

**HJR**

**36**



*Adopted  
3.20.02*

22-LS1402\P  
Kurtz  
3/20/02

**CS FOR SS FOR HOUSE JOINT RESOLUTION NO. 36(JUD)**

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

**TWENTY-SECOND LEGISLATURE - SECOND SESSION**

**BY THE HOUSE JUDICIARY COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): REPRESENTATIVES CROFT, Hayes, Halcro, Dyson**

**A RESOLUTION**

1 **Proposing an amendment to the Constitution of the State of Alaska relating to limiting**  
2 **the rate of state individual income taxes and sales taxes.**

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

4 **\* Section 1.** Article IX, Constitution of the State of Alaska, is amended by adding a new  
5 section to read:

6 **Section 18. Tax Caps.** (a) The rate of an individual income tax levied by the  
7 State may not exceed five percent of an individual's taxable income, as that term is  
8 defined in federal law.

9 (b) The rate of a sales tax levied by the State may not exceed five percent of  
10 the sale price. This subsection does not limit the rate of a sales tax levied by a  
11 municipality.

12 **\* Sec. 2.** The amendment proposed by this resolution shall be placed before the voters of  
13 the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the  
14 State of Alaska, and the election laws of the state.

Moved by  
Rep. Cogwell  
WITHDRAWN

AMENDMENT #/

OFFERED IN THE HOUSE  
TO: SSHJR 36

BY REPRESENTATIVE OGAN

- 1 Page 1, lines 1 - 2:
- 2 Delete "limiting the rate of"
- 3
- 4 Page 1, line 6, following "Tax Caps"
- 5 Insert "; Voter Approval of New Taxes and Rate Increases"
- 6
- 7 Page 1, following line 14:
- 8 Insert a new subsection to read:
- 9 "(c) A new individual income tax or sales tax or an increase in the rate of levy
- 10 of an individual income tax or sales tax enacted by the legislature does not take effect
- 11 unless ratified by a majority of the voters at the first statewide election held following
- 12 enactment of the tax or the tax increase."

## **HJR 36 IS A TAX CAP NOT A SPENDING CAP**

### **WHAT IS THE DIFFERENCE?**

A tax cap protects taxpayers by limiting the rate or amount of taxation. A spending cap restricts the total amount of spending from any source including non-tax revenues such as grants or other income. The two concepts are related but with critical differences. A tax cap has the collateral effect of restraining spending by limiting the amount available for appropriation. A spending cap can depress the need for additional taxation. But these are indirect results.

Properly drafted, a tax cap allows for economic development. Increased economic development results in increased revenues available to fund the increased need for schools, roads, police and other services that come with economic development. A spending cap may or may not allow for increased spending based on increased economic activity.

### **CAN WE DO BOTH?**

YES. The concepts can complement each other. Each can also stand on its own merit.

### **ANCHORAGE HAS A TAX CAP THAT ALLOWS FOR ECONOMIC GROWTH.**

The Anchorage Tax Cap applies to "the total amount of municipal tax that can be levied" (not the total amount that can be 'appropriated') and allows for economic development because it exempts "new construction or property improvements". As new construction occurs in Anchorage the tax cap increases and the ability to provide the services to the new employees and their families increases. Anchorage does not have a spending cap in its charter.

### **A TAX CAP CAN SAVE SUBSTANTIAL AMOUNTS OF MONEY.**

Mississippi has a 7% sales tax. If Mississippi had an equivalent of HJR 36 in place, each individual would have saved \$211.84 in FY 2001.

Washington has a state sales tax of 6.5%. If Washington had limited their state sales tax to 5%, each resident would have saved \$180 in FY 1998.

*Anchorage Municipal Charter, Article XIV  
Section 14.03 Tax Increase Limitation.*

*(a) Except as provided in this section, the total amount of municipal tax that can be levied during a fiscal year shall not exceed the total amount approved by the assembly for the preceding year by more than a percentage determined by adding the percentage increase in the Federal Consumer Price Index for Anchorage from the preceding fiscal year plus the average percentage growth or loss in the Anchorage municipal population over the preceding five fiscal years as determined by the state department of community and regional affairs.*

*(b) The limitations set forth in subsection (a) do not apply to the following:*

*(1) Taxes on new construction or property improvements which occur during the current fiscal year.*

*(2) Taxes required to fund additional services mandated by voter approved ballot issues.*

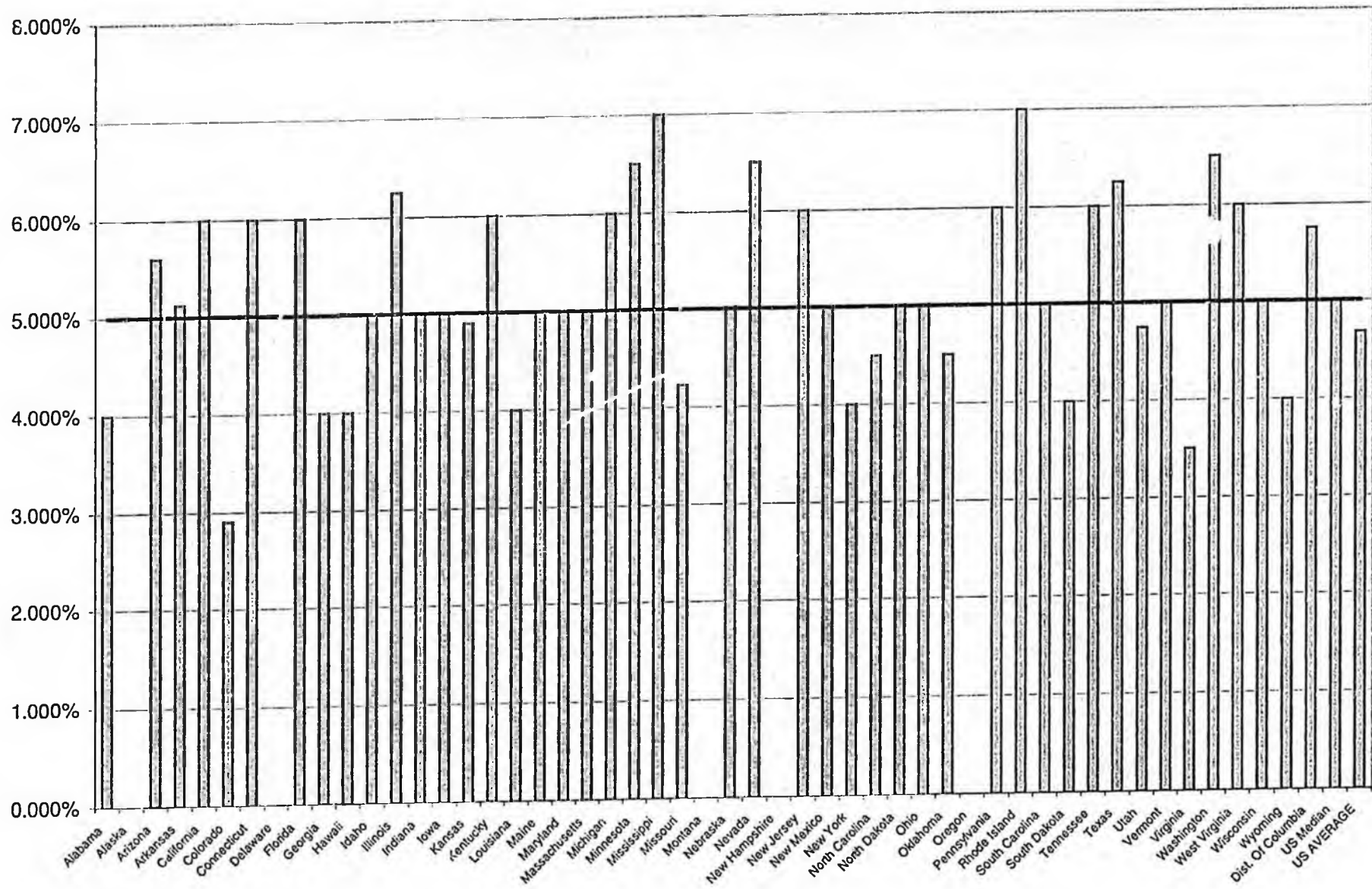
*(3) Special taxes authorized by voter approved ballot issues.*

*(4) Taxes required to fund the costs of judgments entered against the municipality or to pay principal or interest on bonds, including revenue bonds.*

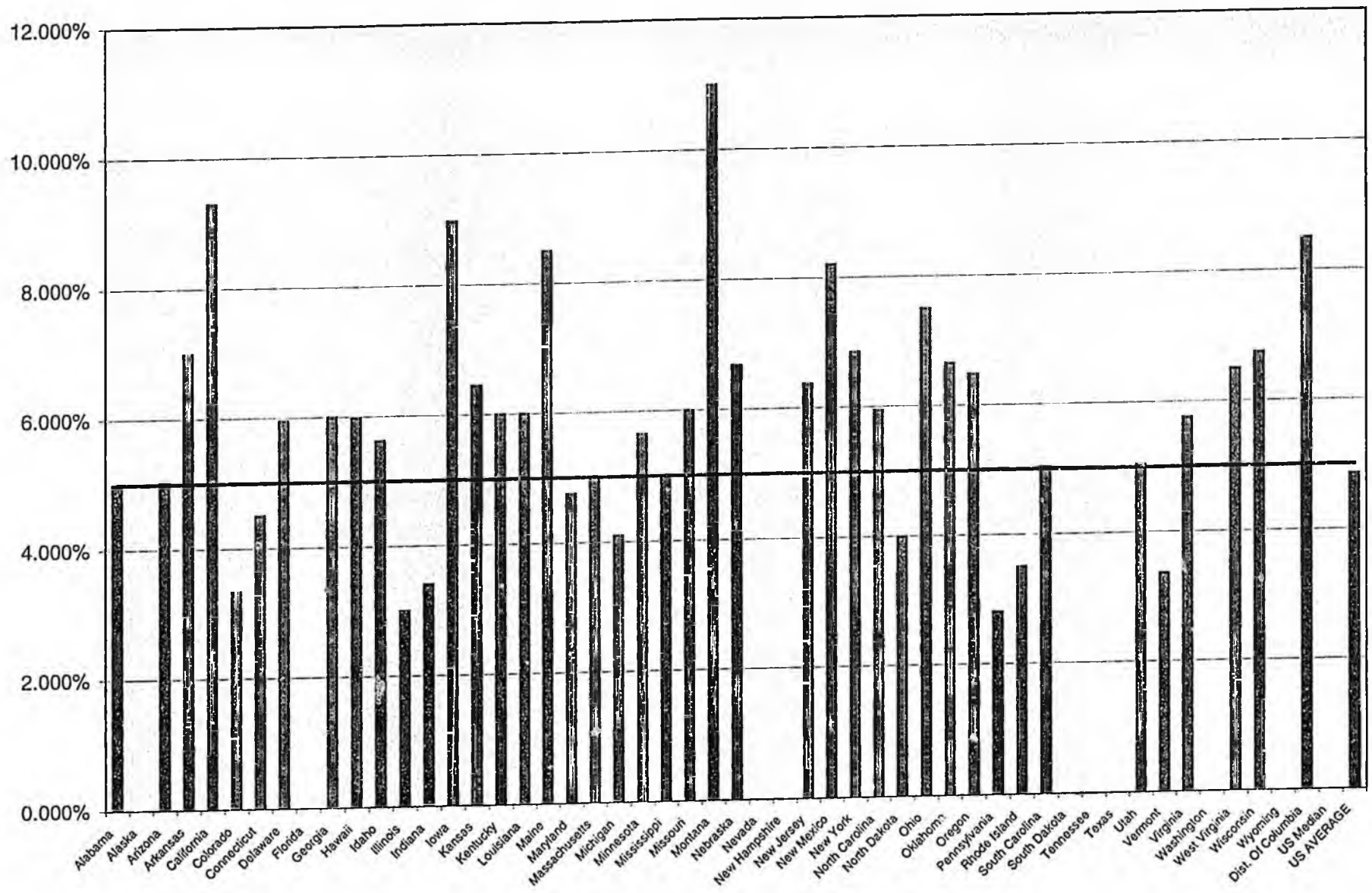
*(5) Taxes required to fund the cost of an emergency ordinance enacted pursuant to 10.03 of the Municipal Charter.*

*(c) Any tax increases which result from the exceptions set forth in subsection (b)(1)-(3) shall be added to the base amount which is used in subsection (a) for the calculations of the subsequent year tax increase limit.*

*(Initiative, prop. 24 10-4-83)*



SALES TAX — TAX CAP



INCOME TAX — TAX CAP

# LEGISLATIVE RESEARCH REPORT

FEBRUARY 12, 2002



REPORT NUMBER 02.124

## STATE INCOME AND SALES TAXES

PREPARED FOR REPRESENTATIVE ERIC CROFT

BY PATRICIA YOUNG, MANAGER

You asked for a brief summary of individual income tax and sales tax rates in other states. The attached tables, compiled by the Federation of Tax Administrators (FTA), provide the information you requested for every state. This and other tax information is available on the Internet through the FTA website at [http://www.taxadmin.org/fta/rate/tax\\_stru.html](http://www.taxadmin.org/fta/rate/tax_stru.html).

We include information on individual income tax rates as Attachment A. As you will see, "State Individual Income Taxes," is current as of January 2002. Along with this table, we include "State Personal Income Taxes: Federal Starting Points."

We include information on state sales taxes as Attachment B. "Comparison of State and Local Retail Sales Taxes," is current as of July 2001. Additional information in "State Sales Tax Rates and Food and Drug Exemptions" and "State Sales Tax Rates and Vendor Discounts" is current as of January 2002.

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I hope you find this information useful. Please do not hesitate to contact us if you have questions or need additional information.

## **Attachment A**

**"State Individual Income Taxes," and  
"State Personal Income Taxes: Federal Starting Points,"  
Federation of Tax Administrators, February 2002**

**STATE INDIVIDUAL INCOME TAXES**  
(Tax rates for tax year 2002 - as of January 1, 2002)

	TAX RATE RANGE		Number of Bracket	INCOME BRACKETS		PERSONAL EXEMPTIONS			FEDERAL INCOME TAX DEDUCTIBLE
	(In percents) Low	High		Lowest	Highest	Single	Married dependents		
ALABAMA	2.0	- 5.0	3	500 (b)	- 3,000 (b)	1,500	3,000	300	*
ALASKA	No State Income Tax								
ARIZONA	2.87	- 5.04	5	10,000 (b)	- 150,000 (b)	2,100	4,200	2,300	
ARKANSAS	1.0	- 7.0 (e)	6	2,999	- 25,000	20 (c)	40 (c)	20 (c)	
CALIFORNIA (a)	1.0	- 9.3	6	5,748 (b)	- 37,725 (b)	79 (c)	158 (c)	247 (c)	
COLORADO	4.63		1	---Flat rate---		---None---			
CONNECTICUT	3.0	- 4.5	2	10,000 (b)	- 10,000 (b)	12,000 (f)	24,000 (f)	0	
DELAWARE	2.2	- 5.95	7	5,000	- 60,000	110 (c)	220 (c)	110 (c)	
FLORIDA	No State Income Tax								
GEORGIA	1.0	- 6.0	6	750 (g)	- 7,000 (g)	2,700	5,400	2,700	
HAWAII	1.4	- 8.3	8	2,000 (b)	- 40,000 (b)	1,040	2,080	1,040	
IDAHO	0.6	- 7.8	8	1,000 (h)	- 20,000 (h)	2,900 (d)	5,800 (d)	2,900 (d)	
ILLINOIS	3.0		1	---Flat rate---		2,000	4,000	2,000	
INDIANA	3.4		1	---Flat rate---		1,000	2,000	1,000	
IOWA (a)	0.36	- 8.98	9	1,211	- 54,495	40 (c)	80 (c)	40 (c)	*
KANSAS	3.5	- 6.45	3	15,000 (b)	- 30,000 (b)	2,250	4,500	2,250	
KENTUCKY	2.0	- 6.0	5	3,000	- 8,000	20 (c)	40 (c)	20 (c)	
LOUISIANA	2.0	- 6.0	3	10,000 (b)	- 50,000 (b)	4,500 (l)	9,000 (l)	1,000 (l)	*
MAINE (a)	2.0	- 8.5	4	4,150 (b)	- 16,500 (b)	2,850	5,700	2,850	
MARYLAND	2.0	- 4.75	4	1,000	- 3,000	2,400	4,800	2,400	
MASSACHUSETTS	5.0		1	---Flat rate---		4,400	8,800	1,000	
MICHIGAN (a)	4.1 (j)		1	---Flat rate---		2,800	5,600	2,800	
MINNESOTA (a)	5.35	- 7.85	3	18,710 (k)	- 61,461 (k)	2,900 (d)	5,800 (d)	2,900 (d)	
MISSISSIPPI	3.0	- 5.0	3	5,000	- 10,000	6,000	12,000	1,500	
MISSOURI	1.5	- 6.0	10	1,000	- 9,000	2,100	4,200	2,100	* (s)
MONTANA (a)	2.0	- 11.0	10	2,200	- 75,400	1,720	3,440	1,720	*
NEBRASKA (a)	2.51	- 6.68	4	2,400 (l)	- 26,500 (l)	94 (c)	188 (c)	94 (c)	
NEVADA	No State Income Tax								
NEW HAMPSHIRE	State Income Tax Is Limited to Dividends and Interest Income Only.								
NEW JERSEY	1.4	- 6.37	6	20,000 (m)	- 75,000 (m)	1,000	2,000	1,500	
NEW MEXICO	1.7	- 8.2	7	5,500 (n)	- 65,000 (n)	2,900 (d)	5,800 (d)	2,900 (d)	
NEW YORK	4.0	- 6.85	5	8,000 (b)	- 20,000 (b)	0	0	1,000	
NORTH CAROLINA (o)	6.0	- 8.25	4	12,750 (o)	- 120,000 (o)	2,900 (d)	5,800 (d)	2,900 (d)	
NORTH DAKOTA	2.1	- 5.54 (p)	5	27,050 (p)	- 297,350 (p)	2,900 (d)	5,800 (d)	2,900 (d)	(p)
OHIO (a)	0.743	- 7.5 (q)	9	5,000	- 200,000	1,150 (q)	2,300 (q)	1,150 (q)	
OKLAHOMA	0.5	- 6.65 (r)	8	1,000	- 10,000	1,000	2,000	1,000	* (r)
OREGON (a)	5.0	- 9.0	3	2,350 (b)	- 5,850 (b)	132 (c)	264 (c)	132 (c)	* (s)
PENNSYLVANIA	2.8		1	---Flat rate---		---None---			
RHODE ISLAND	25.0% Federal tax liability (t)								
SOUTH CAROLINA (a)	2.5	- 7.0	6	2,400	- 12,000	2,900 (d)	5,800 (d)	2,900 (d)	
SOUTH DAKOTA	No State Income Tax								
TENNESSEE	State Income Tax Is Limited to Dividends and Interest Income Only.								
TEXAS	No State Income Tax								
UTAH (a)	2.30	- 7.0	6	863 (b)	- 4,313 (b)	2,175 (d)	4,350 (d)	2,175 (d)	* (u)
VERMONT	24.0% Federal tax liability (t)								
VIRGINIA	2.0	- 5.75	4	3,000	- 17,000	800	1,600	800	
WASHINGTON	No State Income Tax								
WEST VIRGINIA	3.0	- 6.5	5	10,000	- 60,000	2,000	4,000	2,000	
WISCONSIN	4.6	- 6.75 (v)	4	7,500	- 112,500	700	1,400	400	
WYOMING	No State Income Tax								
DIST. OF COLUMBIA	4.5	- 8.5 (w)	3	10,000	- 40,000	1,370	2,740	1,370	

## STATE INDIVIDUAL INCOME TAXES (footnotes)

Source: The Federation of Tax Administrators from various sources.

- (a) Seven states have statutory provision for automatic adjustment of tax brackets, personal exemption or standard deductions to the rate of inflation. Michigan, Nebraska and Ohio indexes the personal exemption amounts only.
- (b) For joint returns, the taxes are twice the tax imposed on half the income.
- (c) tax credits.
- (d) These states allow personal exemption or standard deductions as provided in the IRC. Utah allows a personal exemption equal to three-fourths the federal exemptions.
- (e) A special tax table is available for low income taxpayers reducing their tax payments.
- (f) Combined personal exemptions and standard deduction. An additional tax credit is allowed ranging from 75% to 0% based on state adjusted gross income. Exemption amounts are phased out for higher income taxpayers until they are eliminated for households earning over \$52,500.
- (g) The tax brackets reported are for single individuals. For married households filing separately, the same rates apply to income brackets ranging from \$500 to \$5,000; and the income brackets range from \$1,000 to \$10,000 for joint filers.
- (h) For joint returns, the tax is twice the tax imposed on half the income. A \$10 filing tax is charge for each return and a \$15 credit is allowed for each exemption.
- (i) Combined personal exemption and standard deduction.
- (j) Tax rate scheduled to decrease to 4.0% for tax year 2003.
- (k) The tax brackets reported are for single individual. For married couples filing jointly, the same rates apply for income under \$27,350 to over \$108,661.
- (l) The tax brackets reported are for single individual. For married couples filing jointly, the same rates apply for income under \$4,000 to over \$46,750.
- (m) The tax brackets reported are for single individuals. For married couples filing jointly, the same rates apply for income under \$20,000 to over \$150,000.
- (n) The tax brackets reported are for single individuals. For married couples filing jointly, the same rates apply for income under \$8,000 to over \$100,000. Married households filing separately pay the tax imposed on half the income.
- (o) The tax brackets reported are for single individuals. For married taxpayers, the same rates apply to income brackets ranging from \$21,250 to \$200,000. Lower exemption amounts allowed for high income taxpayers. Tax rate scheduled to decrease after tax year 2003.
- (p) Rates reported are for short form filers. Long form filers rates range from 2.67% for income under \$3,000 to 12% over \$50,000. Long form filers only can deduct federal income taxes. An additional \$300 personal exemption is allowed for joint returns or unmarried head of households.
- (q) Plus an additional \$20 per exemption tax credit. Rate reported are for tax year 2001, the 2002 rates will not be determined until July, 2001.
- (r) The rate range reported is for single persons not deducting federal income tax. For married persons filing jointly, the same rates apply to income brackets ranging from \$2,000 to \$21,000. Separate schedules, with rates ranging from 0.5% to 10%, apply to taxpayers deducting federal income taxes.
- (s) Deduction is limited to \$10,000 for joint returns and \$5,000 for individuals in Missouri and to \$3,000 in Oregon.
- (t) Federal Tax Liability prior to the enactment of economic Growth and Tax Relief Act of 2001.
- (u) One half of the federal income taxes are deductible.
- (v) The tax brackets reported are for single individuals. For married taxpayers, the same rates apply to income brackets ranging from \$10,000 to \$150,000.
- (w) Tax rate decreases are scheduled for tax years 2003.

STATE PERSONAL INCOME TAXES: FEDERAL STARTING POINTS

STATE	Relation to Internal Revenue Code	Tax Base
ALABAMA	--	--
ALASKA	no state income tax	
ARIZONA	1/1/01	federal adjusted gross income
ARKANSAS	--	--
CALIFORNIA	1/1/98	federal adjusted gross income
COLORADO	Current	federal taxable income
CONNECTICUT	Current	federal adjusted gross income
DELAWARE	Current	federal adjusted gross income
FLORIDA	no state income tax	
GEORGIA	1/1/01	federal adjusted gross income
HAWAII	12/31/00	federal taxable income
IDAHO	1/1/00	federal taxable income
ILLINOIS	Current	federal adjusted gross income
INDIANA	1/1/01	federal adjusted gross income
IOWA	1/1/01	federal adjusted gross income
KANSAS	Current	federal adjusted gross income
KENTUCKY	12/31/99	federal adjusted gross income
LOUISIANA	Current	federal adjusted gross income
MAINE	12/31/00	federal adjusted gross income
MARYLAND	Current	federal adjusted gross income
MASSACHUSETTS	Current	federal adjusted gross income
MICHIGAN	Current (a)	federal adjusted gross income
MINNESOTA	Current	federal taxable income
MISSISSIPPI	--	--
MISSOURI	Current	federal adjusted gross income
MONTANA	Current	federal adjusted gross income
NEBRASKA	Current	federal adjusted gross income
NEVADA	no state income tax	
NEW HAMPSHIRE	on interest & dividends only	
NEW JERSEY	--	--
NEW MEXICO	Current	federal adjusted gross income
NEW YORK	Current	federal adjusted gross income
NORTH CAROLINA	1/1/01	federal taxable income
NORTH DAKOTA	Current	federal taxable income
OHIO	Current	federal adjusted gross income
OKLAHOMA	Current	federal adjusted gross income
OREGON	Current	federal taxable income
PENNSYLVANIA	--	--
RHODE ISLAND	6/3/01	federal liability
SOUTH CAROLINA	12/31/00	federal taxable income
SOUTH DAKOTA	no state income tax	
TENNESSEE	on interest & dividends only	
TEXAS	no state income tax	
UTAH	Current	federal taxable income
VERMONT	6/3/01	federal liability
VIRGINIA	Current	federal adjusted gross income
WASHINGTON	no state income tax	
WEST VIRGINIA	1/1/00	federal adjusted gross income
WISCONSIN	12/31/00	federal adjusted gross income
WYOMING	no state income tax	
DIST. OF COLUMBIA	Current	federal adjusted gross income

Source: Compiled by the Federation of Tax Administrators from various sources.

-- state does not employ a federal starting point. Current indicates state has adopted IRC as currently in effect. Dates indicate state has adopted IRC as amended to that date.

(a) or 1/1/99, taxpayer's option.

## **Attachment B**

**"Comparison of State and Local Retail Sales Taxes—July, 2001,"  
"State Sales Tax Rates and Food and Drug Exemptions," and  
State Sales Tax Rates and Vendor Discounts,"  
Federation of Tax Administrators, February 2002**

## Comparison of State and Local Retail Sales Taxes - July, 2001

	Food Items [1] Taxable (T) Exempt (E)	State Rate	Maximum Local Rate [2]	Maximum State/Local Rate [2]
Alabama	T	4.00	5.00	9.00
Alaska	T	---	6.00 [4]	6.00
Arizona	E	5.60	3.00	8.60
Arkansas	T	5.125	3.00	8.125
California	E	6.00	2.50	8.50
Colorado	E	2.90	4.50	7.40
Connecticut	E	6.00	---	6.00
District of Columbia	E	5.75	---	5.75
Florida	E	6.00	2.50	8.50
Georgia	E	4.00	3.00	7.00
Hawaii	T*	4.00	---	4.00
Idaho	T*	5.00	2.00	7.00
Illinois	T**	6.25	2.50	8.75
Indiana	E	5.00	---	5.00
Iowa	E	5.00	2.00	7.00
Kansas	T*	4.90	3.00	7.90
Kentucky	E	6.00	---	6.00
Louisiana	T [3]	4.00	5.50	9.50
Maine	E	5.00	---	5.00
Maryland	E	5.00	---	5.00
Massachusetts	E	5.00	---	5.00
Michigan	E	6.00	---	6.00
Minnesota	E	6.50	1.00	7.50
Mississippi	T	7.00	---	7.00
Missouri	T	4.225	4.00	8.225
Nebraska	E	5.00	1.50	6.50
Nevada	E	6.50	0.75	7.25
New Jersey	E	6.00	---	6.00
New Mexico	T	5.00	2.1875	7.1875
New York	E	4.00	4.50	8.50
North Carolina	E [5]	4.00	2.00	6.00
North Dakota	E	5.00	2.00	7.00
Ohio	E	5.00	2.00	7.00
Oklahoma	T	4.50	5.25	9.75
Pennsylvania	E	6.00	1.00	7.00
Rhode Island	E	7.00	---	7.00
South Carolina	T**	5.00	1.00	6.00
South Dakota	T*	4.00	2.00	6.00
Tennessee	T	6.00	2.75	8.75
Texas	E	6.25	2.00	8.25
Utah	T	4.75	2.00	6.75
Vermont	E	5.00	---	5.00
Virginia	T**	3.50	1.00	4.50
Washington	E	6.50	2.30	8.80
West Virginia	T	6.00	---	6.00
Wisconsin	E	5.00	0.60	5.60
Wyoming	T*	4.00	2.00	6.00

[1] Food purchased for consumption off-premises.

[2] Highest local rate known to be actually levied by at least one jurisdiction. Includes local taxes for general purposes and those earmarked for specific purposes (e.g. transit). Taxes applying only to specified sales (e.g. lodging or meals) are excluded.

[3] Exemption has been temporarily suspended for the state tax; food remains subject to local taxes.

[4] Alaskan cities and boroughs may levy local sales taxes from 1% to 6%.

[5] Food exempt from state tax, but subject to local taxes.

\* Income tax credit allowed to offset sales tax on food.

\*\* Food taxed at lower rate.

Source: "State Tax Guide," Commerce Clearing House, Inc.; Federation of Tax Administrators.

Compiled by the Washington Dept. of Revenue. Updated 10/18/2001, from website and state revenue tax agency responses.

**STATE SALES TAX RATES  
AND FOOD & DRUG EXEMPTIONS**  
(As of January 1, 2002)

STATE	Tax Rate (percentage)	EXEMPTIONS		
		Food (1)	Prescription Drugs	Nonprescription Drugs
ALABAMA	4		*	
ALASKA	none			
ARIZONA	5.6	*	*	
ARKANSAS	5.125		*	
CALIFORNIA (3)	7.25 (2)	*	*	
COLORADO	2.9	*	*	
CONNECTICUT	6	*	*	*
DELAWARE	none			
FLORIDA	6	*	*	*
GEORGIA	4	*	*	
HAWAII	4		*	
IDAHO	5		*	
ILLINOIS	6.25	1%	1%	1%
INDIANA	5	*	*	
IOWA	5	*	*	
KANSAS	4.9		*	
KENTUCKY	6	*	*	
LOUISIANA	4	(4)	*	
MAINE	5	*	*	
MARYLAND	5	*	*	*
MASSACHUSETTS	5	*	*	
MICHIGAN	6	*	*	
MINNESOTA	6.5	*	*	*
MISSISSIPPI	7		*	
MISSOURI	4.225	1.225	*	
MONTANA	none			
NEBRASKA	5	*	*	
NEVADA	6.5	*	*	
NEW HAMPSHIRE	none			
NEW JERSEY	6	*	*	*
NEW MEXICO	5		*	
NEW YORK	4	*	*	*
NORTH CAROLINA	4.5	(4)	*	
NORTH DAKOTA	5	*	*	
OHIO	5	*	*	
OKLAHOMA	4.5		*	
OREGON	none			
PENNSYLVANIA	6	*	*	*
RHODE ISLAND	7	*	*	*
SOUTH CAROLINA	5		*	
SOUTH DAKOTA	4		*	
TENNESSEE	6		*	
TEXAS	6.25	*	*	*
UTAH	4.75		*	
VERMONT	5	*	*	*
VIRGINIA	4.5 (2)	4.0% (5)	*	*
WASHINGTON	6.5	*	*	
WEST VIRGINIA	6		*	
WISCONSIN	5	*	*	
WYOMING (3)	4		*	
DIST. OF COLUMBIA	5.75	*	*	*

\* - Indicates exempt from tax.

Source: Compiled by FTA from various sources.

(1) Some state tax food, but allow an (income) tax credit to compensate poor households. They are: ID, KS, SD, VT, and WY.

(2) Includes statewide local tax of 1.25% in California and 1.0% in Virginia.

(3) Tax rate may be adjusted annually according to a formula based on balances in the unappropriated general fund and the school foundation fund.

(4) Food sales are subject to local sales taxes. In LA, food sales will be exempt beginning 7/1/02.

(5) Tax rate on food is scheduled to decrease to 3.0% on 4/1/02. Statewide local tax is included.

**STATE SALES TAX RATES AND VENDOR DISCOUNTS**  
(January 1, 2002)

STATE	STATE SALES TAX RATE	RANK	VENDOR DISCOUNT	MAX/MIN
ALABAMA	4.0%	38	5.0%-2.0% (1)	
ALASKA		N/A		
ARIZONA	5.6%	18	1.0%	\$10,000/year (max)
ARKANSAS	5.125%	19	2.0%	\$1,000/month (max)
CALIFORNIA (3)	6.00%	8	None	
COLORADO	2.9%	46	3.33% (4)	
CONNECTICUT	6.0%	8	None	
DELAWARE		N/A		
FLORIDA	6.0%	8	2.5%	\$30/report (max)
GEORGIA	4.0%	38	3.0%-0.5% (1)	
HAWAII	4.0%	38	None	
IDAHO	5.0%	20	None (5)	
ILLINOIS	6.25%	6	1.75%	\$5/year (min)
INDIANA (2)	5.0%	20	1.0%	
IOWA	5.0%	20	None	
KANSAS	4.90%	33	None	
KENTUCKY	6.0%	8	1.75%-1.0% (1)	
LOUISIANA	4.0%	38	1.1%	
MAINE	5.0%	20	None (5)	
MARYLAND	5.0%	20	1.2%-0.9% (1)	
MASSACHUSETTS	5.0%	20	None	
MICHIGAN	6.0%	8	0.5% (6)	\$6/month (min)
MINNESOTA	6.5%	3	None	
MISSISSIPPI	7.0%	1	2.0%	\$50/month (max)
MISSOURI	4.225%	37	2.0%	
MONTANA		N/A		
NEBRASKA	5.0%	20	2.5%-0.5% (1)	
NEVADA	6.5%	3	1.25%	
NEW HAMPSHIRE		N/A		
NEW JERSEY	6.0%	8	None	
NEW MEXICO	5.0%	20	None	
NEW YORK	4.0%	38	3.5%	\$85/month (max)
NORTH CAROLINA	4.5%	35	None	
NORTH DAKOTA	5.0%	20	1.5%	\$255/quarter (max)
OHIO	5.0%	20	0.75%	
OKLAHOMA	4.5%	35	2.25%	\$3,000/month (max)
OREGON		N/A		
PENNSYLVANIA	6.0%	8	1.0%	
RHODE ISLAND	7.0%	1	None	
SOUTH CAROLINA	5.0%	20	3.0%-2.0% (1)	\$3,000/year (max)
SOUTH DAKOTA	4.0%	38	None	
TENNESSEE	6.0%	8	2.0%-1.15% (1)	\$25/report (max)
TEXAS	6.25%	6	0.5% (7)	
UTAH	4.75%	34	1.5%	
VERMONT	5.0%	20	None (5)	
VIRGINIA (3)	3.5%	45	4.0%-2.0% (8)	
WASHINGTON	6.5%	3	None	
WEST VIRGINIA	6.0%	8	None	
WISCONSIN	5.0%	20	0.5%	
WYOMING	4.0%	38	None	
DIST. OF COLUMBIA	5.75%	17	1.0%	\$5,000/month (max)
U. S. MEDIAN	5.0%		2.0%-1.5% (1)	28 states allow vendor discounts

(1) In some states, the vendors' discount varies by the amount paid. In AL and SC, the larger discounts apply to the first \$100. In GA and NE, the larger discount applies to the first \$3,000. In TN and KY, the larger discounts apply to the first \$2,500 and \$1,000, while MD applies the larger discount to annual collections of \$6,000. The lower discounts apply to remaining collections above these amounts.

(2) Utilities are not permitted to take discount.

(3) Rate does not include a statewide local rate of 1.25% in CA and 1.0% in VA.

(4) Vendor discount applies to the state taxes collected. Discount for local option sales tax varies from 0% to 3.33%.

(5) Vendors are allowed to keep any excess collections prescribed under the bracket system.

(6) Vendor discount only applies to the first 4.0% of the tax.

(7) An additional discount of 1.25% applies for early payment.

(8) Discount varies; 4% of the first \$62,500, 3% of the amount to \$208,000, and 2% of the remainder.

Label

(See instructions on page 19.)

Use the IRS label. Otherwise, please print or type.

Presidential Election Campaign (See page 19.)

LABEL HERE

For the year Jan. 1–Dec. 31, 2001, or other tax year beginning 2001, ending 20
Your first name and initial Last name
If a joint return, spouse's first name and initial Last name
Home address (number and street). If you have a P.O. box, see page 19. Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 19.

OMB No. 1545-0074

Your social security number

Spouse's social security number

Important! You must enter your SSN(s) above.

Note. Checking "Yes" will not change your tax or reduce your refund.

Do you, or your spouse if filing a joint return, want \$3 to go to this fund?

You Spouse
Yes No Yes No

Filing Status

- 1 Single
2 Married filing joint return (even if only one had income)
3 Married filing separate return. Enter spouse's social security no. above and full name here.
4 Head of household (with qualifying person). (See page 19.) If the qualifying person is a child but not your dependent, enter this child's name here.
5 Qualifying widow(er) with dependent child (year spouse died). (See page 19.)

Check only one box.

Exemptions

6a Yourself. If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a
6b Spouse
6c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if qualifying child for child tax credit (see page 20)
6d Total number of exemptions claimed

No. of boxes checked on 6a and 6b

No. of your children on 6c who:

- lived with you
did not live with you due to divorce or separation (see page 20)

Dependents on 6c not entered above

Add numbers entered on lines above

Income

7 Wages, salaries, tips, etc. Attach Form(s) W-2
8a Taxable interest. Attach Schedule B if required
8b Tax-exempt interest. Do not include on line 8a
9 Ordinary dividends. Attach Schedule B if required
10 Taxable refunds, credits, or offsets of state and local income taxes (see page 22)
11 Alimony received
12 Business income or (loss). Attach Schedule C or C-EZ
13 Capital gain or (loss). Attach Schedule D if required. If not required, check here
14 Other gains or (losses). Attach Form 4797
15a Total IRA distributions
15b Taxable amount (see page 23)
16a Total pensions and annuities
16b Taxable amount (see page 23)
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E
18 Farm income or (loss). Attach Schedule F
19 Unemployment compensation
20a Social security benefits
20b Taxable amount (see page 25)
21 Other income. List type and amount (see page 27)
22 Add the amounts in the far right column for lines 7 through 21. This is your total income

Attach Forms W-2 and W-2G here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 21.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

Adjusted Gross Income

23 IRA deduction (see page 27)
24 Student loan interest deduction (see page 28)
25 Archer MSA deduction. Attach Form 8853
26 Moving expenses. Attach Form 3903
27 One-half of self-employment tax. Attach Schedule SE
28 Self-employed health insurance deduction (see page 30)
29 Self-employed SEP, SIMPLE, and qualified plans
30 Penalty on early withdrawal of savings
31a Alimony paid b Recipient's SSN
31b Add lines 23 through 31a
32 Subtract line 32 from line 22. This is your adjusted gross income

Tax and Credits

Standard Deduction for--
People who checked any box on line 35a or 35b or who can be claimed as a dependent, see page 31.
All others:
Single, \$4,550
Head of household, \$6,650
Married filing jointly or Qualifying widow(er), \$7,600
Married filing separately, \$3,800

34 Amount from line 33 (adjusted gross income)
35a Check if: You were 65 or older, Blind; Spouse was 65 or older, Blind.
Add the number of boxes checked above and enter the total here
b If you are married filing separately and your spouse itemizes deductions, or you were a dual-status alien, see page 31 and check here
36 Itemized deductions (from Schedule A) or your standard deduction (see left margin)
37 Subtract line 36 from line 34
38 If line 34 is \$99,725 or less, multiply \$2,900 by the total number of exemptions claimed on line 6d. If line 34 is over \$99,725, see the worksheet on page 32
39 Taxable income. Subtract line 38 from line 37. If line 38 is more than line 37, enter -0-
40 Tax (see page 33). Check if any tax is from a Form(s) 8814 b Form 4972
41 Alternative minimum tax (see page 34). Attach Form 6251
42 Add lines 40 and 41
43 Foreign tax credit. Attach Form 1116 if required
44 Credit for child and dependent care expenses. Attach Form 2441
45 Credit for the elderly or the disabled. Attach Schedule R
46 Education credits. Attach Form 8863
47 Rate reduction credit. See the worksheet on page 36
48 Child tax credit (see page 37)
49 Adoption credit. Attach Form 8839
50 Other credits from: a Form 3800 b Form 8396 c Form 8801 d Form (specify)
51 Add lines 43 through 50. These are your total credits
52 Subtract line 51 from line 42. If line 51 is more than line 42, enter -0-

Other Taxes

53 Self-employment tax. Attach Schedule SE
54 Social security and Medicare tax on tip income not reported to employer. Attach Form 4137
55 Tax on qualified plans, including IRAs, and other tax-favored accounts. Attach Form 5329 if required
56 Advance earned income credit payments from Form(s) W-2
57 Household employment taxes. Attach Schedule H
58 Add lines 52 through 57. This is your total tax

Payments

If you have a qualifying child, attach Schedule EIC.

59 Federal income tax withheld from Forms W-2 and 1099
60 2001 estimated tax payments and amount applied from 2000 return
61a Earned income credit (EIC)
b Nontaxable earned income
62 Excess social security and RRTA tax withheld (see page 51)
63 Additional child tax credit. Attach Form 8812
64 Amount paid with request for extension to file (see page 51)
65 Other payments. Check if from a Form 2439 b Form 4136
66 Add lines 59, 60, 61a, and 62 through 65. These are your total payments

Refund

Direct deposit? See page 51 and fill in 68b, 68c, and 68d.

67 If line 66 is more than line 58, subtract line 58 from line 66. This is the amount you overpaid
68a Amount of line 67 you want refunded to you
b Routing number
c Type: Checking Savings
d Account number
69 Amount of line 67 you want applied to your 2002 estimated tax

Amount You Owe

70 Amount you owe. Subtract line 66 from line 58. For details on how to pay, see page 52
71 Estimated tax penalty. Also include on line 70

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 53)? Yes. Complete the following. No
Designee's name Phone no. Personal identification number (PIN)

Sign Here

Joint return? See page 19. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
Your signature Date Your occupation Daytime phone number
Spouse's signature. If a joint return, both must sign. Date Spouse's occupation

Paid Preparer's Use Only

Preparer's signature Date Check if self-employed Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code EIN Phone no.



## Representative Eric Croft

### **HJR 36: Sponsor Statement CONSTITUTIONAL CAP ON INCOME OR SALES TAXES**

Down here in Juneau at the legislative session, there is a lot of talk about new taxes. My constituents have been giving me an earful on this issue in faxes, public opinion messages, and phone calls. Some people support some of the new tax measures and some oppose any new taxes. A growing number express a guarded willingness to have new taxes if they can be sure that a new tax, begun at a reasonable level, will not grow over the years to excessive amounts. To meet this concern, I have introduced a constitutional amendment to limit the amount of any new sales or income tax to no more than five percent.

Alaskans need to feel secure that any new tax proposals will not grow unreasonably. My proposed constitutional amendment meets this concern. The idea of a statewide tax cap is similar to the approach taken by the Municipality of Anchorage in limiting the amount of property taxes that can be collected each year. This charter amendment has effectively constrained the municipal spending and protected municipal property owners. The municipal tax cap also maintains the relationship between economic growth and the ability of the municipality to pay for the demand for schools, roads, and police that accompanies economic development. Put more simply, when we grow the Anchorage economy by new construction this increases the tax cap, allowing the municipal government to meet the increased need for schools, roads, and police services. Anchorage has wisely chosen a method to restrain the growth of government that allows and encourages economic development. For these reasons, I chose this model for my tax cap constitutional amendment.

Some in the legislature have proposed a constitutional spending cap which would arbitrarily set a two or four percent limit on the growth of state services from year to year. While this approach has some appeal, it does nothing to meet the real concern about the growth of taxes. Under a spending cap, there is no limit to the amount of an income or sales tax. A cap on spending might mean that we have deteriorating schools but still pay high taxes. More importantly, it is impossible to sit here in 2002 and predict accurately the exact amount of schools, roads, or police we will need thirty or forty years into the future. It shows an astonishing legislative arrogance to even try. If we had imposed a two percent spending cap in 1960, would we have been able to keep up with the need for increased police, fire and other services during the pipeline boom? That is why we chose another approach; we chose to cap taxes rather than try to predict spending levels in the future.



## REPRESENTATIVE ERIC CROFT

### Sectional Analysis HJR 36

**Subject:** Sectional Summary of HJR 36, proposing an amendment to the Constitution of the State of Alaska relating to limiting the rate of state income and sales and use taxes.

**To:** Representative Norm Rokeberg, House Judiciary Committee Chairman

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This resolution would place before Alaskan voters an amendment to the Alaska State Constitution placing a cap on taxes collected by the State of Alaska.

**Section 1.** Inserts a new section into Article IX of the Constitution of the State of Alaska to cap any income or sales or use tax levied by the State of Alaska. An income tax would be capped at five percent of the federal adjusted gross income as defined by federal tax law. A sales or use tax would be capped at five percent of the sale price.

**Section 2.** Places the amendment before the voters at the next general election.



# FISCAL NOTE

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

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HJR 36  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: OOG  
 Title Constitutional amendment limiting BRU Elections  
the rate of state income, sales and use taxes Component Elections  
 Sponsor Representative Croft  
 Requester House Judiciary Committee Component No. 21

**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						
Travel						
Contractual	1.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1.5					
1005 GF/Program Receipts						
1037 GF/Mental Health:						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</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 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58. If this measure requires the printing of an 8-1/2 by 18 inch ballot, the cost will increase by \$22.0.

Prepared by Gall Fenumial, Election Administrative Supervisor Phone 465-3935  
 Division Division of Elections Date/Time 2/13/02 4:03 PM  
 Approved by: Lieutenant Governor Fran Ulmer Date 02/13/2002  
 Agency Office of the Lieutenant Governor