849	14.071	22.995	35.485	54.093	73.415	97.505	135.504	211.080	468.885	1,384.117
35 % spent on taxable items		60%	56%	53%	49%	46%	46%	46%	45%	36%	18%	9%
36 taxable spending		2.317	7.918	12.093	17.440	24.847	33.722	44.787	60.374	75.238	93.565	123.340
37 state sales tax		0.070	0.238	0.363	0.523	0.745	1.012	1.344	1.811	2.257	2.507	3.700
38 total paid by Alaskans (000)	155,760	6,437	11,261	13,919	28,650	32,538	24,495	21,833	7,109	7,575	1,218	725
39 Business Tax Payers (30%)	46,728											
40 State Revenue	202,488											
41 % of revenue		4%	7%	9%	18%	21%	16%	14%	5%	5%	1%	0%
42 indirect payments	46,728	1,931	3,378	4,176	8,595	9,761	7,349	6,550	2,133	2,272	766	218
43 indirect payments per return		0.021	0.071	0.109	0.157	0.224	0.303	0.403	0.543	0.677	0.752	1.110
44 total sales tax per return		0.090	0.309	0.472	0.680	0.969	1.315	1.747	2.355	2.934	3.259	4.810
45 Average Tax Rate		2.2%	2.1%	1.9%	1.7%	1.6%	1.5%	1.5%	1.4%	1.0%	0.5%	0.2%
46	225,652	202,488	8,368	14,639	18,095	37,245	42,299	31,844	28,382	9,242	9,847	1,584
47 Note: State revenue excludes taxes paid by nonresidents												
48 % Returns	100%	28%	15%	12%	17%	13%	7%	5%	1%	1%	0%	0%
49 % Tax Liability	100%	4%	7%	9%	18%	21%	16%	14%	5%	5%	1%	0%
50 This % of returns pays		28%	43%	55%	72%	85%	93%	98%	99%	100%	100%	100%
51 this % of the revenue		4%	11%	20%	39%	60%	75%	89%	94%	99%	100%	100%
52												
53 % Returns > \$10,000	232,608		20%	16%	24%	19%	10%	7%	2%	1%	0%	0%
54 % Tax Liability	194,120		8%	9%	19%	22%	16%	15%	5%	5%	1%	0%
55 This % of returns pays			20%	37%	60%	79%	90%	97%	98%	100%	100%	100%
56 this % of the revenue			8%	17%	36%	58%	74%	89%	94%	99%	100%	100%
57												
58 Individual Comparison												
59 sales tax		0.090	0.309	0.472	0.680	0.969	1.315	1.747	2.355	2.934	3.259	4.810
60 income tax		0	0.273	0.557	1.050	1.778	2.629	3.823	5.803	10.333	25.762	73.966
61 pay more under income tax		(0.090)	(0.036)	0.086	0.370	0.809	1.314	2.077	3.448	7.399	22.503	69.156
62												
63 Sales tax rate		2.24%	2.08%	1.90%	1.73%	1.58%	1.53%	1.47%	1.38%	1.03%	0.48%	0.24%
64 Income tax rate		0.00%	1.84%	2.25%	2.67%	2.90%	3.06%	3.23%	3.40%	3.64%	3.81%	3.73%
65 income rate/sales rate		0%	88%	118%	154%	183%	200%	210%	246%	352%	790%	1538%

Tax Year 1999, United States Selected Income and Tax Items for Individual Income Tax Returns: Forms 1040, 1040A & 1040EZ

By State and Size of Adjusted Gross Income, Filing/Processing Period: January 1, 2000 to December 31, 2000

(Amounts are in thousands of dollars)

Alaska	Total Returns	Size of Adjusted Gross Income										
		\$0.01	\$10,000	\$20,000	\$30,000	\$50,000	\$75,000	\$100,000	\$150,000	\$200,000	\$500,000	\$1,000,000 and Over
		Under \$10,000	Under \$20,000	Under \$30,000	Under \$50,000	Under \$75,000	Under \$100,000	Under \$150,000	Under \$200,000	Under \$500,000	Under \$1,000,000	and Over
1 Returns Count	325,204	92,596	47,406	38,368	54,758	43,651	24,213	16,249	3,925	3,356	486	196
2 AGI Amount	13,210,727	373,924	704,049	951,163	2,155,626	2,679,870	2,081,458	1,925,253	670,258	952,339	328,253	388,534
3 Average AGI	40.623	4.038	14.851	24.791	39.366	61.393	85.964	118.484	170.766	283.772	675.418	1,982.316
4												
5 Taxable Income:												
6 Number of Returns	224,567	**	40,545	37,432	54,570	43,609	24,204	16,246	3,923	3,356	486	196
7 Amount	9,424,788	**	276,668	521,434	1,432,939	1,938,543	1,590,903	1,552,844	565,081	866,932	313,009	352,435
8 Average Taxable Income			6.824	13.930	26.259	44.453	65.729	95.583	145.063	258.323	644.051	1,849.158
9												
10 Federal Income Tax:												
11 Amount	1,899,365	17,568	36,979	68,910	212,533	318,641	303,864	340,888	138,404	243,956	100,375	117,247
12 Average Tax	5.841	0.190	0.780	1.796	3.881	7.300	12.550	20.979	35.262	72.692	206.533	598.199
13 Average Tax Rate		4.7%	5.3%	7.2%	9.9%	11.9%	14.6%	17.7%	20.5%	25.6%	30.6%	30.2%
14												
15 Income Tax (HB 229)		4% of Federal Taxable Income										
16 State Tax per Return			0.273	0.557	1.050	1.778	2.629	3.823	5.803	10.333	25.762	73.966
17 Average Tax Rate			1.84%	2.25%	2.67%	2.90%	3.06%	3.23%	3.40%	3.64%	3.81%	3.73%
18 State Revenue (000)	379,705	0	12,939	21,379	57,515	77,616	63,660	62,125	22,775	34,677	12,520	14,497
19 Note: State revenue excludes returns with a loss and does not adjust for tax rate adjustments that have occurred since 1999												
20												
21 % Returns	100%	28%	15%	12%	17%	13%	7%	5%	1%	1%	0%	0%
22 % Tax Liability	100%	0%	3%	6%	15%	20%	17%	16%	8%	9%	3%	4%
23 This % of returns pays		28%	43%	55%	72%	85%	93%	98%	99%	100%	100%	100%
24 this % of the revenue		0%	3%	9%	24%	45%	61%	78%	84%	93%	96%	100%
25												
26 % Returns > \$10,000	232,608		20%	16%	24%	19%	10%	7%	2%	1%	0%	0%
27 % Tax Liability	379,705		3%	6%	15%	20%	17%	16%	6%	9%	3%	4%
28 This % of returns pays			20%	37%	60%	79%	90%	97%	98%	100%	100%	100%
29 this % of the revenue			3%	9%	24%	45%	61%	70%	64%	93%	96%	100%
30												
31 Sales Tax (HB 303)		5.6%										
32 average gross income		4,038	14,851	24,791	39,366	61,393	85,964	118,484	170,766	283,772	675,418	1,982,316
33 federal tax		-0.190	-0.780	-1.796	-3.881	-7.300	-12.550	-20.979	-35.262	-72.692	-206.533	-598.199
34 disposable income		3,849	14,071	22,995	35,485	54,093	73,415	97,505	135,504	211,080	468,885	1,384,117
35 % spent on taxable items		60%	56%	53%	49%	46%	45%	46%	45%	35%	18%	9%
36 taxable spending		2,317	7,918	12,093	17,440	24,847	33,722	44,787	60,374	75,238	83,565	123,340
37 state sales tax		0.130	0.443	0.677	0.977	1.391	1.808	2.508	3.381	4.213	4.680	6.907
38 total paid by Alaskans (000)	290,752	12,015	21,020	25,982	53,480	60,737	45,724	40,754	13,270	14,140	2,274	1,354
39 Business Tax Payers (30%)	87,226											
40 State Revenue	377,978											
41 % of revenue		4%	7%	9%	18%	21%	16%	14%	5%	5%	1%	0%
42 indirect payments	87,226	3,605	6,306	7,795	16,044	18,221	13,717	12,226	3,981	4,242	682	406
43 indirect payments per return		0.039	0.133	0.203	0.293	0.417	0.567	0.752	1.014	1.264	1.404	2.072
44 total sales tax per return		0.169	0.576	0.880	1.270	1.309	2.455	3.261	4.395	5.477	6.084	8.979
45 Average Tax Rate		4.2%	3.9%	3.6%	3.2%	2.9%	2.9%	2.8%	2.6%	1.9%	0.9%	0.5%
46	421,591	377,978	15,620	27,326	33,777	69,524	76,958	59,442	52,980	17,251	18,382	2,957
47 Note: State revenue excludes taxes paid by nonresidents												
48 % Returns	100%	28%	15%	12%	17%	13%	7%	5%	1%	1%	0%	0%
49 % Tax Liability	100%	4%	7%	9%	18%	21%	16%	14%	5%	5%	1%	0%
50 This % of returns pays		28%	43%	55%	72%	85%	93%	98%	99%	100%	100%	100%
51 this % of the revenue		4%	11%	20%	39%	60%	75%	89%	94%	99%	100%	100%
52												
53 % Returns > \$10,000	232,608		20%	16%	24%	19%	10%	7%	2%	1%	0%	0%
54 % Tax Liability			8%	9%	19%	22%	16%	15%	5%	5%	1%	0%
55 This % of returns pays			20%	37%	60%	79%	90%	97%	98%	100%	100%	100%
56 this % of the revenue			8%	17%	36%	58%	74%	89%	94%	99%	100%	100%
57												
58 Individual Comparison												
59 sales tax		0.169	0.576	0.880	1.270	1.309	2.455	3.261	4.395	5.477	6.084	8.979
60 income tax		0	0.273	0.557	1.050	1.778	2.629	3.823	5.803	10.333	25.762	73.966
61 pay more under income tax		(0.169)	(0.303)	(0.323)	(0.219)	(0.031)	0.174	0.563	1.407	4.856	19.679	64.987
62												
63 Sales tax rate		4.18%	3.88%	3.55%	3.23%	2.95%	2.86%	2.75%	2.57%	1.93%	0.90%	0.45%
64 Income tax rate		0.00%	1.84%	2.25%	2.67%	2.90%	3.06%	3.23%	3.40%	3.64%	3.81%	3.73%
65 income rate/sales rate		0%	47%	63%	83%	98%	107%	117%	132%	189%	423%	824%

Tax Year 1999, United States Selected Income and Tax Items for Individual Income Tax Returns: Forms 1040, 1040A & 1040EZ.

By State and Size of Adjusted Gross Income, Filing/Processing Period: January 1, 2000 to December 31, 2000

(Amounts are in thousands of dollars)

Alaska	Total Returns	Size of Adjusted Gross Income										
		\$0.01 Under \$10,000	\$10,000 Under \$20,000	\$20,000 Under \$30,000	\$30,000 Under \$50,000	\$50,000 Under \$75,000	\$75,000 Under \$100,000	\$100,000 Under \$150,000	\$150,000 Under \$200,000	\$200,000 Under \$500,000	\$500,000 Under \$1,000,000	\$1,000,000 and Over
1 Returns Count	325,204	92,596	47,406	38,368	54,758	43,651	24,213	16,249	3,925	3,356	486	196
2 AGI Amount	13,210,727	373,924	704,049	951,163	2,155,626	2,679,870	2,081,458	1,925,253	670,258	952,339	328,253	388,534
3 Average AGI	40,623	4,038	14,851	24,791	39,366	61,393	85,964	118,484	170,766	283,772	675,418	1,982,316
9												
10 Federal Income Tax:												
11 Amount	1,899,365	17,568	36,979	68,910	212,533	318,641	303,864	340,888	138,404	243,956	100,375	117,247
12 Average Tax	5,941	0,190	0,780	1,796	3,881	7,300	12,550	20,979	35,262	72,692	206,533	598,199
13 Average Tax Rate		4.7%	5.3%	7.2%	9.9%	11.9%	14.6%	17.7%	20.6%	25.6%	30.6%	30.2%
14												
15 Income Tax (HB 413)	20%	of Federal Tax Liability										
16 State Tax per Return		0,038	0,156	0,359	0,776	1,460	2,510	4,196	7,052	14,538	41,307	119,640
17 Average Tax Rate		0.94%	1.05%	1.45%	1.97%	2.38%	2.92%	3.54%	4.13%	5.12%	6.12%	6.04%
18 State Revenue (000)	379,873	3,514	7,396	13,782	42,507	63,728	60,773	68,178	27,681	48,791	20,075	23,449
19 Note: State revenue excludes returns with a loss and does not adjust for tax rate adjustments that have occurred since 1999.												
20												
21 % Returns	100%	28%	15%	12%	17%	13%	7%	5%	1%	1%	0%	0%
22 % Tax Liability	100%	1%	2%	4%	11%	17%	16%	18%	7%	13%	5%	6%
23 This % of returns pays		28%	43%	55%	72%	85%	93%	98%	99%	100%	100%	100%
24 this % of the revenue		1%	3%	6%	18%	34%	50%	68%	76%	89%	94%	100%
25												
26 % Returns > \$10,000	232,608		20%	16%	24%	19%	10%	7%	2%	1%	0%	0%
27 % Tax Liability	376,359		2%	4%	11%	17%	16%	18%	7%	13%	5%	6%
28 This % of returns pays			20%	37%	60%	79%	90%	97%	98%	100%	100%	100%
29 this % of the revenue			2%	6%	17%	34%	50%	68%	75%	86%	94%	100%
30												
31 Sales Tax (HB 303)	3.0%											
32 average gross income		4,038	14,851	24,791	39,366	61,393	85,964	118,484	170,766	283,772	675,418	1,982,316
33 federal tax		-0,190	-0,780	-1,796	-3,881	-7,300	-12,550	-20,979	-35,262	-72,692	-206,533	-598,199
34 disposable income		3,849	14,071	22,995	35,485	54,093	73,415	97,505	135,504	211,080	468,885	1,384,117
35 % spent on taxable items		60%	56%	53%	49%	46%	46%	46%	45%	36%	18%	9%
36 taxable spending		2,317	7,918	12,093	17,440	24,847	33,722	44,787	60,374	75,238	83,565	123,340
37 state sales tax		0,070	0,238	0,363	0,523	0,745	1,012	1,344	1,811	2,257	2,507	3,700
38 total paid by Alaskans (000)	155,760	6,437	11,261	13,919	28,650	32,538	24,495	21,833	7,109	7,575	1,218	725
39 Business Tax Payers (30%)	46,728											
40 State Revenue	202,488											
41 % of revenue		4%	7%	9%	18%	21%	16%	14%	5%	5%	1%	0%
42 indirect payments	46,728	1,931	3,378	4,176	8,595	9,761	7,349	6,550	2,133	2,372	366	218
43 indirect payments per return		0,021	0,071	0,109	0,157	0,224	0,303	0,403	0,543	0,677	0,752	1,110
44 total sales tax per return		0,090	0,309	0,472	0,680	0,969	1,315	1,747	2,355	2,934	3,259	4,810
45 Average Tax Rate		2.2%	2.1%	1.9%	1.7%	1.6%	1.5%	1.5%	1.4%	1.0%	0.5%	0.2%
46	202,488	8,368	14,639	18,095	37,245	42,299	31,844	28,382	9,242	9,847	1,584	943
47 Note: State revenue excludes taxes paid by nonresidents												
48												
49 % Returns	100%	28%	15%	12%	17%	13%	7%	5%	1%	1%	0%	0%
50 % Tax Liability	100%	4%	7%	9%	18%	21%	16%	14%	5%	5%	1%	0%
51 This % of returns pays		28%	43%	55%	72%	85%	93%	98%	99%	100%	100%	100%
52 this % of the revenue		4%	11%	20%	39%	60%	75%	89%	94%	99%	100%	100%
53												
54 % Returns > \$10,000	232,608		20%	16%	24%	19%	10%	7%	2%	1%	0%	0%
55 % Tax Liability	194,120		8%	9%	19%	22%	16%	15%	5%	5%	1%	0%
56 This % of returns pays			20%	37%	60%	79%	90%	97%	98%	100%	100%	100%
57 this % of the revenue			8%	17%	36%	58%	74%	89%	94%	99%	100%	100%
58												
59 Individual Comparison												
60 sales tax		0,090	0,309	0,472	0,680	0,969	1,315	1,747	2,355	2,934	3,259	4,810
61 income tax		0,038	0,156	0,359	0,776	1,460	2,510	4,196	7,052	14,538	41,307	119,640
62 pay more under income tax		(0,052)	(0,153)	(0,112)	0,096	0,491	1,195	2,449	4,698	11,604	38,048	114,830
63												
64 Sales tax rate		2.24%	2.08%	1.90%	1.73%	1.59%	1.53%	1.47%	1.38%	1.03%	0.48%	0.24%
65 Income tax rate		0.94%	1.05%	1.45%	1.97%	2.38%	2.92%	3.54%	4.13%	5.12%	6.12%	6.04%
66 income rate/sales rate		42%	51%	76%	114%	151%	191%	240%	300%	495%	1267%	2487%

**Department of Revenue**  
**Comparison of \$240 Million State Individual Income Tax vs. Sales Tax Proposals**

	Child under age 14	Child age 14	Teenager with summer job	Single parent earning \$11/hour	Single taxpayer	Retiree with Soc. Sec. Income	Single income family - renting	Dual income family with \$150k mortgage	Dual income family with \$225k mortgage	Dual income family with \$300k mortgage	Dual income family with \$600k mortgage
Wages			2,700	22,650	65,000		32,500	65,000	130,000	260,000	520,000
Interest Income	150	150	150		400	5,000		400	2,000	10,000	20,000
Taxable Pension						8,000					
Gross Social Security						12,000					
Permanent Fund Dividend	1,850	1,850	1,850	1,850	1,850	1,850	3,700	3,700	3,700	3,700	3,700
Longevity Bonus						6,000					
Dependents							2	2	2	2	2
Child Care Expenses				4,000				8,000	8,000	8,000	8,000
Property Tax								3,100	4,650	6,200	12,400
Mortgage Interest								11,500	17,250	23,000	46,000
Charitable Contributions								1,000	3,000	10,000	25,000
<b>Federal Return Values</b>											
Adjusted Gross Income	2,000	2,000	4,700	24,500	66,850	21,775	36,200	69,100	135,700	273,700	553,700
Taxable Income	1,250	1,250	1,750	12,050	59,400	13,225	17,000	41,900	99,283	234,083	482,923
Tax Before Credits	191	126	176	1,811	12,961	1,984	2,554	6,289	21,651	65,847	160,866
Tax After Credits	191	126	176	83	12,961	1,984	1,354	4,129	20,691	64,887	159,906

Alaska Income or Sales Tax	HB 413 - 13.5% FTL (Governor)	HB 229 - 2.7% FTI (Fiscal Caucus)	HB 303 - 3% Sales Tax
\$	\$ 25	\$ 33	\$ 28
% of adj gross Income	1.25%	1.65%	1.40%
	\$ 17	\$ 33	\$ 28
	0.85%	1.65%	1.40%
	\$ 23	\$ 47	\$ 80
	0.49%	1.00%	1.70%
	\$ 11	\$ 323	\$ 400
	0.04%	1.32%	1.63%
	\$ 1,737	\$ 1,592	\$ 870
	2.60%	2.38%	1.30%
	\$ 145	\$ 354	\$ 350
	0.67%	1.63%	1.61%
	\$ 182	\$ 456	\$ 480
	0.50%	1.26%	1.33%
	\$ 553	\$ 1,123	\$ 780
	0.80%	1.63%	1.13%
	\$ 2,772	\$ 2,661	\$ 1,700
	2.04%	1.96%	1.25%
	\$ 8,695	\$ 6,273	\$ 2,600
	3.18%	2.29%	0.95%
	\$ 21,427	\$ 12,942	\$ 3,800
	3.87%	2.34%	0.69%

Tax Rate on Federal Taxable Income	HB 413 - 13.5% FTL (Governor)	HB 229 - 2.7% FTI (Fiscal Caucus)	HB 303 - 3% Sales Tax
	2.0%	2.7%	2.2%
	1.4%	2.7%	2.2%
	1.3%	2.7%	4.5%
	0.1%	2.7%	3.3%
	2.9%	2.7%	1.4%
	1.1%	2.7%	2.6%
	1.1%	2.7%	2.8%
	1.3%	2.7%	1.8%
	2.8%	2.7%	1.7%
	3.7%	2.7%	1.1%
	4.4%	2.7%	0.7%

AGI = Adjusted Gross Income  
 FTL = Federal Tax Liability  
 FTI = Federal Taxable Income

**Assumptions:**

- 1) All family examples assume two children. Dual-income family examples assume annual child care expense of \$4,000 per child.
- 2) All results are based on Alaska Permanent Fund dividend and federal tax law and rates in effect for 2001.
- 3) Analysis does not include the effect of a federal itemized deduction for the Alaska tax paid.
- 4) Sales tax analysis assumes children and adults will spend half their dividend on purchases and save the other half.
- 5) Sales tax analysis assumes all mortgages are 30-year at 7.25%, and bases other spending assumptions on statistical averages for income groups.

**Department of Revenue**  
**Comparison of \$360 Million State Individual Income Tax vs. Sales Tax Proposals**

	Child under age 14	Child age 14	Teenager with summer job	Single parent earning \$11/hour	Single taxpayer	Retiree with Soc. Sec. Income	Single income family - renting	Dual income family with \$150k mortgage	Dual income family with \$225k mortgage	Dual income family with \$300k mortgage	Dual income family with \$600k mortgage
Wages			2,700	22,650	65,000		32,500	65,000	130,000	260,000	520,000
Interest Income	150	150	150		400	5,000		400	2,000	10,000	20,000
Taxable Pension						8,000					
Gross Social Security						12,000					
Permanent Fund Dividend	1,850	1,850	1,850	1,850	1,850	1,850	3,700	3,700	3,700	3,700	3,700
Longevity Bonus						6,000					
Dependents							2	2	2	2	2
Child Care Expenses				4,000				8,000	8,000	8,000	8,000
Property Tax								3,100	4,650	6,200	12,400
Mortgage Interest								11,500	17,250	23,000	46,000
Charitable Contributions								1,000	3,000	10,000	25,000
<b>Federal Return Values</b>											
Adjusted Gross Income	2,000	2,000	4,700	24,500	66,850	21,775	36,200	69,100	135,700	273,700	553,700
Taxable Income	1,250	1,250	1,750	12,050	59,400	13,225	17,000	41,900	99,283	234,083	482,923
Tax Before Credits	191	126	176	1,811	2,961	1,984	2,554	6,289	21,651	65,847	160,866
Tax After Credits	191	126	176	83	12,961	1,984	1,354	4,129	20,691	64,887	159,906

**Alaska Income or Sales Tax**

HB 413 - 20% FTL (Governor)	\$ 38	\$ 25	\$ 35	\$ 17	\$ 2,592	\$ 217	\$ 271	\$ 826	\$ 4,138	\$ 12,977	\$ 31,981
% of adj gross Income	1.90%	1.25%	0.74%	0.07%	3.88%	1.00%	0.75%	1.20%	3.05%	4.74%	5.78%
HB 229 - 4% FTI (Fiscal Caucus)	\$ 50	\$ 50	\$ 70	\$ 482	\$ 2,376	\$ 529	\$ 680	\$ 1,676	\$ 3,971	\$ 9,363	\$ 19,317
% of adj gross Income	2.50%	2.50%	1.49%	1.97%	3.55%	2.43%	1.88%	2.43%	2.93%	3.42%	3.49%
HB 303 - 4.5% Sales Tax	\$ 42	\$ 42	\$ 120	\$ 600	\$ 1,305	\$ 475	\$ 720	\$ 1,170	\$ 2,550	\$ 3,900	\$ 5,700
% of adj gross Income	2.10%	2.10%	2.55%	2.45%	1.95%	2.18%	1.99%	1.69%	1.88%	1.42%	1.03%

**Tax Rate on Federal Taxable Income**

HB 413 - 20% FTL (Governor)	3.0%	2.0%	2.0%	0.1%	4.4%	1.6%	1.6%	2.0%	4.2%	5.5%	6.6%
HB 229 - 4% FTI (Fiscal Caucus)	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
HB 303 - 4.5% Sales Tax	3.3%	3.3%	6.8%	4.9%	2.1%	2.1%	4.2%	2.7%	2.5%	1.6%	1.1%

AGI = Adjusted Gross Income

FTL = Federal Tax Liability

FTI = Federal Taxable Income

**Assumptions:**

- 1) All family examples assume two children. Dual-income family examples assume annual child care expense of \$4,000 per child.
- 2) All results are based on Alaska Permanent Fund dividend and federal tax law and rates in effect for 2001.
- 3) Analysis does not include the effect of a federal itemized deduction for the Alaska tax paid.
- 4) Sales tax analysis assumes children and adults will spend half their dividend on purchases and save the other half.
- 5) Sales tax analysis assumes all mortgages are 30-year at 7.25%, and bases other spending assumptions on statistical averages for income groups.

**Department of Revenue**  
**Comparative Analysis of Alaska State individual Income Tax Proposals**

	Child under age 14	Child age 14	Teenager with summer job	Single parent earning \$11/hour	Single taxpayer	Retiree with Soc. Sec. Income	Single income family - renting	Dual income family with \$150k mortgage	Dual income family with \$225k mortgage	Dual income family with \$300k mortgage	Dual income family with \$600k mortgage
Wages			2,700	22,650	65,000		32,500	65,000	130,000	260,000	520,000
Interest Income	150	150	150		400	5,000		400	2,000	10,000	20,000
Taxable Pension						8,000					
Gross Social Security						12,000					
Permanent Fund Dividend	1,850	1,850	1,850	1,850	1,850	1,850	3,700	3,700	3,700	3,700	3,700
Longevity Bonus						6,000					
Dependents							2	2	2	2	2
Child Care Expenses				4,000				8,000	8,000	8,000	8,000
Property Tax								3,100	4,650	6,200	12,400
Mortgage Interest								11,500	17,250	23,000	46,000
Charitable Contributions								1,000	3,000	10,000	25,000
<b>Federal Return Values</b>											
Adjusted Gross Income	2,000	2,000	4,700	24,500	66,850	21,775	36,200	69,100	135,700	273,700	553,700
Taxable Income	1,250	1,250	1,750	12,050	59,400	13,225	17,000	41,900	99,283	234,083	482,923
Tax Before Credits	191	126	176	1,811	12,961	1,984	2,554	6,289	21,651	65,847	160,866
Tax After Credits	191	126	176	83	12,961	1,984	1,354	4,129	20,691	64,887	159,906

**Alaska Income or Sales Tax**

HB 413 - 20% FTL (Governor)	\$ 38	\$ 25	\$ 35	\$ 17	\$ 2,592	\$ 217	\$ 271	\$ 826	\$ 4,138	\$ 12,977	\$ 31,981
% of adj gross Income	1.90%	1.25%	0.74%	0.07%	3.88%	1.00%	0.75%	1.20%	3.05%	4.74%	5.78%
HB 229 - 4% FTI (Fiscal Caucus)	\$ 50	\$ 50	\$ 70	\$ 482	\$ 2,376	\$ 529	\$ 680	\$ 1,676	\$ 3,971	\$ 9,363	\$ 19,317
% of adj gross Income	2.50%	2.50%	1.49%	1.97%	3.55%	2.43%	1.88%	2.43%	2.93%	3.42%	3.49%
HB 303 - 3% Sales Tax	\$ 28	\$ 28	\$ 80	\$ 400	\$ 870	\$ 350	\$ 480	\$ 780	\$ 1,700	\$ 2,600	\$ 3,800
% of adj gross Income	1.40%	1.40%	1.70%	1.63%	1.30%	1.61%	1.33%	1.13%	1.25%	0.95%	0.69%

**Tax Rate on Federal Taxable Income**

HB 413 - 20% FTL (Governor)	3.0%	2.0%	2.0%	0.1%	4.4%	1.6%	1.6%	2.0%	4.2%	5.5%	6.6%
HB 229 - 4% FTI (Fiscal Caucus)	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
HB 303 - 3% Sales Tax	2.2%	2.2%	4.5%	3.3%	1.4%	2.6%	2.8%	1.8%	1.7%	1.1%	0.7%

AGI = Adjusted Gross Income

FTL = Federal Tax Liability

FTI = Federal Taxable Income

**Assumptions:**

- 1) All family examples assume two children. Dual-income family examples assume annual child care expense of \$4,000 per child.
- 2) All results are based on Alaska Permanent Fund dividend and federal tax law and rates in effect for 2001.
- 3) Analysis does not include the effect of a federal itemized deduction for the Alaska tax paid.
- 4) Sales tax analysis assumes children and adults will spend half their dividend on purchases and save the other half.
- 5) Sales tax analysis assumes all mortgages are 30-year at 7.25%, and bases other spending assumptions on statistical averages for income groups.

22-GH2115\C.1  
Craver  
6/24/02

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE DAVIS

TO: CSHB 3001(FIN), Draft Version "C"

Page 1, line 5:

Delete "commission chair to establish"

Insert "establishment of"

Page 4, lines 7 - 8:

Delete "chair of the Regulatory Commission of Alaska shall appoint"

Insert "president of the senate, speaker of the house of representatives, and the governor shall jointly appoint the members of"

1 Page 4, line 12:

Delete "chair"

Insert "persons jointly making the appointments"