

HB

199

Alaska State Legislature



REPRESENTATIVE BILL HUDSON
House Finance Committee

State Capitol
Juneau, Alaska
99801-1182
(907) 465-3744
Fax (907) 465-2273

MEMORANDUM

TO: Representative John Coghill, Chairman
House State Affairs Committee

FROM: Representative Bill Hudson, *Bill*
Alaska State Legislature

SUBJECT: SSHB 199 Hearing Request

DATE: January 22, 2002

I respectfully request that you schedule SS HB199 before your committee at your earliest convenience.

I have enclosed a sponsor statement along with the two versions of the bill, background information, and a small sample of letters of support and opposition to the bill. A sectional analysis has been requested, and I would be happy to assist in obtaining the fiscal notes regarding this legislation.

If you have any questions regarding this request please contact my staff member handling this legislation, Melanie Lesh at 465-4230.

Thanks for your consideration.



Alaska State Legislature



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Official Business

Sponsor Statement for Sponsor Substitute HB 199 Reinstating a state personal income tax Representative Bill Hudson

SSHB 199 (22-SL0753\J) changes the method for calculating taxes from a percent of the household's federal tax liability (from the federal tax tables) to a percent of federal adjusted gross income (AGI). Essentially this changes the base from a percentage of your federal taxes payable to a percentage of your income and earnings.

The bill starts with a flat tax of 1% of AGI for the first year and ratchets up to 2.25% of AGI in the following year. The estimated new revenues for the first year after implementation of SSHB 199, at 1% would be approximately \$118.0 million. The second and subsequent years at 2.25% would yield approximately \$285.0 million per year to help close the estimated \$1 billion per year fiscal gap. Federal adjusted gross income is defined as:

In addition to wages, salaries and tips, adjusted gross income includes other kinds of income, such as pensions and annuities, dividends, alimony and capital gains. It also includes several of the so-called above the line deductions that taxpayers are not required to itemize on their federal tax return, such as interest on student loans, contributions to medical savings accounts and moving expenses.

Since this bill only partially closes the gap, other new revenue generating measures must be applied. I believe this phased in approach of new taxes should help provide essential services, affect the average Alaskan worker only minimally, and coupled with some use of the excess earnings of the Permanent Fund help stabilize the Alaskan economy and retain the maximum amount of PFD's.

The taxes generated at full implementation will be less than half of the tax paid by Alaskan workers prior to repeal of the state income tax in 1980. It would be modest in comparison to other states' personal income tax in both the percentage applied and income derived.

It should be noted that the average cost per Alaskan household would amount to less than \$900.00 per year at 2.25% of AGI. If we are able to continue PFD's, even at \$1,250.00, the average Alaskan household's new tax liability would likely be fully covered by less than the value of one PFD. But we don't get out of the hole by this step alone. Other elements presented by the Fiscal Policy Caucus will have to be considered.

Finally, this very modest new tax would be deductible from your federal income tax and would allow over \$50.0 million that would otherwise flow to Washington D.C. to remain in the Alaskan economy. We would also begin to capture revenues from non-residents employees that annually take over \$900.0 million out of our state without contributing a dime for services they receive.

I believe it is imperative that we act on this and other new revenue generating measures before adjournment of this 2nd Session of the 22nd Alaska Legislature.

22-LS0753\L
Kurtz
2/27/02

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 199(STA)

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION**

BY THE HOUSE STATE AFFAIRS COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES HUDSON, Scalzi

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to taxation, including taxation of income of individuals, estates, and**
2 **trusts; and providing for an effective date."**

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

4 *** Section 1.** AS 43.20 is amended by adding a new section to read:

5 **Sec. 43.20.009. Tax on individuals, estates, and trusts.** (a) There is
6 imposed for each taxable year an income tax, computed as provided in this section, on
7 every

8 (1) resident individual; and

9 (2) nonresident and part-year resident individual, estate, and trust, with
10 income from sources in the state.

11 (b) As soon as practicable after September 30 of each year, the department
12 shall publish the tax rate for the following calendar year. The rate is two and one-
13 fourth percent, except that, if, as of September 30 of that year, all appropriations from
14 the budget reserve fund created by art. IX, sec. 17, Constitution of the State of Alaska,

1 have been completely repaid, the rate is one percent for the following calendar year.

2 (c) The tax for a resident individual shall be computed by applying the rate
3 described in (b) of this section to the individual's taxable income.

4 (d) The tax for a nonresident or part-year resident individual or for an estate or
5 trust shall be computed by applying the rate described in (b) of this section to the
6 individual's, estate's, or trust's taxable income, and multiplying the result by a fraction,
7 the numerator of which is taxable income from all sources in the state and the
8 denominator of which is taxable income from all sources.

9 (e) An individual whose income includes a cost-of-living allowance that is
10 exempt from the federal income tax shall determine and include that amount as part of
11 the individual's taxable income as if the cost-of-living allowance were not exempt.

12 (f) In this section, "taxable income" means adjusted gross income, as defined
13 in 26 U.S.C. 62 (Internal Revenue Code), and includes the income described in (e) of
14 this section.

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

16 (a) Every individual, trust, estate, partnership, and [IF A] corporation
17 subject to tax under this chapter [, OR A PARTNERSHIP THAT HAS A
18 CORPORATION AS A PARTNER, IS] required to make a return of income under
19 the provisions of the Internal Revenue Code [, IT] shall file with the department,
20 within 30 days after the federal return is required to be filed, a return setting out

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

23 (2) other information that the department requires for the purpose of
24 carrying out the provisions of this chapter [THAT THE DEPARTMENT
25 REQUIRES].

26 * Sec. 3. AS 43.20.031(c) is amended to read:

27 (c) In computing the tax under this chapter, a corporation [THE
28 TAXPAYER] is not entitled to deduct any taxes based on or measured by net income.

29 * Sec. 4. AS 43.20.040 is repealed and reenacted to read:

30 **Sec. 43.20.040. Income from sources in the state.** (a) In this chapter,
31 income from sources in the state includes

- 1 (1) compensation for personal services rendered in the state;
- 2 (2) working in the state for salary or wages;
- 3 (3) income from real or tangible personal property located in the state;
- 4 (4) income from stocks, bonds, notes, bank deposits, and other
- 5 intangible personal property having a taxable or business situs in the state; however,
- 6 the receipt of interest income from intangible property in the state does not alone
- 7 establish a taxable or business situs in the state;
- 8 (5) rentals and royalties for the use of or for the privilege of using, in
- 9 the state, patents, copyrights, secret processes and formulas, good will, marks, trade
- 10 brands, franchises, and other property having a taxable or business situs in the state;
- 11 (6) income distributed from a trust established under or governed by
- 12 the laws of the state;
- 13 (7) income of a trust established under or governed by the laws of the
- 14 state and income of the estate of a decedent who on the date of death was domiciled in
- 15 the state;
- 16 (8) income, from a source with a taxable or business situs in the state,
- 17 of
- 18 (A) a trust not established under or governed by the laws of the
- 19 state; or
- 20 (B) the estate of a decedent who on the date of death was not
- 21 domiciled in the state;
- 22 (9) income of whatever nature from a source with a taxable or business
- 23 situs in the state.
- 24 (b) Except as provided in (a)(4) of this section, in this section, income is from
- 25 a source with a taxable or business situs in the state if it is attributed to or derived from
- 26 (1) business facilities or property in the state;
- 27 (2) business, farming, or fishing activities in the state;
- 28 (3) conducting in the state the management or investment function for
- 29 intangible property;
- 30 (4) a partnership, limited liability company, estate, or trust conducting
- 31 business activities in the state;

1 (5) a corporation transacting business activities in the state that has
2 elected to file federal returns under subchapter S of the Internal Revenue Code;

3 (6) any other activity from which income is received, realized, or
4 derived in the state.

5 (c) If a business, trade, or profession is carried on partly inside and partly
6 outside the state, other than the rendering of purely personal services by an individual,
7 the income from sources in the state shall be determined as provided in AS 43.19.

8 * **Sec. 5.** AS 43.20 is amended by adding a new section to article 1 to read:

9 **Sec. 43.20.046. Individual, trust, and estate tax credits.** (a) For a resident,
10 a trust established under or governed by the laws of this state, or the estate of a
11 decedent who on the date of death was domiciled in this state, the income tax imposed
12 on that resident, trust, or estate by another state or territory of the United States for the
13 taxable year, on income derived from sources in that state or territory, is allowed as a
14 credit against the tax under this chapter.

15 (b) The credit under (a) of this section is determined by multiplying the tax
16 computed under this chapter by a fraction, the numerator of which is the income
17 derived from sources in the other state or territory and the denominator of which is
18 income derived from all sources. The credit under (a) of this section may not exceed
19 the actual tax paid to the other state or territory.

20 (c) An individual, estate, or trust is allowed only the state credits provided in
21 this section. The total state credit allowed under this section may not exceed the tax
22 liability for the taxable year for the individual, estate, or trust. A credit may not be
23 carried, in whole or in part, to a different taxable year.

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

25 **Sec. 43.20.171. Tax withholding on wages of individuals.** (a) Every
26 employer making payment of wages, salaries, or crew shares after December 31, 2002,

27 (1) shall deduct and withhold an amount of tax computed in a manner
28 to approximate the amount of tax due on those wages, salaries, or crew shares under
29 this chapter for that taxable year;

30 (2) shall remit the tax withheld to the department accompanied by a
31 return on a form prescribed by the department at the times required by the department

1 by regulation;

2 (3) is liable for the payment of the tax required to be deducted and
3 withheld under this section but is not liable to any individual for the amount of the
4 payment; and

5 (4) shall furnish to the employee on or before January 31 of the
6 succeeding year, or within 30 days after a request by the employee after the
7 employee's termination if the 30-day period ends before January 31, a written
8 statement on a form prescribed by the department showing

9 (A) the name and taxpayer identification number of the
10 employer;

11 (B) the name and social security number of the employee;

12 (C) the total amount of wages, salary, or crew shares for the
13 taxable year; and

14 (D) the total amount deducted and withheld as tax for the
15 taxable year.

16 (b) The department shall publish the rate of withholding required by this
17 section.

18 (c) In this section,

19 (1) "employee" includes an individual who receives compensation on a
20 crew share basis in connection with a commercial fishing activity;

21 (2) "employer" includes a person who pays compensation to an
22 individual on a crew share basis in connection with a commercial fishing activity.

23 * Sec. 7. AS 43.20.340 is amended by adding new paragraphs to read:

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

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

28 (14) "resident" means an individual who, for the entire taxable year,
29 was domiciled in the state or resided in the state.

30 * Sec. 8. AS 43.05.085; AS 43.20.012, and 43.20.013 are repealed.

31 * Sec. 9. The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 TAX RATE FOR 2003. The tax rate for 2003 under AS 43.20.009, added by sec. 1 of
3 this Act, is two and one-fourth percent.

4 * Sec. 10. The uncodified law of the State of Alaska is amended by adding a new section to
5 read:

6 SEVERABILITY. Under AS 01.10.030, if any provision of this Act, or the
7 application of a provision of this Act to any person or circumstance is held invalid, the
8 remainder of this Act and the application to other persons is not affected.

9 * Sec. 11. This Act takes effect January 1, 2003.

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31 return on a form prescribed by the department at the times required by the department

1 by regulation;

2 (3) is liable for the payment of the tax required to be deducted and
3 withheld under this section but is not liable to any individual for the amount of the
4 payment; and

5 (4) shall furnish to the employee on or before January 31 of the
6 succeeding year, or within 30 days after a request by the employee after the
7 employee's termination if the 30-day period ends before January 31, a written
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10 employer;

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4 * Sec. 10. The uncodified law of the State of Alaska is amended by adding a new section to
5 read:

6 SEVERABILITY. Under AS 01.10.030, if any provision of this Act, or the
7 application of a provision of this Act to any person or circumstance is held invalid, the
8 remainder of this Act and the application to other persons is not affected.

9 * Sec. 11. This Act takes effect January 1, 2003.

1999 SOI Data (1999 Tax Yr)

% of Adjusted Gross Income

DRAFT

Target Revenue	\$ 285,000,000	
Nonresident Business Inc. Tax Est.	\$ -	<<<Enter the revenue you expect from Non-resident business income
Model Target Revenue	\$ 285,000,000	
Rate on AGI below bracket amount	none	<<< none = flat
Bracket amount	\$ -	
AK Credit (Y or N)	n	>>>> If 'Y' enter >>>>>> Individual AK credit \$ -
Credit on Rts or T/P.	t	>>>> T for T/P Based Credit

AGI range (000)	< \$20	\$20 < \$30	\$30 < 50	\$50 < 75	\$75 < 100	>= \$100	Total
Federal Tax Returns	142,308	38,368	54,758	43,651	24,213	24,212	327,510
Joint Returns Above	10,461	10,187	22,618	29,707	20,465	21,251	114,689
Taxpayers	152,769	48,555	77,376	73,358	44,678	45,463	442,199
# of Credits	152,769	48,555	77,376	73,358	44,678	45,463	442,199
Federal Adjusted Gross Income	1,077,973,000	951,163,000	2,155,626,000	2,679,870,000	2,081,458,000	4,264,637,000	13,210,727,000
Recon to AKDOL gross wages	25,694,650	4,520,537	8,995,181	19,464,131			58,674,498
Alaska Tax Base	1,103,667,650	955,683,537	2,164,621,181	2,699,334,131	2,081,458,000	4,264,637,000	13,269,401,498
Amount over Bracket		0	0	0	0	0	
Tax Generated (Base x Rate)	24,968,134	21,620,338	48,969,953	61,066,696	47,088,562	96,478,346	300,192,000
Credits	0	0	0	0	0	0	0
Credit: taxes pd to other states	(309,000)	(315,000)	(1,359,000)	(2,263,000)	(2,021,000)	(8,925,000)	(15,192,000)
Revenue (Tax - Credits)	24,659,134	21,305,338	47,610,953	58,803,696	45,067,562	87,553,346	285,000,000
Flat Rate	2.26%	2.26%	2.26%	2.26%	2.26%	2.26%	
Flat Rate		2.26%	2.26%	2.26%	2.26%	2.26%	
Average Effective AK Tax Rate	2.23%	2.23%	2.20%	2.18%	2.17%	2.05%	
% of revenue from group	8.65%	7.48%	16.71%	20.63%	15.81%	30.72%	

1999 SOI Data (1999 Tax Yr)

% of Adjusted Gross Income

DRAFT

Target Revenue \$ 270,000,000
 Nonresident Business Inc. Tax Est. \$ - <<<Enter the revenue you expect from Non-resident business income
 Model Target Revenue \$ 270,000,000
 Rate on AGI below bracket amount none <<< none = flat
 Bracket amount \$ -
 AK Credit (Y or N) n >>>> If 'Y' enter >>>> Individual AK credit \$ -
 Credit on Rts or T/P. t >>>> T for T/P Based Credit

AGI range (000)	< \$20	\$20 < \$30	\$30 < 50	\$50 < 75	\$75 < 100	>= \$100	Total
Federal Tax Returns	142,308	38,368	54,758	43,651	24,213	24,212	327,510
Joint Returns Above	10,461	10,187	22,618	29,707	20,465	21,251	114,689
taxpayers	152,769	48,555	77,376	73,358	44,678	45,463	442,199
# of Credits	152,769	48,555	77,376	73,358	44,678	45,463	442,199
Federal Adjusted Gross Income	1,077,973,000	951,163,000	2,155,626,000	2,679,870,000	2,081,458,000	4,264,637,000	13,210,727,000
Recon to AKDOL gross wages	25,694,650	4,520,537	8,995,181	19,464,131			58,674,498
Alaska Tax Base	1,103,667,650	955,683,537	2,164,621,181	2,699,334,131	2,081,458,000	4,264,637,000	13,269,401,498
Amount over Bracket		0	0	0	0	0	
Tax Generated (Base x Rate)	23,720,526	20,539,984	46,523,021	58,015,314	44,735,640	91,657,514	285,192,000
Credits	0	0	0	0	0	0	0
Credit: taxes pd to other states	(309,000)	(315,000)	(1,359,000)	(2,263,000)	(2,021,000)	(8,925,000)	(15,192,000)
Revenue (Tax - Credits)	23,411,526	20,224,984	45,164,021	55,752,314	42,714,640	82,732,514	270,000,000
Flat Rate	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%	
Flat Rate		2.15%	2.15%	2.15%	2.15%	2.15%	
Average Effective AK Tax Rate	2.12%	2.12%	2.09%	2.07%	2.05%	1.94%	
% of revenue from group	8.67%	7.49%	16.73%	20.65%	15.82%	30.64%	

99 DOL

			Assign diff.	avg wage	est # rts
DOL wages	9,201,169,498				
IRS wages	<u>9,142,495,000</u>				
	58,674,498				
Eateries	31,608,065	0.05445646	3,195,206	4,736	675
Hotels	23,166,278	0.03991239	2,341,840	6,703	349
Seafood	136,721,368	0.2355526	13,820,930	8,161	1694
Const Contr	31,469,910	0.05421844	3,181,240	13,851	230
Health Svc	31,214,635	0.05377863	3,155,434	15,316	206
Eng/Acctg	44,718,695	0.07704432	4,520,537	21,094	214
Air transport	88,983,401	0.15330648	8,995,181	35,494	253
Oil & gas	<u>192,545,838</u>	<u>0.33173068</u>	<u>19,464,131</u>	59,281	328
	580,428,190		58,674,498		

STATE PERSONAL INCOME TAXES: FEDERAL STARTING POINTS

STATE	Relation to Internal Revenue Code	Tax Base
ALABAMA	---	---
ALASKA	no state income tax	
ARIZONA	1/1/00	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	1/1/00	federal adjusted gross income
HAWAII	12/31/99	federal taxable income
IDAHO	1/1/99	federal taxable income
ILLINOIS	Current	federal adjusted gross income
INDIANA	1/1/98	federal adjusted gross income
IOWA	1/1/99	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	12/31/99	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	6/1/99	federal taxable income
NORTH DAKOTA	Current	federal liability (b)
OHIO	Current	federal adjusted gross income
OKLAHOMA	Current	federal adjusted gross income
OREGON	Current	federal taxable income
PENNSYLVANIA	---	---
RHODE ISLAND	Current	federal liability
SOUTH CAROLINA	12/31/99	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	Current (c)	federal liability
VIRGINIA	Current	federal adjusted gross income
WASHINGTON	no state income tax	
WEST VIRGINIA	1/1/00	federal adjusted gross income
WISCONSIN	12/31/99	federal adjusted gross income
WYOMING	no state income tax	
DIST. OF COLUMBIA	Current	federal adjusted gross income

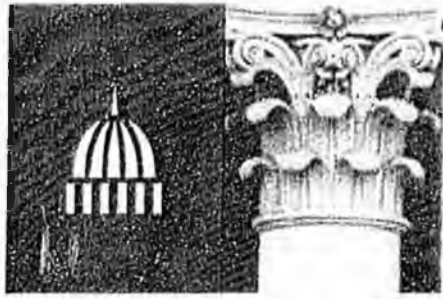
Source: Compiled by the Federation of Tax Administrators from various sources.

--- 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 1/1/96, taxpayer's option.

(b) or federal taxable income based on current IRC.

(c) not to exceed tax computed using IRC as of 12/31/99.



State Income Taxes: Conforming to the Federal Code

By Alysoun McLaughlin

Most states calculate state income taxes based on a federal starting point.

Since the establishment of a federal income tax in 1913 and codification of the Internal Revenue Code in 1939, state and local governments have largely designed their income taxes around the rules and definitions in the federal code. Conforming to the federal tax code promotes compliance and simplifies tax administration.

The Federal "Starting Point." Of the 41 states and the District of Columbia that collect an income tax, all but five—Alabama, Arkansas, Mississippi, New Jersey and Pennsylvania—calculate state income taxes based on a federal starting point. From that point (which may be adjusted gross income, total taxable income or federal tax liability), states apply their own personal exemptions, credits, deductions and tax rates. States may also work backward from the starting point, disallowing federal credits or deductions not permitted under their laws. The three federal starting points are described below.

1. Federal Adjusted Gross Income. In addition to wages, salaries and tips, adjusted gross income includes other kinds of income, such as pensions and annuities, alimony and capital gains. It also includes several of the so-called above-the-line deductions that taxpayers are not required to itemize on their federal tax return, such as interest on student loans, contributions to medical savings accounts and moving expenses.

2. Federal Taxable Income. This is derived by applying itemized deductions to adjusted gross income. Itemized deductions include mortgage interest, state income and property taxes, medical, educational and business expenses, legal fees, and wagering losses.

3. Federal Tax Liability. Federal marginal income tax rates, as well as income calculations, are reflected in this starting point. Federal tax liability also incorporates a number of elements not included in an income-based starting point, such as the alternative minimum tax and credits for the elderly and disabled, child and dependent care, adoption, and the Hope and Lifetime Learning education tax credits.

Every state will feel the effects of federal income tax reduction.

The recent federal tax cut has raised questions about how, and to what extent, state revenues are tied to the decisions of federal lawmakers. Passage of the federal tax cut prompted several states to pass laws to lessen its impact on state tax receipts. Although every state will feel the effects of the federal tax reduction, the effects will not be uniform. All states will lose revenue from the elimination of the state death tax credit. Most will lose revenue from the expansion of several education-related deductions. North Dakota, Rhode Island and Vermont have recently changed their tax laws to avoid losing revenue due to the reductions in marginal tax rates. Iowa, Missouri, Oregon and Utah have passed legislation to make the federal tax rebate exempt from state taxation. Al-

though more states are expected to follow suit, those that allow a state deduction for federal tax payments will still experience some revenue gain from the federal tax cut.

The effect of the recent federal tax legislation varies depending on the state's starting point. For example:

✓ *Any Starting Point.* Among other provisions, the federal tax cut increases the income limit for the student loan interest deduction and repeals the limit on the number of months for which it can be claimed. Many states define their federal starting point under the Internal Revenue Code as it is currently in effect. Since this change is incorporated in the current federal definition of adjusted gross income, these states will experience a reduction in state revenues without further legislative action. Other states periodically revise their date of conformity to the federal code. While a state may elect to retain its existing date or select a date prior to the effective date of the new federal tax law, such a decision would complicate tax administration and compliance.

✓ *Federal Taxable Income.* The federal legislation also phases out the overall limit on itemized deductions. Full use of itemized deductions in some of these states will require no legislative action. Conformity will need to be updated before the phase-out takes effect in other states. In addition, a change in itemized deductions could affect states that do not have a federal starting point or that conform based on adjusted gross income if they allow specific deductions through reference to the federal code.

✓ *Federal Tax Liability.* Until recently, North Dakota, Rhode Island and Vermont used federal tax liability as the starting point for calculating state taxes owed. Each would have faced a substantial loss in revenue due to the marginal rate reductions and tax credit changes, such as the child tax credit. Each has changed its tax laws for 2001 and will conform based on either adjusted gross income or taxable income.

Corporate Income Taxes. To an even greater extent than personal taxes, states tend to conform their corporate taxes to the federal code. With a few exceptions, these states begin computation of the state tax on the basis of federal taxable income. As a result, changes in federal corporate income tax policy often have broad effects on tax revenue at the state level.

Use of IRS Definitions and Data. In addition to those states that use a federal starting point, every state that collects an income tax relies, to some extent, on the federal tax code. State income taxation, both personal and corporate, depends upon definitions established in the federal code and on data generated by the Internal Revenue Service. If the federal government were to replace the federal income tax with a national sales tax or other means of raising revenue, states would have to recreate this administrative structure and establish their own definitions of terms such as wage income, interest, dividends and capital gains. States might also face constitutional, as well as practical, difficulties in seeking to require out-of-state taxpayers to report the required information.

Selected References

- Federation of Tax Administrators. *Impact of Federal Tax Changes on State Tax Systems.* Washington, D.C., February 1992.
- H.R. 1836, the Economic Growth and Tax Relief Reconciliation Act of 2001. Available online at [http://thomas.loc.gov/cgi-bin/cpquery/R?cp107:FLD010:@1\(hr084\)](http://thomas.loc.gov/cgi-bin/cpquery/R?cp107:FLD010:@1(hr084))
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The effect of the recent federal tax legislation varies depending on the state's starting point.

To an even greater extent than personal taxes, states tend to conform their corporate taxes to the federal code.

STATE INDIVIDUAL INCOME TAXES
(Tax rates for tax year 2001 -- as of January 1, 2001)

	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	5,454 (b)	- 35,792 (b)	72 (c)	142 (c)	227 (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 (h)	1.5	- 8.5	8	2,000 (b)	- 40,000 (b)	1,040	2,080	1,040	
IDAHO	2.0	- 8.2	8	1,000 (i)	- 20,000 (i)	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	1,162	- 52,290	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 (j)	9,000 (j)	1,000 (j)	
MAINE (a) (k)	2.0	- 8.5	4	4,150 (b)	- 16,500 (b)	2,850	5,700	2,850	
MARYLAND (a)	2.0	- 4.8	4	1,000	- 3,000	2,100	4,200	2,100	
MASSACHUSETTS	5.6		1	----Flat rate----		4,400	8,800	1,000	
MICHIGAN (a)	4.2 (l)		1	----Flat rate----		2,800	5,600	2,800	
MINNESOTA (a)	5.35	- 7.85	3	17,570 (m)	- 57,710 (m)	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	* (u)
MONTANA (a)	2.0	- 11.0	10	2,100	- 73,000	1,610	3,220	1,610	*
NEBRASKA (a)	2.51	- 6.68	4	2,400 (n)	- 26,500 (n)	91 (c)	182 (c)	91 (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 (o)	- 75,000 (o)	1,000	2,000	1,500	
NEW MEXICO	1.7	- 8.2	7	5,500 (p)	- 65,000 (p)	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	6.0	- 7.75	3	12,750 (q)	- 60,000 (q)	2,500 (q)	5,000 (q)	2,500 (q)	
NORTH DAKOTA	2.67	- 12.0 (r)	8	3,000	- 50,000	2,900 (d)	5,800 (d)	2,900 (d)	* (r)
OHIO (a)	0.691	- 6.980 (s)	9	5,000	- 200,000	1,050 (s)	2,100 (s)	1,050 (s)	
OKLAHOMA	0.5	- 6.75 (t)	8	1,000	- 10,000	1,000	2,000	1,000	* (t)
OREGON (a)	5.0	- 9.0	3	2,350 (b)	- 5,850 (b)	132 (c)	264 (c)	132 (c)	* (u)
PENNSYLVANIA	2.8		1	----Flat rate----		-----None-----			
RHODE ISLAND	25.5% Federal tax liability (v)								
SOUTH CAROLINA (a)	2.5	- 7.0	6	2,310	- 11,550	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	2.30	- 7.0	6	750 (b)	- 3,750 (b)	2,175 (d)	4,350 (d)	2,175 (d)	* (w)
VERMONT	24.0% Federal tax liability (x)								
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 (y)	4	1,500	- 112,500	700	1,400	400	
WYOMING	No State Income Tax								
DIST. OF COLUMBIA	5.0	- 9.0 (z)	3	10,000	- 30,000	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 tax years beginning after 2001, the tax rates range from 1.4% to 8.25% for the same tax brackets.
- (i) 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.
- (j) Combined personal exemption and standard deduction.
- (k) Income levels in each tax bracket will income for tax years 2002 and beyond.
- (l) Tax rate scheduled to decrease to 4.1% for tax year 2002.
- (m) The tax brackets reported are for single individual. For married couples filing jointly, the same rates apply for income under \$25,680 to over \$102,030.
- (n) 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.
- (o) 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.
- (p) 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.
- (q) The tax brackets reported are for single individuals. For married taxpayers, the same rates apply to income brackets ranging from \$21,250 to \$100,000. Lower exemption amounts allowed for high income taxpayers.
- (r) Taxpayers have the option of paying 14% of the adjusted federal income tax liability, without a deduction of federal taxes. And additional \$300 personal exemption is allowed for joint returns or unmarried head of households.
- (s) Plus an additional \$20 per exemption tax credit. Rate reported are for tax year 2000, the 2001 rates will not be determined until July, 2001.
- (t) 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.
- (u) Deduction is limited to \$10,000 for joint returns and \$5,000 for individuals in Missouri and to \$3,000 in Oregon.
- (v) Tax rate scheduled to decrease to 25% of Federal tax liability for tax years 2002.
- (w) One half of the federal income taxes are deductible.
- (x) If Vermont tax liability for any taxable year exceeds the tax liability determinable under federal tax law in effect on December 31, 1999, the taxpayer will be entitled to a credit of 106% of the excess tax.
- (y) 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.
- (z) Tax rate decreases are scheduled for tax years 2002 and 2003.
- (aa) Top tax rate is scheduled to decrease to 4.75% for tax years beginning after 2001.

Table 1
Alaska Resident and Nonresident Workers and Wages -1998 and 1999

	1998 Resident Workers	1999 Resident Workers	Percent Change '98-'99	1998 Nonresident Workers	1999 Nonresident Workers	Percent Change '98-'99	1998 Resident Wages	1999 Resident Wages	Percent Change '98-'99	1998 Nonresident Wages	1999 Nonresident Wages	Percent Change '98-'99
Ag., For., and Fishing	1,861	2,015	8.3%	722	665	-7.9%	\$29,192,897	\$32,199,736	10.3%	\$7,372,698	\$7,618,956	3.3%
Mining	10,399	10,130	-2.6%	3,686	3,100	-15.9%	623,695,715	591,807,698	-5.1%	210,083,261	167,632,905	-20.2%
Construction	19,179	20,034	4.5%	4,584	4,168	-9.1%	526,527,856	572,823,098	8.8%	74,024,660	68,617,020	-7.3%
Manufacturing	12,783	12,772	-0.1%	18,161	17,648	-2.8%	311,635,925	300,332,258	-3.6%	161,610,137	168,104,836	4.0%
Trans., Comm., Util.	26,769	28,010	4.6%	5,631	5,130	-8.9%	903,812,193	967,282,863	7.0%	142,738,445	136,864,531	-4.1%
Wholesale Trade	9,822	9,982	1.6%	1,811	1,542	-14.9%	284,792,138	282,816,835	-0.7%	27,120,903	19,352,045	-28.6%
Retail Trade	57,557	59,637	3.6%	13,501	12,343	-8.6%	827,182,314	884,392,078	6.9%	75,986,683	71,401,729	-6.0%
Finance, Ins. and R.E.	13,370	13,515	1.1%	1,417	1,198	-15.5%	370,008,036	386,252,480	4.4%	16,106,225	15,517,621	-3.7%
Services	72,893	75,195	3.2%	16,215	15,117	-6.8%	1,556,383,238	1,646,315,840	5.8%	167,253,271	144,175,907	-13.8%
Nonclassifiable	384	837	118.0%	177	494	179.1%	4,360,683	17,425,645	299.6%	1,792,582	4,962,026	176.8%
Total Private Sector	225,017	232,127	3.2%	65,910	61,405	-6.8%	5,437,590,994	5,629,895,198	3.5%	884,088,865	804,247,577	-9.0%
Local Govt	39,653	39,688	0.1%	2,462	2,362	-4.1%	1,120,388,301	1,098,283,964	-2.0%	27,703,333	27,672,849	-0.1%
State Govt	21,979	22,086	0.5%	1,179	1,061	-10.0%	747,096,995	746,863,669	0.0%	17,872,145	16,936,877	-5.2%
Total	286,707	293,901	2.9%	69,551	64,828	-6.8%	\$7,305,205,870	\$7,475,042,831	2.3%	\$929,668,123	\$848,857,303	-8.7%

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section.

Statewide Employment and Earnings by Industry, 1998

INDUSTRIAL CLASSIFICATION	Employment												Earnings		
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	ANN AV MO EMP	YEARLY EARNINGS (\$)	ANN AV MO EARN (\$)
TOTAL INDUSTRIES	253,466	260,531	263,777	267,238	278,662	281,687	281,948	282,106	286,640	274,777	267,216	264,837	271,807	9,108,277,123	2,791
PRIVATE OWNERSHIP	180,730	186,270	189,286	192,329	202,540	214,442	222,786	221,860	212,889	199,844	192,811	190,218	200,500	6,385,282,809	2,654
TOTAL GOVERNMENT	72,736	74,261	74,491	74,909	76,122	67,245	59,162	60,246	73,751	74,933	74,405	74,619	71,407	2,722,994,314	3,178
AGRICULTURE, FORESTRY & FISHING	998	1,033	1,129	1,312	1,744	1,858	1,809	1,816	1,579	1,385	1,239	1,167	1,422	37,199,561	2,179
MINING	9,826	10,052	9,817	10,118	10,269	10,541	10,837	11,042	10,918	10,881	10,421	10,634	10,446	831,901,081	6,636
CONSTRUCTION	10,322	10,540	10,968	11,721	13,478	15,247	16,324	16,654	16,013	15,055	13,147	11,715	13,432	814,690,982	3,814
MANUFACTURING	11,255	14,976	15,258	13,983	13,603	15,856	20,784	19,047	16,272	12,429	10,506	8,657	14,386	449,304,912	2,603
DURABLE GOODS	1,695	1,927	2,336	2,728	2,858	3,136	3,151	3,131	3,146	3,115	2,918	2,392	2,711	105,878,331	3,254
NONDURABLE GOODS	9,560	13,049	12,922	11,255	10,745	12,720	17,633	15,916	13,126	9,314	7,588	6,265	11,674	343,426,581	2,451
TRANS., COMM. & UTILITIES	23,061	23,527	23,947	24,397	26,277	27,105	27,569	28,216	27,339	25,600	24,587	24,178	25,484	1,051,890,071	3,440
TOTAL TRADE	52,298	52,156	52,975	54,346	57,589	60,576	61,415	60,799	58,947	55,870	55,902	56,244	56,593	1,236,845,730	1,821
WHOLESALE TRADE	8,587	8,656	8,747	8,836	9,165	9,436	9,930	9,870	9,560	9,127	9,080	9,012	9,167	333,751,896	3,034
RETAIL TRADE	43,711	43,500	44,228	45,510	48,424	51,140	51,485	50,929	49,387	46,743	46,822	47,232	47,426	903,094,034	1,587
FINANCE, INS. & REAL ESTATE	10,793	10,731	10,881	10,975	11,243	11,600	11,768	11,847	11,502	11,712	11,405	11,514	11,331	385,730,234	2,837
SERVICES	61,911	62,925	63,954	65,112	67,932	71,188	71,943	72,061	69,890	66,570	65,261	65,702	67,037	1,706,846,401	2,196
NONCLASSIFIABLE ESTAB.	266	330	357	365	405	471	337	378	429	342	343	407	369	10,873,837	2,455
TOTAL GOVERNMENT	72,736	74,261	74,491	74,909	76,122	67,245	59,162	60,246	73,751	74,933	74,405	74,619	71,407	2,722,994,314	3,178
FEDERAL GOVERNMENT	16,816	16,793	16,832	16,867	17,595	17,922	17,941	17,893	17,600	16,674	16,598	16,570	17,175	786,153,743	3,614
STATE GOVERNMENT	20,650	21,580	21,660	22,041	22,249	20,885	21,214	20,447	21,834	22,012	21,920	21,960	21,538	795,439,664	3,078
LOCAL GOVERNMENT	35,270	35,888	35,999	36,001	36,278	28,438	20,007	21,906	34,317	36,247	35,887	36,089	32,694	1,141,400,907	2,909

Employment and Earnings Summary Report, 1998

Email: Sara_Verrelli@labor.state.ak.us

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Subject: State Income Tax

Date: Sun, 20 Jan 2002 13:26:10 -0800

From: "Robert Warner" <akrdw@ktn.net>

To: <Representative_Bill_Hudson@legis.state.ak.us>

CC: <Representative.Bill.Williams@legis.state.ak.us>

Honorable Representative Bill Hudson
Alaska State Legislature
Juneau, Ak 99801

Dear Representative Hudson:

The recent discussion and pressure for a state income tax has me confused. Years ago I thought that the primary purpose of the Alaska Permanent Fund was to provide funds for state government when oil production and revenues declined. Why would we consider a income tax when we are still issuing Dividend checks to our citizens? This seems crazy to me!

As a retired person I would not be able to pressure an employer for more money to pay such a tax. Under the Governor's plan, the income tax would (1) wipe out any income I receive from Permanent Fund dividends, (2) wipe out all of my retirement cost of living adjustments for Alaska, and (3) require that I pay several hundred additional dollars. I have heard several retirees here in Ketchikan say that they would likely have to move out of Alaska if such a tax was established. I feel certain that I would be forced to move. I have a few extra dollars that I save for travel and books that I enjoy now that I am retired. It is clear to me that a income tax would wipe out this unless I move south where travel costs are not so high.

All this is happening when we have a Permanent fund of over \$25 billion that we can't spend for essential government needs. This is nuts in my opinion.

I firmly believe that major cuts are needed in Alaska State Government. In Washington State, the Governor has recommended the elimination of several state agencies including the State Library to reduce costs. Have we considered eliminating the Alaska State Library? The Washington State Governor also suggested placing a freeze on any increased spending for universities. He wants the universities to become less dependent on general fund money. The University of Alaska is long overdue for a major cut in its top heavy administration! Look how many new administrators they have hired at UAS. Why does UAS now need a provost when they have a chancellor? How much money does that new provost position cost taxpayers?

After....and only after significant cuts are made in state spending, it makes good sense to use earnings from the Permanent Fund to support government needs. I am certainly willing to give up my dividend, but when I loose my Alaska cost of living, I would likely be forced to move.

Sincerely,

Robert D. Warner
888 Monroe Street
Ketchikan, Ak 99901-5738

cc: Honorable Representative Williams

MAR 29 2001

Subject: Re: State Fiscal Plan

Date: Thu, 29 Mar 2001 08:54:24 -0900

From: "DeeAnn H. Grummett" <dgrummett@gci.net>

To: "Representative Bill Hudson" <Representative_Bill_Hudson@legis.state.ak.us>

Representative Hudson:

Thank you for your reply. We are encouraged that you are forming a bi-partisan group and trying to involve the Senate. We especially agree with your comments that the Legislature must take the lead and not wait for some indication from the public that constituents are ready to take this on. It seems the legislature is in the best position to articulate the issues and possible solutions and to coordinate a statewide response from voters. Even folks who are well informed have difficulty with budget matters.

From our perspective a Ross Perot approach would be helpful when it comes time to involve the public.

Thank you again for your efforts on this important issue.

DeeAnn and Mike Grummett

-----Original Message-----

From: Representative Bill Hudson <Representative_Bill_Hudson@legis.state.ak.us>

To: DeeAnn H. Grummett <dgrummett@gci.net>

Date: Wednesday, March 28, 2001 2:24 PM

Subject: Re: State Fiscal Plan

Thank you.

If you have any other comments that you would like to address to the newly formed bilateral Long Term Fiscal Plan Caucus, please send them to me.

I appreciate hearing your comments.

Bill Hudson

"DeeAnn H. Grummett" wrote:

Representative Hudson: Even though we are not in your district we wanted to express our strong support of your efforts to develop a state fiscal plan and to begin a discussion of the difficult issues this will entail such as reintroduction of a state income tax. It might be useful if the Representatives could devise a uniform questionnaire available online to poll the opinion of their constituents regarding various combinations of revenues sources

that the public might support and to do a major media campaign to get folks to participate in the survey - something similar to the questionnaire that Representative Murkowski made available last session. It seems the advisory vote on use of the permanent fund did not provide clear direction about what Alaskans would accept. Personally we voted against the concept, not because we are opposed to use of a portion of the fund, but because we believe other sources of revenue should be looked to as well, such as a state income, sales tax or combinations of various sources. Thanks again for taking on this important issue. Mike and DeeAnn Grummett316 Coleman St..Juneau

THE
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To: Rep. Bill Hudson for Fiscal Policy Committee¹

Re: Actions to reduce budget gap

From: James E. Fisher, 171 Farnsworth Blvd, 99669
Fax: 262-9641(a dedicated line) ph: 262-9601



The Fiscal Policy Committee deserves much credit for its initiative and effort to remind we Alaskans of our responsibility to fund the benefits and services we are, and have been, receiving.

For a solution of any "budget gap", Alaskans need to accept responsibility for needed funding for the services we get (but are not always ready to admit receiving, or pay for) from our various levels of government. We do receive and need essential services, such as education, public safety, health, highways.

Doesn't an analysis of cries to "cut the budget" or "live within available revenues" really amount to a demand to reduce a service for somebody other than the demander?

For the most equitable spread of the costs, a state income tax based on ability to pay is fairest, and would reach even those outside of organized boroughs and non-residents. It is also the most economical to administer requiring probably not more than 2% of receipts. A sales tax could cost up to 10%, or more to administer, and could badly affect financial stability of boroughs and cities, so should be avoided.

Considering the above, the most reasonable solutions to reduce, or eliminate, a budget gap should include:

- 1) reinstating an income tax, based on ability to pay;
- 2) increase in gasoline tax (1st since 1961?);
- 3) and possible partial use of Permanent Fund earnings in an amount that will enable continued PFD's.

Until we have a comprehensive solution to our State" fiscal gap" situation, there will be drastic threats to state services if Alaska experiences other events, like the recent cut-off of the Trans-Alaska Pipeline, after its rupture by a single rifle bullet.

(Hudson10901 budgetGap-fiscal policy)

¹ An almost identical letter to Rep. Ken Lancaster, on 10/9/01, in connection with his hearings at Soldotna, on this date.

Alcohol Tax

Alaska Legislatures's Policy Forums: Do you think a 10 cent per drink increase over the current alcohol tax is warranted?: Alcohol Tax

    By [Larry J. Hackenmiller](#) on Saturday, August 11, 2001 - 10:00 pm:





Any increase in a single product tax is not warranted. It is argued that consumers of alcohol should pay for alcohol-related problems. I thought abusers would/should be paying for their costs to society. This proposed tax increase says those who drink alcohol responsibly have to pay for those that don't drink responsibly. This tax has been officially described as a "user" tax. If we don't have enough money to support government then we should cut the costs of government.... not spend worthless hours trying to rip another \$20 out of our pockets. "User" fees would be charging all parents who sent their children to public schools an amount based on the number of children in school. Don't be an abuser of the term "user"!

    By [Tim Schrage](#) on Tuesday, August 7, 2001 - 02:40 am:

This is just another "smoke & mirrors" attempt to penalize one group of Alaskans. The fiscal gap is not going to be solved by increasing taxes on industries that are easy to attack. Any increase in taxes, whether it be oil, gas, tourism, alcohol, etc... should be a part of a long term fiscal plan. Everyone should feel the pain of taxation equally!

    By [stan waite](#) on Monday, August 6, 2001 - 09:57 pm:

I believe a .10 tax is an unrealistic amount based on percentage increase it would be on an industry that is one of the highest taxed currently. A tax of this magnitude would likely decrease the amount of tax revenue overall at the expense of the responsible consumer, while the problem drinker would be unaffected.

    By [Carrie McLaughlin](#) on Friday, August 3, 2001 - 07:35 pm:

I think .10 cents drink tax is a fair increase to the hospitality industry as it includes a large variety of bussines and would greatly increase the states revenue potencial.This indusrty supports many people of all walks of life that that diserve job security as well, since Alaska has certainly become a "tourist spot" and most of the regular job oppertunities have vanished. I myself am a single woman in the hospitality industry who employs 18-22 people.It would be sad to see any of them lose their jobs because of over taxization in just that one sector. These people have families and are the heart of the Alaskan people. The people who live here year round. .10 cents is fair!

    By [The Responsible Citizen](#) on Thursday, August 2, 2001 - 06:25 pm:

Regardless of the tax certain people will always have problems with addiction whether it's alcohol or food. Why punish the majority who drink responsibly when it's the irresponsible and/or people prone to addictions who create the problems. If we stay with the tough sentencing and strict policing of the problem then we will most likely punish those who are the problem and those who operate in a responsible manner will not be sent to the poor house if they choose to drink.

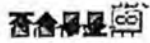
    By [lou theiss](#) on Friday, May 4, 2001 - 01:41 pm:

Northern cultures are more easily apt to develop alcohol problems. Russia has lower longevity for white males. Alcohol problems were endemic in Scandinavian countries until laws were passed to make alcohol harder to get. What would seem draconian to us passes for normal everyday life for them: A liter of hard liquor is about 40\$US. A drink of whiskey in a bar is 10\$US. The state owns the liquor stores, they are few and far between and keep old fashion bankers hours. You have to plan

your parties! The money goes to taxes of course and contributes to fighting the ills of alcoholism.

In the local food stores one can purchase class I beer [1% alc.] or class II [3.5%]. Class III, export beer must be purchased in a state store at a premium price. Wine costs about the same as it does here. You won't find many people that will have even one drink and drive right away because the legal limit is so low and the penalties so stiff.

All this is plainly unpalatable to Alaskan sensibilities but we have to move somewhat in this direction. The hidden social costs are very demanding and averaged in to my insurance, muni-tax and healthcare bills



By **Robert Fox** on Thursday, April 12, 2001 - 11:05 am:

I feel that it is more than warranted...I would move it to \$0.25 per drink. My only concern is that the resulting funds are used wisely and focused on finding solutions, adding police, and getting rid of the "downtown watering holes". Their time has come and gone.

I feel that the ABC Board needs to look at places on a case by case basis and start weeding out the establishments whose primary function is getting people drunk.

Robert Fox

Add a Message



Username:

Password:

This is a private posting area. A valid username and password combination is required to post messages to this discussion.

Preview/Post Message

September 10, 2001

Rep. Bill Hudson
House of Representatives, AK
Juneau, AK 99801

Dear Rep. Hudson:

I apologize for not attending the meeting you held recently, regarding Alaska's fiscal problems. I support your efforts in trying to find a way out of the binds in which we find ourselves.

May I add my input? You never know when the germ of an idea will be useful.

I have been surprised that no one to date has challenged the pay-out of the permanent fund, since the basic premise of paying out government income to select groups seems contrary to the function of government in principle. The larger grows the permanent fund, the greater the danger of some creative challenge, don't you think?

I think it correct² that until there is a special interest voting bloc large enough to pass anything by general election, nothing will pass the voters. It would seem that the legislature is obligated before some special interest finds an appeal, don't you agree?

Unfortunately, I am not long on ideas, either, but in case it hasn't been examined, there is this concept:

That each community be given a lump sum, pro rated by population eligible for dividends - as in a block grant - to let them form their own permanent fund or buy utilities, or whatever that population determines.

Of course, ~~there~~^{there} are great flows here, as in unorganized areas and absent recipients. Perhaps some creativity can be brought to bear, if the problem is worth solving.

I just feel that the permanent fund is in danger, human nature being what it is. If what I am suggesting could work, then the

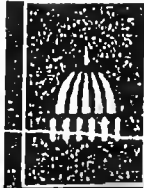
permanent fund will get back to the
business of paying for government
like government monies are intended
to do, and the special interest will be Alaska.

I wish you every success in
your search for solutions & unity
of purpose -

Sincerely,
Susan W. Pagenkopf

Susan W. Pagenkopf
P.O. Box 33711
Juneau, AK 99803

FYI



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Fiscal Affairs Program

State Budget & Tax Actions 2001

Preliminary Report: Executive Summary

Released Wednesday, August 1, 2001.

Press Release
This report in PDF

Authors: Corina Eckl, 303-830-2200 x 229
Arturo Pérez, 303-830-2200 x 147

DENVER--These are the highlights of NCSL's annual survey on recent state budget and tax actions. Information is provided for 46 states, including Wisconsin where the budget is awaiting action by the governor. Three states--Massachusetts, New York and North Carolina--had not passed budgets by the time of this report. Tennessee's budget was vetoed by the governor and remains unresolved.

General Fiscal Condition of the States:
Weakening

State Budget and Tax Actions 2001-Preliminary
Report

Dealing with Budget Shortfalls and Surpluses in
FY 2001

Changes in Revenues and Spending in FY 2001

Enacting Balanced Budgets for FY 2002

Dealing with Budget Surpluses and Shortfalls

Revenue and Spending Projections for FY 2002

Enacting Balanced Budgets for FY 2002

Tax Highlights: Seventh Consecutive Year for a
Net Tax Reduction

Spending Priorities in FY 2002

Tax Highlights in 2001

Appendix A: Seven States Miss Budget
Deadlines

General Fiscal Condition of the States: Weakening

- The strong fiscal conditions of a year ago have been replaced by anemic revenue growth and expanding budget gaps. Seventeen states grappled with budget shortfalls arising in fiscal year

(FY) 2001. The slowing economy also forced 20 states to take extraordinary actions to enact balanced budgets for FY 2002.

- Aggregate state balances fell 22 percent from FY 2000 to FY 2001, declining from \$43.7 billion to \$34.1 billion for the 46 reporting states. The aggregate balance combines general fund ending balances with rainy day fund balances.
- Balances as a percent of spending are waning. The \$34.1 billion represents 8.2 percent of FY 2001 general fund spending. While this percentage is positive for states, it is 3.3 percentage points lower than the FY 2000 balance of 11.5 percent. This is the first time since FY 1992 that the ending balance did not meet or exceed the previous year's balance. It also marks the biggest percentage drop since FY 1980, when balances fell from 9 percent to 4.4 percent.
- Thirty-three states saw their balances decline from FY 2001 to FY 2002, 11 saw their balances increase and in two there was no change.
- The number of states with balances above 5 percent is slipping. Of the reporting states, 36 ended FY 2001 with a balance exceeding 5 percent, the level Wall Street analysts recommend. Of these 36 states, 12 ended with balances exceeding 10 percent. The comparable numbers at the end of FY 2000 were 40 and 22, respectively.
- The economic slowdown has had uneven effects on the states, with some being hit much harder than others. As a group, however, the states are managing the current economic situation rather well so far, cushioned by healthy but diminishing reserves.
- State lawmakers took advantage of robust revenue growth in recent years to bolster rainy day funds, and those funds are proving to be important as general fund ending balances disappear. Increasingly, rainy day funds account for the bulk of total state balances. At the end of FY 2000, they accounted for about half of the total. That proportion grew to two-thirds at the end of FY 2001 and is projected to reach almost three-fourths by the end of FY 2002.
- For the 46 reporting states, revenues in FY 2001 grew 4.5 percent above FY 2000 levels. Five states collected less revenue in FY 2001 than they did in the prior year. By contrast, spending grew 9.1 percent, driven in part by rapidly rising Medicaid costs.

Dealing with Budget Shortfalls and Surpluses in FY 2001

The challenge of the past few years was how to deal with budget surpluses, and many states confronted that issue again in FY 2001. But for the first time in nearly a decade, a large number of states (17) also had to deal with mid-year budget shortfalls. The list of actions to eliminate the shortfalls included:

- Implementing targeted or across-the-board budget cuts (nine states)
- Tapping rainy day funds or other reserve funds (six states)
- Canceling or delaying capital projects (four states)
- Increasing state debt obligations (three states)
- Tapping tobacco settlement funds (two states)

Twenty-two states also reported that they took action to address budget surpluses. Actions included:

- Making deposits to the rainy day fund or other reserves (12 states)
- Funding capital projects (eight states)
- Reducing taxes (six states)
- Targeting funding for specific programs (six states)

Enacting Balanced Budgets for FY 2002

Just as ending FY 2001 with a balanced budget was a challenge for a third of the states, enacting one for FY 2002 also proved difficult for many. Twenty states indicated that extraordinary actions were needed to keep revenues and spending in line. Among the actions taken were:

- Tapping rainy day funds or other reserves (10 states)
- Cutting spending (10 states)
- Increasing taxes or other revenues (five states)
- Delaying expenditures (three states)
- Tapping tobacco settlement funds (three states)

Revenue and Spending Projections for FY 2002

- State revenues in FY 2002 are projected to grow 2.4 percent over FY 2001 levels. Appropriations are scheduled to grow 2.3 percent. The aggregate year-end balance is expected to decline to 6.3 percent by the end of FY 2002.
- Medicaid will capture the largest percentage of new spending in FY 2002. With 40 states reporting, Medicaid is budgeted to grow 8.7 percent. This is two to three times higher than the other major categories of state spending: K-12 education (3.7 percent), higher education (3.6 percent) and corrections (3 percent).

Tax Highlights: Seventh Consecutive Year for a Net Tax Reduction

Despite slower revenue growth due to the economic downturn, states will enact net tax cuts for the seventh consecutive year. The 2001 net tax reduction--\$1.8 billion with 46 states reporting--is substantially lower than last year's record \$9.9 billion cut. So far, this year's cut represents 0.3 percent of prior year tax collections.

- \$9.9 billion in 2000 (2.0 percent)
- \$7.3 billion in 1999 (1.7 percent)
- \$7.1 billion in 1998 (1.6 percent)
- \$2.6 billion in 1997 (0.6 percent)
- \$4.0 billion in 1996 (1.0 percent)
- \$3.3 billion in 1995 (0.9 percent)

Nine states cut taxes by 1 percent or more of 2000 collections, with three of these reducing taxes by 3 percent or more. Four states had tax increases of 1 percent or more, with two increasing taxes by at

least 5 percent. Thirty-three states took no significant tax actions, with four states not reporting.

State Budget and Tax Actions 2001--Preliminary Report

Introduction

Each summer NCSL's Fiscal Affairs Program surveys members of the National Association of Legislative Fiscal Offices (NALFO) for information on state budget and tax actions that occurred in their most recently completed legislative sessions. This year's survey covers fiscal years (FY) 2001 and 2002. In most states, the budget data provided for FY 2001 are based on estimates; the budget and tax data for FY 2002 are based on projections. The tax data also include voter-approved measures affecting state revenues.

General fund budget and tax information is provided for 46 states, including Wisconsin where the budget is awaiting action by the governor. At the time of this report, budgets had not been adopted in Massachusetts, New York and North Carolina. Tennessee's budget was vetoed by the governor and remained unresolved at press time. The five states noted here were among seven that missed their FY 2002 budget deadlines. Appendix A discusses the factors contributing to these late budgets.

General Fiscal Condition of the States

The strong fiscal conditions of a year ago have been replaced by anemic revenue growth and expanding budget gaps. The first signs of an economic slowdown appeared in the fall of 2000. December revenue collections were of particular concern because they included sales tax revenues from holiday purchases. By February, state revenue collections were in a slide--the higher-than-expected revenue growth that had become almost routine turned painfully to lower-than-expected growth. Initially, state officials paused to consider if the lackluster revenue performance was an aberration or a trend. Although the answer varied among states, most officials conceded that the robust economy of recent years had ended.

Changes in Revenues and Spending in FY 2001

State revenue growth slowed in FY 2001 compared with recent years, growing only 4.5 percent above FY 2000 levels for the 46 reporting states (see footnote 1). This compares with 8.7 percent growth in FY 2000 for the same states. Eighteen states reported revenue growth above 5 percent, with five above 10 percent. Three of these states--Alaska, New Mexico and Oklahoma--attributed their revenue growth to robust energy prices. Half of the reporting states saw revenue growth lower than 5 percent, with four at 1 percent growth or less: Indiana (0.6 percent), Iowa (1 percent), Ohio (0.9 percent) and Pennsylvania (0.1 percent). Five states reported that FY 2001 revenues were below FY 2000 revenues: Georgia (-2.3 percent), Maine (-0.5 percent), Michigan (-2.7 percent), Wisconsin (-8.5 percent) and Wyoming (-4.3 percent).

On the spending side, FY 2001 general fund appropriations grew 9.1 percent, with 12 states reporting

spending growth above 10 percent. Twenty-one states reported spending growth between 5 percent and 9.9 percent. Two states spent less in FY 2001 than they did in FY 2000: Alaska (-0.4 percent) and Wisconsin (-2.6 percent).

At the same time that revenues sputtered, many states were facing spending overruns. Medicaid was the biggest culprit in FY 2001. Mid-way through the fiscal year nearly half the states reported that Medicaid spending was exceeding budget levels. In fact, Medicaid spending in FY 2001 grew by 14 percent over FY 2000, even though it originally had been budgeted to grow by 6.4 percent (see footnote 2).

Medicaid wasn't the only budget problem. Overages in corrections spending cropped up in several states. And funding for education, the single largest category of state spending, was insufficient to meet needs in a number of states.

Lower-than-expected revenues, spending overruns or both took a toll on state finances. The overall result is deterioration in state fiscal conditions compared with recent years.

The evidence of the economic slowdown and its effects on state finances varies, as indicated below.

- Seventeen states grappled with budget shortfalls arising in FY 2001. The slowing economy also forced 20 states to take extraordinary actions to enact balanced budgets for FY 2002.
- Aggregate state balances fell 22 percent from FY 2000 to FY 2001, declining from \$43.7 billion to \$34.1 billion for the 46 reporting states. The aggregate balance combines general fund ending balances with rainy day fund balances.
- Balances as a percent of spending are waning. The \$34.1 billion represents 8.2 percent of FY 2001 general fund spending. While this percentage is positive for states, it is 3.3 percentage points lower than the FY 2000 balance of 11.5 percent. This is the first time since FY 1992 that the ending balance did not meet or exceed the previous year's balance. It also marks the biggest percentage drop since FY 1980, when balances fell from 9 percent to 4.4 percent.
- Thirty-three states saw their balances decline from FY 2001 to FY 2002, 11 saw their balances increase and in two there was no change.
- The number of states with balances above 5 percent is slipping. Of the reporting states, 36 ended FY 2001 with a balance exceeding 5 percent, the level Wall Street analysts recommend. Of these 36 states, 12 ended with balances exceeding 10 percent. The comparable numbers at the end of FY 2000 were 40 and 22, respectively.

The economic slowdown has had uneven effects on the states, with some being hit much harder than others. But as a group, the states are managing the current economic situation rather well so far. States could have been in a much more precarious situation had it not been for the prudent action of state lawmakers during the economic expansion.

Determined to avoid fiscal pain reminiscent of the early 1990s--the last time the national economy faltered--state policymakers took advantage of the strong economy to channel excess revenues into capital construction projects, provide extra or one-time funding increases for certain programs and shore up rainy day funds. These well-endowed rainy day funds in particular are providing an important cushion for states as the economy slows.

As their name implies, rainy day funds are used to buttress state budgets when economic problems arise. These funds were not tapped in recent years because the strong economy generated extra

revenues, and it was these revenues that states used to fund additional or unexpected spending needs. Some of the excess also was used to bolster rainy day funds. As the economy slows, however, this situation is changing. The extra revenues that states became accustomed to collecting are disappearing. These unspent revenues helped boost overall state ending balances for several years, but now they are shrinking as a share of state reserves. As the table below indicates, they represented almost half of state reserves at the end of FY 2000. But as the economy has slowed, these revenues are falling, both in actual dollars and as a percentage of total reserves. Had it not been for the prudent actions of state lawmakers to bolster rainy day funds, states would have significantly lower reserves to combat the effects of the slowing economy.

Fiscal Year	Year-end Balance (millions)	Percent of Total Balance	Rainy Day Fund Balance (millions)	Percent of Total Balance	Total Balance (millions)
FY 2000	\$20,160	46%	\$23,513	54%	\$43,673
FY 2001	\$11,445	34%	\$22,646	66%	\$34,091
FY 2002 (est.)	\$ 7,539	28%	\$19,205	72%	\$26,744

Dealing with Budget Surpluses and Shortfalls

The challenge of the past few years was how to deal with budget surpluses, and many states confronted that issue again in FY 2001. But for the first time in nearly a decade, a large number of states (17) also had to deal with mid-year budget shortfalls. The actions varied, with most states cutting spending or tapping other funds to augment the general fund.

- Nine states enacted targeted or across-the-board budget cuts. For example, Alabama implemented a 6.2 percent cut in the Education Trust Fund. Kentucky cut \$121.3 million from its budget, but exempted K-12 education, higher education and Medicaid. Mississippi cut general fund agency appropriations by \$106.8 million. In South Carolina, agencies were hit with a 1 percent across-the-board cut in May to save \$48.1 million. Ohio implemented two rounds of cuts. In December, most agencies experienced a 1 percent to 2 percent cut (the judicial branch, Department of Education and veteran organizations were exempt). In March, agencies were required to cut spending by another 1 percent. The courts and education were not exempt from this round of cuts. Because it appeared doubtful that West Virginia would make its revenue target, the state's new governor cut spending by 3 percent on his first day in office.
- Six states tapped rainy day funds or other reserve funds. Rainy day fund withdrawals were \$46.3 million in Indiana, \$38.8 million in Kentucky, \$77 million in Michigan and \$85 million in Mississippi. Three of these states also tapped other reserves. Indiana transferred \$103.4 million from its Medicaid Reserve, Kentucky took \$29.3 million from excess restricted funds and Mississippi transferred \$12.3 million from special fund agencies. Colorado (\$243.9 million) and South Carolina (\$98.6 million) also tapped other state reserve funds in FY 2001.
- Four states cancelled or delayed capital projects. Colorado delayed new projects until March 1, 2002. Indiana canceled or delayed \$88.3 million in various capital projects. Missouri canceled higher education projects. Through executive order, Virginia's governor froze capital projects.
- Three states increased debt obligations. Michigan boosted debt obligations by \$210 million and

switched from cash to debt financing on three state construction projects. Oregon issued more debt as well. In Pennsylvania, officials issued debt for state museums instead of appropriating \$100 million in cash.

- Two states tapped their tobacco settlement funds. Missouri transferred \$126.9 million and Oregon transferred \$348.2 million from these funds into their general funds.

A few states reported shortfalls in selected agencies or other developments that required mid-year adjustments. In Delaware, the administration required certain agencies to reduce spending by 2.5 percent with the funds being redirected to problem areas--primarily Medicaid, public education and ongoing statewide technology projects. In Maryland, the General Assembly enacted a tax amnesty program, with a portion of the proceeds earmarked to address funding deficiencies for mental health services. In Pennsylvania, the revenue surplus fell short of the winter estimate by almost \$119 million, so lawmakers suspended a \$49 million transfer to the rainy day fund and issued debt for some projects. The state still was able to enact a targeted tax cut. Texas did not have a situation where spending exceeded revenues, but there were a few programs, chiefly Medicaid and prisons, in which costs exceeded appropriations. The overages were addressed primarily by taking unneeded funds from other state agencies.

Twenty-two states also reported that they took action to address budget surpluses.

- Twelve states made deposits to their rainy day funds or other reserves. Two states made sizeable transfers to their funds, such as Georgia's \$170.4 million deposit and New Mexico's \$144.9 million deposit. The other transfers were more modest and included Alabama (\$5 million), Connecticut (\$30.7 million), New Hampshire (\$20 million), New Jersey (\$21.9 million), Ohio (\$13.1 million), West Virginia (\$12 million) and Wyoming (\$17.7 million). In both Ohio and West Virginia, mid-year budget cuts left very small surpluses that made the rainy day fund deposits possible. A few states also made deposits to other state reserves. Maryland transferred \$14.6 million to such reserve funds. Vermont transferred \$10 million to a health care fund. Wyoming made a biennial allotment of \$30 million to higher education for an endowment fund.
- Eight states used extra revenues to fund capital projects. For example, Connecticut funded school construction, transportation and open space acquisition. Georgia provided \$558.9 million, including \$90.9 million in bonds, for public school construction as well as higher education projects and road improvements. Maryland provided funding for higher education, public school construction, transportation and local projects. The state also sold an additional \$30 million in general obligation bonds to support programs that would otherwise have been paid for by the general fund. Utah funded higher education facilities construction and capital improvements for state parks.
- Six states reduced taxes to help offset excess revenues. Georgia provided \$166 million for property tax relief. Hawaii provided a high-tech business tax credit and exempted aircraft leases from the general excise tax. Idaho cut a variety of taxes. Maryland boosted the Earned Income Tax Credit. Minnesota provided a sales tax rebate of \$791 million. Pennsylvania enacted a new education tax credit for business, expanded the poverty exemption and took various other actions for a total cut of \$64.4 million.
- Six states targeted funding to specific programs. Connecticut funded energy programs and municipal revenue sharing. Idaho provided funds for rural economic development grants and state parks. Texas targeted a variety of programs including Medicaid, teacher health insurance and state employee and teacher retirement. Utah funded public education technology and training and provided support for the Industrial Assistance Fund. Vermont funded public safety and several small programs. Wyoming targeted water development.

Enacting Balanced Budgets for FY 2002

Just as ending FY 2001 with a balanced budget was a challenge for a third of the states, enacting one for FY 2002 also proved difficult for many. State analysts project that FY 2002 revenues will grow 2.4 percent, almost half as much as FY 2001 revenue growth. Appropriations are scheduled to grow 2.3 percent.

Twenty states indicated that extraordinary actions were needed to balance revenues and spending. Among the actions taken were:

- Ten states tapped rainy day funds or other reserves. For example, Kentucky will use half its rainy day fund, or \$120 million, to help balance its budget. Indiana expects to use \$200 million from the Lottery and Gaming Surplus Account, \$26.3 million from the rainy day fund and \$51.7 million from the Tuition Reserve Fund. Michigan will transfer \$155 million from its rainy day fund. Ohio will use \$100 million from the Family Services Stabilization Fund, among other funds. South Carolina will tap agency revenue accounts. Other states tapping reserves are Maine, Mississippi, Rhode Island and Washington.
- Ten states reduced appropriation levels, although education and health care often were exempt from the cuts. For instance, funding for most state agencies in Arkansas was reduced below FY 2001 levels, except for K-12 and higher education, human services and corrections. Iowa reduced the FY 2002 budget by \$43 million below FY 2001 spending. Kentucky enacted a 3 percent across-the-board cut, but excluded K-12 education, higher education and Medicaid. Michigan reduced appropriations by \$200 million. South Carolina implemented agency base reductions totaling \$176.5 million, although public education and colleges and universities were exempted. Ohio cut appropriations by 1.5 percent, but excluded the Department of Education, Board of Regents, Department of Corrections and the Department of Mental Health.
- Five states increased taxes or other revenues. Indiana repealed a personal property tax credit and delayed implementation of another credit to garner \$18.9 million. Kansas increased motor vehicle traffic fines to raise about \$16 million annually. Both Maine and Rhode Island increased their cigarette taxes. New Jersey closed a corporate income tax loophole to raise \$420 million and started a new lottery game to raise \$50 million. Additional tax changes are discussed later in this report.
- Three states delayed expenditures. Indiana delayed a higher education payment of \$65.3 million and a tuition support distribution of \$202.5 million. Maine deferred expenditures by changing the timing of reimbursements for property taxes on business equipment. Washington suspended general fund deposits to the Tort Liability Reserve Fund, the state ferry system and the transportation fund.
- Three states tapped tobacco settlement funds. Maine used \$29.4 million from tobacco settlement monies and Michigan used \$72 million. Wisconsin sold the revenue stream from its tobacco settlement allocation and made a \$450 million transfer from the permanent endowment fund created by tobacco settlement monies to the general fund.

Other actions states took to enact balanced FY 2002 budgets included enhanced tax compliance efforts (Kansas, Maine and Ohio), tapping disproportionate share funds from the federal government (Kansas and Washington), shifting from cash to bond finance (Kansas), eliminating selected state agencies (Ohio), and deauthorizing bond projects (Delaware).

Spending Priorities in FY 2002

This report tracks growth for four major categories of spending: elementary-secondary (K-12) education, higher education, corrections and Medicaid. For several consecutive years, appropriations for education outpaced other major categories of state spending. But Medicaid began challenging education for the top spot last year and is expected to be the fastest growing category of state spending again in FY 2002. With 40 states reporting, Medicaid is budgeted to grow 8.7 percent over FY 2001 spending. This growth rate is two to three times higher than the other major categories of state spending: K-12 education (3.7 percent), higher education (3.6 percent) and corrections (3 percent).

Tax Highlights in 2001

Despite slower revenue growth due to the economic downturn, states will enact net tax cuts for the seventh consecutive year. The 2001 net tax reduction--\$1.8 billion with 46 states reporting--is substantially lower than last year's record \$9.9 billion cut, however. So far, this year's cut represents 0.3 percent of previous year's tax collections, compared with 2.0 percent in 2000.

With 46 states reporting (missing Massachusetts, New York, North Carolina and Tennessee), nine states cut taxes by 1 percent or more of 2000 collections. Of these, only Idaho, Minnesota and Oregon reduced taxes by 3 percent or more. Four states had tax increases of 1 percent or more. Both Arizona and New Hampshire increased taxes by at least 5 percent. Thirty-three states took no significant tax actions.

Personal income tax cuts of \$1.2 billion accounted for most of the total net reduction. Cuts in sales taxes amounted to \$325 million. Reductions in estate taxes, property taxes and other miscellaneous taxes will save taxpayers \$462 million. All other tax categories show a net increase.

The category accounting for the largest increase is fees at \$328 million. Nearly twice as many states raised fees as last year. Most increases were related to motor vehicles, either for drivers' licenses or for emissions tests.

Personal Income Tax. Personal income taxes were reduced in 20 states. Michigan and Oregon led the way with cuts of \$393 million and \$309 million, respectively. Michigan continued a five-year phase down in rates while Oregon rebated nearly \$250 million as stipulated by their surplus revenue kicker provision. Voters in Oregon gave themselves an additional tax cut when they approved an initiative last November that increased the federal income tax deduction from state income taxes. Maryland, Rhode Island and Hawaii also continued to phase in personal income tax rate reductions that had been approved in prior years. This year, Idaho lawmakers approved a number of income tax relief measures including a reduction in rates. Most states cut taxes by way of expanded exemptions and credits. In addition, federal tax changes resulted in adjustments in Rhode Island and Vermont--the two states that calculate personal income tax as a percent of federal tax liability. Both states modified their tax laws to base their taxes on federal taxable income instead. *Net reduction: \$1.2 billion.*

Corporation and Business Taxes. Twelve states cut corporate and business taxes while six states increased them. Michigan registered the largest cut at \$239 million as they continue the 23-year

phase-out of the single business tax. Connecticut, Idaho and Pennsylvania also reported significant business tax cuts. New Jersey reported the biggest increase when a major loophole for certain limited liability corporations was closed, resulting in a net increase of \$384 million. New Hampshire also reported a large increase in this category. *Net increase: \$46 million.*

Sales and Use Tax. Fourteen states reduced sales and use taxes while five raised them. For the fourth consecutive year Minnesota will be returning some of its surplus revenues in the form of sales tax rebates. Connecticut suspended the sales tax on hospital patient care for two years and Hawaii continued with a three-year reduction of the sales tax on business to business transactions. South Carolina increased the sales tax on food by 1 cent after reducing it last year. Virginia delayed a 0.5 percent reduction of the sales tax on food when revenue growth fell short of the threshold required to continue the phased in tax cut. Arizona expects that a voter-approved 0.6 percent sales tax rate increase will generate \$486 million for education. The sales tax rate also was increased in Arkansas by one-half cent in exchange for a property tax reduction of approximately \$300 per homestead. A sales tax controversy dominated California budget talks as lawmakers debated whether to make permanent an automatic quarter cent sales tax reduction (with a \$1.2 billion annual revenue impact) that kicked in on Jan. 1, 2001. In the end, no legislative action was taken and the rate will go back up to 5 percent on Jan. 1, 2002. *Net reduction: \$325 million.*

Health Care Provider Taxes. West Virginia began a nine-year phase out of certain health care provider taxes and Utah repealed the assessment on nursing facilities. Minor changes in Arkansas, Florida, Rhode Island, Texas and Vermont resulted in an overall increase in this category. *Net increase: \$56 million.*

Cigarette and Tobacco Taxes. Maine, Rhode Island, West Virginia and Wisconsin all increased taxes on cigarettes or tobacco products. Wisconsin's increase--which is expected to generate about \$61 million--will fund a prescription drug program for seniors. Maine raised the cigarette tax with two separate bills; the first from 74 cents per pack to 94 cents per pack, and in the second bill, up to \$1 per pack. Rhode Island also increased taxes to \$1 per pack, up from 71 cents. *Net increase: \$102 million.*

Alcoholic Beverages Taxes. Only Arkansas took any action on alcoholic beverage taxes. Lawmakers there adopted a special excise tax on beer and dedicated the revenue to childcare. *Net increase: \$2.9 million.*

Motor Fuel and Vehicle Taxes. Kansas and Minnesota both increased motor fuel taxes. Kansas expects to raise an additional \$16 million annually after increasing its motor fuel excise taxes one-cent per gallon. Lawmakers in Minnesota increased motor fuel taxes by \$2.5 million. *Net increase: \$19 million.*

Other Taxes. New Jersey entered into the third year of a five-year property tax rebate program. Connecticut and Louisiana continue to phase out the inheritance tax. Voters in South Dakota authorized a measure to eliminate the state inheritance tax, while lawmakers in New Hampshire repealed the state legacy tax in 2003. Estate taxes also were reduced in Ohio. Florida took further action to reduce the state property tax on intangibles. Tax rates for riverboat casinos were raised in Louisiana while the minimum tax on land based casinos was renegotiated for an increase of \$106 million. *Net reduction: \$462 million.*

Fees. Seventeen states raised fees in 2001 compared to nine states last year. Increased motor vehicle and drivers' license renewal fee accounted for the majority of activity in this category. Minnesota and Texas raised court fees and Louisiana and Texas raised college tuition. *Net increase: \$328 million.*

Other Revenues. In addition to tax and fee changes, states approved a number of non-tax revenue actions. For example, Maryland and Ohio approved tax amnesty programs expected to increase tax collections by \$30 million and \$17 million, respectively. New Mexico waived penalty and interest charges for taxes in 21 counties considered a disaster area as a result of forest fires last summer. Kansas enhanced efforts to aggressively enforce tax collections and Wisconsin hopes to improve tax collection efficiency with a new computer system. *Net increase: \$91 million.*

Appendix A: Seven States Miss Budget Deadlines

Seven states--**California, Massachusetts, New York, North Carolina, Oregon, Tennessee and Wisconsin**--did not have budgets in place at the start of FY 2002. Although policymakers had less discretionary revenue to allocate than last year, it would be unfair to blame entirely the economic slowdown since most of the seven have a tradition of late budgets. Disagreements between political parties, legislative chambers and the executive and legislative branches remained the major cause of budget delays.

California legislators approved a \$101 billion budget on July 24. With a slowing economy and energy crisis dampening revenue growth, general fund spending is set to decline in FY 2002--after increasing more than 20 percent in FY 2001. The budget impasse largely came down to a party-line dispute over two issues. The first was an automatic sales tax increase set to take effect Jan. 1, 2002, if the state's ending balance fell below 4 percent of general fund expenditures. The second was the use of \$1.3 billion in transportation funds to balance the state budget. Although Senate and Assembly Republicans were unable to prevent either action from occurring, they won concessions that could have both measures overturned within a year. Voters will consider a ballot measure in March 2002 that would prohibit lawmakers from directing transportation funds toward general fund appropriations. In addition, the minimum balance that triggered the sales tax hike--a general fund surplus of less than 4 percent--was lowered to 3 percent.

In **Massachusetts**, House and Senate leaders are negotiating to resolve differences in budgets approved by each chamber. But the agreement that emerges from conference committee has an additional hurdle to clear. Gov. Jane Swift (R) already has announced her intention to trim approximately \$200 million from what is expected to be a \$23 billion budget.

New York legislators reached a general agreement on an approximately \$81 billion budget, although no legislative action has been taken yet. With the budget stalemate approaching a record length--New York's fiscal year began on April 1--lawmakers decided to pass a scaled-back version of Gov. George Pataki's (R) budget proposal. This version maintains spending levels from the previous budget for most programs while stripping tax cuts and new initiatives from the governor's proposal. Legislators hope to consider a supplemental budget later in the year.

North Carolina policymakers continue to work out the details of an approximately \$14 billion budget. The House leadership released a \$440 million tax increase proposal on July 23 that would fill a \$167 million budget gap and fund state mandated local tax cuts. The proposal would increase the local option sales tax by a half-cent, levy a 6 percent sales tax on liquor and create a new income tax bracket--8.75 percent on incomes in excess of \$200,000. Prospects for the tax proposal are uncertain with Gov. Mike Easley (D) expected to release his own tax package soon.

Oregon legislators passed a two-year \$12.1 billion budget on July 7, a week after the start of the fiscal year. Unlike previous sessions--when arguments about education spending delayed budget approval--policymakers reached agreement on a two-year \$5.2 billion education package early in the negotiations. Instead, the budget was delayed over Gov. John Kitzhaber's (D) prescription drug cost control proposal. In the end, an agreement was reached when Kitzhaber agreed not to veto a number of bills supported by Republican lawmakers--including business tax cuts--and they supported a slightly modified version of the governor's proposal.

Tennessee legislators approved a \$19.6 billion budget on July 12. Policymakers faced a FY 2002 general fund deficit of between \$550 million and \$880 million. They considered major tax reform--including adoption of an income tax and an increase in the sales tax rate--during the session, but were unable to agree on substantive changes amidst vociferous protests by anti-tax advocates. The budget was balanced by cutting \$100 million in spending and directing \$560 million in tobacco settlement payments to the general fund. Gov. Don Sundquist (R) vetoed the budget on July 26. Legislators are expected to address the veto when they reconvene in August.

Wisconsin legislators approved a two-year \$47 billion budget on July 26--almost a month late, but still earlier than its two previous budgets. Policymakers were challenged with writing a biennial budget that bridged a \$760 million gap. They used budget reserves, a cigarette tax increase and proceeds from the sale of the state's tobacco settlement payment stream to balance the books, while providing prescription drug coverage for low-income seniors and exempting military pensions from the income tax.

Figure 1: State Year-End Balances: FY 2001
As a Percentage of General Fund Expenditures



Figure 2: State Year-End Balances
As a Percentage of General Fund Expenditures, FY 1978-2002



Figure 3: Projected Percentage Changes in General Fund Revenues and Appropriations
FY 2001 to FY 2002



Figure 4: Summary of Changes in General Fund Appropriations for FY 2002
Compared to FY 2001 Spending



Figure 5: Net State Tax Changes
As a Percentage of 2000 Tax Collections



**Figure 6: 2001 Net State Tax Changes
By Type of Tax, in millions**

Personal income	\$-1,214.5
Corporation income	45.5
Sales and use	-324.5
Health care	56.1
Motor fuel	18.9
Cigarette and tobacco	102.0
Alcoholic beverage	2.9
Miscellaneous	-462.2
Net Change	\$-1,775.8

* * *

1. Fiscal Studies Program, Nelson E. Rockefeller Institute of Government, State Revenue Report #41, September 2000 (return to text).
2. This information is based on the 40 states reporting Medicaid data (return to text).

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Web posted Sunday, September 9, 2001

Hudson mulls lump permanent fund payout *Change to earlier proposal could give Alaskans up to \$15,000, suspend dividends*

By KATHY DYE
THE JUNEAU EMPIRE

Sen. Jerry Mackie retired from the state Legislature in 2000, but a controversial bill he filed before his departure has a political life of its own.

Juneau's Rep. Bill Hudson on Friday night floated the idea of a revised version of Mackie's doomed bill, which would have doled out \$25,000 from the Alaska Permanent Fund to every eligible resident but extinguished the popular dividend program.

Under Mackie's plan, the state would have used earnings from the fund's leftovers to pay for government instead of the annual checks. The bill, which required voter approval, was seen by some as a way to tap the fund's wealth for state services without committing political suicide. But the measure died in committee.

Hudson, a Republican, told a Juneau crowd he is talking to other lawmakers about introducing a "mini-Mackie."

"A little Mac, not a big Mac," said Hudson at a public meeting called by the Fiscal Policy Caucus, a loosely-formed group of about 30 lawmakers.

Hudson said after the meeting the revised version probably would distribute to residents a smaller lump sum - perhaps \$10,000 to \$15,000 - but only suspend the dividend program, not end it. The state would use earnings from the fund balance to pay for government until new revenues came online, said Hudson, noting the state could re-establish a smaller dividend program after six or seven years.

"It's a little like the Mackie plan, which had a lot of popularity, then lost its popularity," said Hudson, a Republican.

Hudson emphasized it's just a concept and he's not sure he or any other lawmaker will even pose it in a bill. It's just one idea to help guide the state from its financial woes, Hudson said.

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"At this point in time it's nothing more than a thought."

An exchange of ideas was the whole point of the Juneau meeting, which drew more than 30 people. A panel of speakers from the governor's office and state Department of Revenue painted a gloomy picture of the state's financial future, saying things could turn grim by 2005 as oil revenues decline and the state's savings account runs dry.

The public still will demand services, but the state won't have enough money to fund schools, prisons and other programs, they said. And lawmakers won't have a savings account to fall back on.

"My friends this is not a good situation and it's going to be much, much worse if we don't start doing something," said Hudson, co-chairman of the caucus, which is holding meetings statewide to draw attention to the problem.

The panel repeated a theme: The state must raise new revenue soon to avert an economic crisis. New revenues could come from a combination of permanent fund earnings, new taxes, higher taxes and resource development, said Hudson, although the caucus has not endorsed a plan.

It would help if a proposed gas line were built to bring the state's vast reserves of natural gas to market, said Larry Persily, deputy director of Revenue. However, a gas line probably would not come online sooner than 2008, he said. Even then, it would generate only \$250 million to \$400 million a year in new revenues - only a fraction of the \$1 billion unfunded budget gap expected by 2006, Persily said.

"It's a piece of the puzzle, but you can't sit here today and say the gas line is going to save us," Persily told the crowd.

Persily said the state could generate about \$200 million a year if it levied a 2 percent personal income tax. But audience member Bill Heumann said it doesn't make sense to pay a Permanent Fund dividend to residents and collect an income tax. That just sets up two opposing bureaucracies, he said.

"I would rather get rid of the dividend myself than worry about taxes," Heumann said. "But you go out to some villages - that's the only money they have coming in. That's the monster we've created."

Audience member Rob Skinner said he would support a plan for new taxes if it spread the pain broadly and did not target only businesses.

"We all have to take some of the responsibility here," said Skinner, who operates a car dealership.

Lawmakers do not need approval by voters to spend earnings from the permanent fund, but they asked voters for permission anyway in 1999. Voters overwhelmingly rejected the idea, and the Legislature hasn't seriously broached the topic since then.

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Web posted Tuesday, September 4, 2001

My Turn: Time for statesmanship, democracy

By REP. BILL HUDSON

I believe the economic health of our state may be at risk unless this Legislature, in the coming winter session, can muster the necessary backbone and political courage to adopt and implement a financial plan that honestly reflects both long-term spending needs as well as new revenue sources to meet those needs.

I'm convinced this will not occur, however, until the people of Alaska are fully aware of the negative consequences of current deficit spending practices and the effect it will likely have on Alaska's economy and daily lives of its residents if continued.

It's precisely for this reason, many of my colleagues and I have organized the Fiscal Policy Caucus and are coming to the people in town meetings all over this state to seek their input and ideas on how best to proceed.

Most people know that the current economy of our state is largely driven by the sale of oil and other natural resources, but are not aware of the vast fluctuation in state revenues received from these vital resources. Unrestricted revenues from oil production and its sale last year (when prices soared to unforeseen highs) provided only 75 percent of the state revenue we need to operate our schools, prisons, pioneer homes and the whole list of other vital government services. This fiscal year these revenues are expected to only provide 60 percent for all those same costs. The decline in production from the major fields on Alaska's North Slope confronts us with an opportunity - or a potential economic crisis.

I've been involved with state government for over 25 years, the first eight of which were with former Gov. Jay Hammond during times of unheralded high revenue. I've seen the boom and bust cycles resulting from our dependence on these oil revenues. I recall the close cooperation between state, federal, local and private leadership in the decision to build the pipeline, and the uniquely Alaskan Marine Highway System. And who cannot hold in the highest regard the concerted action that led to statehood? The facts are that most of Alaska's landmark decisions and major public policies were not the product of any one political party - they were non-partisan, and the



Juneau's Sen. Kim Elton urged the crowd to force lawmakers to make the tough decisions, rather than ask voters for permission.

"I cannot see any solution at all if we allow legislators to pass the buck and put it on the ballot because I don't think there's a proposal we could put on the ballot and pass," said Elton, a Democrat.

Hudson did not expect to change the world Friday night, but he had hoped a few more people would attend the caucus' town hall meeting - the first of its kind in Juneau.

"I would have liked to have seen this place packed to the brim," said Hudson, who counted 35 people in the audience. "But it's a beginning."

Kathy Dye can be reached at kdye@juneauempire.com

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*The Dark Side's
"Resolution"*

SENATE FINANCE COMMITTEE



SENATOR DAVE DONLEY
R-ANCHORAGE



SENATOR PETE KELLY
R - FAIRBANKS

Education Funding, Budget Discipline and Development of Long-Term Fiscal Plan 2001 Priorities

As Co-Chairs of the Senate Finance Committee this year, it was our task to maintain fiscal discipline and build on the strong foundation created by the successfully completed Republican Five-Year Budget Plan. The Senate Republicans are committed to continuing Alaskans' enjoyment of the lowest state taxes in the nation. Accordingly, the Republican Majority maintained fiscal discipline while providing for the constitutional priorities of education, public safety and public health.

Education Funding

A historic year for education in Alaska!

- ★ State education funding increased by more than \$50 million.
 - Increased K-12 funding by over \$34 million - including the largest increase to the education funding formula in over 10 years (SB 174, sponsored by the Senate Finance Committee)
 - Doubled funding for Learning Opportunity Grants for exam preparation, supplies & books from \$6.1 million to \$12.2 million
- ★ Increased funding for pupil transportation to reduce local taxes
- ★ Increased funding for charter schools and allowed more schools
- ★ Increased funding for the University of Alaska by over \$16 million
- ★ Funded school maintenance and construction statewide (3 new schools and 32 major maintenance projects)
- ★ Provided local tax relief for K-12 education

Public Safety Funding

Alaskans Protected

- ★ Increased funding by \$1,560,000 for 6 more Alaska State Troopers
- ★ Added \$320,000 for 2 more Fish and Wildlife Protection officers
- ★ Increased funding by \$250,000 for statewide forensic crime lab support, funding three new positions including an additional DNA testing specialist
- ★ Added \$50,000 for Avalanche Safety Public Education
- ★ Increased training and benefits for Village Public Safety Officers and improved probation services in rural Alaska (SB 145, sponsored by Senator Rick Halford, R-Chugiak)
- ★ Authorized construction of a new private prison to prevent prison overcrowding (HB 149, sponsored by Representative Mike Chienault, R-Soldotna)
- ★ Funded new state wide youth correction facilities necessary to fight juvenile crime

Public Health Funding

Essential services funded

- ★ Increased funding for essential medical services
- ★ Added \$700,000 to address Fetal Alcohol Syndrome prevention efforts
- ★ Allocated \$3 million for Tobacco Prevention and Control
- ★ Provided \$225,000 for additional emergency service personnel
- ★ Authorized construction of new Alaska Psychiatric Institute facility (HB 76, sponsored by Representative Norman Rokeberg, R-Anchorage)

Fiscal Discipline

Budget discipline and development of a new long-term fiscal plan

- ★ Continued results-based budgeting to ensure government fiscal accountability
- ★ Passed an operating budget \$60 million below the governor's request and \$7 million below last year's budget in total state funds when adjusted for population and inflation
- ★ Created an overall budget that is simpler, easier to understand and more accurately represents spending than past years' budgets
- ★ The Senate passed two Constitutional Amendments to improve the budget process and encourage fiscal discipline (see pages 2 & 3)
 - SJR 23, a new and effective state constitutional spending limit (sponsored by Senator Dave Donley, R-Anchorage)
 - SJR 24, an important reform of how the Constitutional Budget Reserve works (sponsored by the Senate Finance Committee)
- ★ The Senate passed three major cost saving proposals and began work on four others (see pages 2 & 3)

For more information and articles, visit:
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or www.legfin.state.ak.us/



2001 Senate Finance Committee: (clockwise from top) Co-Chairs Dave Donley and Pete Kelly, Loren Leman, Vice-Chair Jerry Ward, Gary Wilken, Donnie Olson, Lyman Hoffman, Alan Austerman and Lyda Green.

09/05/01

draw at least \$600 million from the account to fund the budget for the current fiscal year, Hudson said.

The coalition formed in March to compel fellow lawmakers to endorse a long-term fiscal plan before the account runs dry. Hudson hopes Alaskans will pressure lawmakers to work on a long-term plan in the legislative session that begins in January 2002, an election year.

"If you could ever get this to a point where the public can see that the Legislature continuing its easy action of simply spending down our savings account is going to perhaps put their job at risk in five to six years or cost them their permanent fund dividend in five to six years, I think they would start asking questions of people running for all levels of office and that would be healthy," Hudson said.

The meeting is scheduled Friday from 7 to 9 p.m. at Aldersgate United Methodist Church on Cinema Drive, near the Glacier Cinemas in the Mendenhall Valley. It will include presentations by the state Department of Revenue and Office of Management and Budget.

The group already has taken public comment in other Alaska communities, and plans to hold another Juneau meeting probably in late September or early October, Hudson said.

Kathy Dye can be reached at kdye@juneauempire.com.

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Web posted Wednesday, September 5, 2001

Town meeting on budget gap comes to Juneau

Meeting aims to explain what declining revenues mean for state

By **KATHY DYE**
THE JUNEAU EMPIRE

Rep. Bill Hudson believes the state must get its finances in order now or Alaskans will feel it in the wallet later, and he wants Juneau residents to join him in the effort.

Hudson on Friday is hosting Juneau's first town hall meeting by the Fiscal Policy Caucus, a loosely formed bipartisan group of about 30 lawmakers.

The purpose of the meeting is to educate people about falling oil revenue and what it means to the state's long-term financial health. The coalition also will take public comment on ways to bring state spending in line with state revenue, said Hudson, a Juneau Republican.

"We need to have the public as broadly as possible around the state of Alaska weigh in at this time and begin to build up some public support for taking some action other than the status quo," Hudson said.

Hudson has criticized the Legislature for failing to adopt a long-term plan in the face of declining oil revenue, which in past years has accounted for about 80 percent of general fund spending and has helped fund schools, prisons and other services. The state may be forced to cut vital programs if it doesn't find new revenue soon, Hudson said.

New revenue could mean imposing higher or new taxes and using permanent fund earnings for government, although the coalition has not taken a position on those options. Voters in 1999 overwhelmingly rejected a plan by lawmakers to use permanent fund earnings for state services.

The state covers an annual revenue shortfall by tapping a \$2 billion savings account called the Constitutional Budget Reserve, which is expected to run dry within five years. The state probably will have to

results have greatly benefited all Alaskans.

It's time for every citizen of Alaska to weigh in again. Help us make the right choices to keep our state on a healthy track to the future.

We must hear your voice in our efforts to establish a viable long-term fiscal policy. Write your senator and representative; better yet, make an appointment to visit them in their home office and put us all on the spot. Ask us how we intend to finance education, public safety, roads and harbors, etc. in the future. If we tell you we intend to cut spending to eliminate the \$500 million to \$1 billion dollar annual fiscal gaps, ask us where and how? Ask the governor and any wannabe governor candidate how he or she intends to lead us out of this fiscal quagmire.

The path we take will affect your family, your home, your job and your children's future. If we continue to balance our budgets from our savings account, the "CBR," and fail to institute new revenue sources in a timely manner, however politically unpalatable, we will have no option but to drastically cut essential services, impose heavy taxes and be forced to spend the earnings reserve of our Permanent Fund! Since that reserve is the feedstock for the PFD, you can see the popular dividend will be in jeopardy.

It doesn't have to be this way. We can take timely action, even incrementally, that will preserve and protect the PFD, maintain our Constitutional Budget Reserve and assure the economic health of our state. Please get engaged. Democracy does work.

Juneau's first town hall meeting on this subject will be Sept. 7, at Aldersgate Church located just beyond the Juneau valley theaters on Cinema Drive. The meeting will last from 7-9 p.m. Everyone is invited and encouraged to come. We anticipate the full Juneau delegation to be in attendance.

Bill Hudson represents District 4 (Juneau) in the Alaska House of Representatives.

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Developing a New Long-Range Fiscal Plan

Senate Finance Committee Co-Chair

The first step in any long-range fiscal plan should be continued reform for more efficient government. After the hundreds of millions of dollars in reductions in state spending over the past five years only challenging spending reductions still remain. Alaska statutory formulas and provisions guide most state spending, so significant reform requires statutory changes. This year the Senate Finance Committee introduced a package of legislation designed as the first step in developing a new long-range fiscal plan for Alaska. These nine pieces of legislation have the potential of saving over \$12.5 million the first year and over \$100 million within 10 years. The individual proposals and projected savings are summarized below and on the next page.

Senate Joint Resolution 23

Sponsored by Senator Dave Donley, R-Anchorage

SJR 23 reduces the existing constitutional spending limit and restricts increases to ensure future fiscal discipline. The existing spending limit has grown to \$6 billion—twice the amount of total state spending in FY 2000. SJR 23 changes the limit to \$3.1 billion and limits its growth to 1/2 of the cumulative change in population and inflation. SJR 23 passed the Senate and is currently in the House Judiciary Committee.

Senate Joint Resolution 24

Sponsored by the Senate Finance Committee

SJR 24 amends the process for withdrawing funds from the Constitutional Budget Reserve (CBR) and requires a 3/4 vote of the Legislature only when spending exceeds the prior year's level. Currently, a 3/4 vote is needed to approve any withdraw from the CBR. Please see article on the opposite page for more information on this important cost saving measure. SJR 24 passed the Senate and is currently in the House Judiciary Committee.

Senate Bill 180

Sponsored by the Senate Finance Committee

SB 180 places all state employees under a new geographic pay differential formula to more accurately reflect cost-of-living differences across the state. This adjustment would save the state \$183,600 per year initially and \$312,000 per year after 6 years. SB 180 is currently in the Senate Rules Committee.

Senate Bill 181

Sponsored by the Senate Finance Committee

SB 181 follows auditors' recommendations to close a state housing program that has outlived its usefulness. The AHFC Housing Assistance Loan Fund provides loans below market rate loans to only certain areas of the state. Eliminating this program could increase state revenue by \$500,000 annually. SB 181 is currently in the Senate Finance Committee.

Republican Majorities Hold Line against Democratic spending proposals

During the 2001 legislative session, Republicans rejected a total of \$246 million in proposed extra state spending proposed by Democrat minority legislators. Had all the proposed minority amendments been approved, general fund expenditures for the operating budget would have increased by \$49.1 million from the previous year and the capital budget would have increased by \$196.9 million.

Increased state spending proposed through minority amendments for each fiscal year since 1997 is listed below:

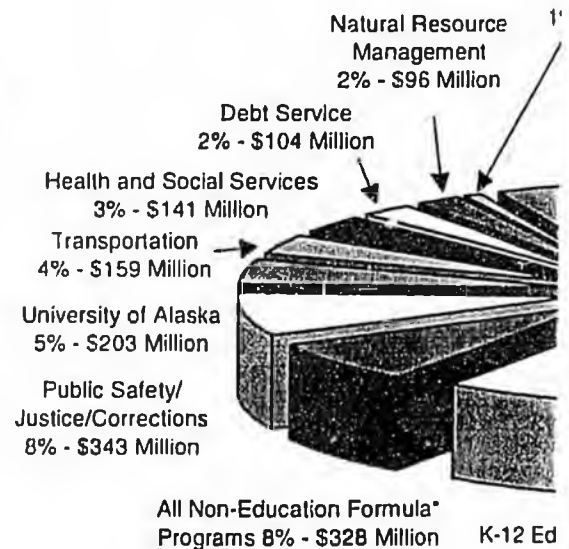
	Operating Budget	Capital Budget	Total
2002	\$363,892,616	\$196,870,851	\$560,763,467
2001	\$314,763,966	\$51,008,522	\$365,772,488
2000	\$231,626,078	\$23,237,666	\$254,863,744
1999	\$139,037,928	\$1,420,000	\$140,457,928
1998	\$48,542,705	\$5,719,314	\$54,262,019
1997	\$14,135,690	\$2,193,322	\$16,329,012
Total	\$1,111,998,983	\$280,449,675	\$1,392,448,658

As the figures show, Alaska's budget gap would be significantly greater if all of this excess spending had been added to the budget. Instead, the Republican Majorities improved Alaska's fiscal health by implementing general fund spending reductions totaling over \$175 million. When inflation and population growth are factored in, state general fund spending has been reduced by over \$600 million.

Reducing general fund spending and holding down spending increases helped limit the necessary withdraws from the Constitutional Budget Reserve (CBR). This extended the life of the fund and allowed it grow from \$2.2 to \$2.5 billion. Had minority amendments been adopted, the CBR would only total \$1.3 billion today. Annual contributions were also made to the Permanent Fund, which has grown from \$15.7 to \$25.3 billion.

All of this was accomplished without Governor Knowles' proposed massive new income tax, new general statewide taxes, reducing your Permanent Fund Dividends or using the Permanent Fund.

The State of Alaska Budget Goes Fiscal Year Where the money goes



*Formula programs are based in statute and guaranteed. Non-education formula programs include: Medicaid Sharing, Foster Care, Elected Officials Retirement, etc.

This report was prepared by Co-Chair Senator Dave Donley

This publication was released by the Senate Finance Committee to the public of the committee's activities during the session.

Legislative Affairs' Summer 2001 Budget Report

Senate Bill 182

Sponsored by the Senate Finance Committee

SB 182 encourages accuracy and accountability in the budget process by requiring program benefits to be paid based on actual funding levels rather than statutory suggested levels. The potential savings to the state if SB 182 is enacted will vary depending on individual program funding levels. SB 182 is currently in the Senate Finance Committee.

Senate Bill 183

Sponsored by the Senate Finance Committee

SB 183 adopts a uniform standard for the payment of attorneys' fees for litigants, including public interest litigants. Courts retain the authority to award higher fees on a case-by-case basis. Potential savings could average over \$100,000 annually based on current fees being paid out. SB 183 passed the Senate and is currently in the House Judiciary Committee.

Senate Bill 184

Sponsored by the Senate Finance Committee

SB 184 allows, but does not require, local government contributions to the Village Safe Water Program. If local governments chose to contribute even just five percent, state savings of \$2,700,000 annually could be realized. SB 184 passed the Senate and is currently in the House Community and Regional Affairs Committee.

Senate Bill 185

Sponsored by the Senate Finance Committee

SB 185 revises the formula under which Power Cost Equalization is paid and adjusts the amount of electricity eligible for subsidy to more accurately reflect current power usage and encourage energy conservation. State expenditures could be reduced by as much as \$9,000,000 per year under this legislation. SB 185 is currently in the Senate Finance Committee.

Senate Bill 186

Sponsored by the Senate Finance Committee

SB 186 limits a municipality's allowable bonded indebtedness to \$15,000 per resident. This would increase state revenues by over \$100 million a year within ten years. State revenues will increase because oil and gas property tax revenues, currently collected by certain high debt municipalities, will revert back to the state. SB 186 passed the Senate and is currently in the House Community and Regional Affairs Committee.

Fiscal Plan Legislative Status:

The legislative response to this fiscal package has been very positive. Five proposals have already passed the Senate and are under consideration in the House. The remaining four bills are progressing through the Senate.

General Fund and Permanent Fund Spending Year 2002 - \$4.3 Billion Money is being spent this year:

Legislature

1% - \$37 Million

All Other (Governor, Admin.,
Revenue, etc.)

7% - \$293 Million

Permanent Fund Dividend
26% - \$1.1 Billion

Permanent Fund Inflation Proofing
17% - \$713 Million

Education Formula* Support
17% - \$706 Million

guarantee a specific level of benefits to qualified recipients. Aid, Adult Public Assistance, Longevity Bonus, Revenue Shared Fisheries Business Tax and Temporary Assistance.

by Sen. Kelly and does not necessarily represent the views of any other senators.

Finance Committee, produced at a cost of \$.034 per copy to inform the 2001 legislative session, and printed in Anchorage, Alaska.

Constitutional Budget Reserve Vote Used to Force Increased State Spending

The Constitutional Budget Reserve (CBR) was established in 1990, and has been used to help fill the gap between state revenues and expenditures. When the CBR was created, the original intent was that funds could be withdrawn with a simple majority vote to help cover a budget deficit as long as current spending did not exceed the previous year's spending, but a three-quarters vote of the Legislature would be necessary to withdraw any funds in excess of the previous year's spending.

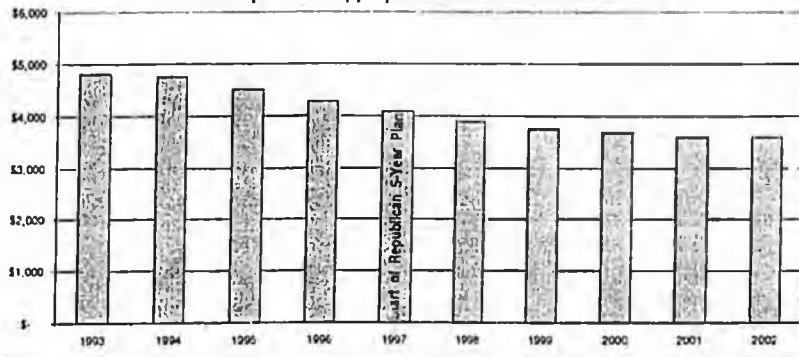
In 1994, the Alaska Supreme Court misinterpreted this provision to require a 3/4 vote to withdraw any funds from the CBR. This creates a situation in which a small minority of legislators can "blackmail" the majority and hold the budget hostage in any year where there is a budget deficit. These legislators can exchange their votes, which are crucial to withdraw CBR funds and balance the state's budget, for approval of increased spending.

The cost this year to access the CBR with a 3/4 super majority vote to balance the budget was nearly \$150 million.

Senate Joint Resolution 24 corrects this bizarre imbalance of spending power by proposing a constitutional amendment that makes it clear a 3/4 vote is not necessary when spending does not exceed the previous year's.

If this resolution passes, the amendment will be placed on the next state general election ballot in fall 2002 for approval by the people of Alaska.

Per Capita State Spending Is Going Down
Per Capita GF Appropriations In FY02 Dollars



Per Capita spending graph notes:

- Consumer Price Index (CPI) and population statistics taken from the Alaska Economic Trends, "The Cost of Living in Alaska", June 2001, Alaska Department of Labor and Workforce Development.
- Figures are in Fiscal Year 2002 Dollars (i.e. - It would take an appropriation of \$2.86 billion of today's dollars to equate to \$2.37 billion in Fiscal Year 1993.)
- Population growth for Fiscal Years 2001 and 2002 are assumed to be the same as for Fiscal Year 2000 (.79%).
- Projected CPI for Fiscal Year 2002 is projected at 3.8% by the Legislative Finance Division.
- Fiscal Year 2002 budget is \$7 million below Fiscal Year 2001 budget when adjusted for population and inflation.

Anchorage's Share of 2002 State Budget

Anchorage will receive over \$250 million in capital appropriations this year, an increase of over \$45 million from last year. Anchorage will also receive an additional \$54 million in school debt reimbursement. Anchorage will receive over \$231 million in appropriations in the operating budget, a 3% increase from last year.

Transportation Projects

Project	Amount
Anchorage International Airport expansion (revenue bonds to be paid by airlines using the facility)	\$162,644,000
Port of Anchorage improvements	\$6,000,000
Citywide street maintenance and safety upgrades	\$4,000,000
Dowling Road construction	\$4,325,000
C Street Reconstruction - Phase II	\$4,000,000
Lake Hood Airport improvements	\$4,456,000
Campbell Creek Trail Connection	\$3,400,000
Old Glenn Highway rehabilitation	\$3,375,000
Major intersection improvements	\$3,000,000
Knik Arm Crossing (preliminary work)	\$2,600,000
People mover & other transit improvements	\$2,200,000
Huffman Road intersection improvements	\$1,300,000
Willow Crest Elementary School overpass upgrade	\$1,300,000
Other transportation programs and projects	\$4,774,000

Education Funding

The Anchorage School District will receive nearly \$7 million in additional state aid this school year. The legislature also passed HB 101, sponsored by Representative Fred Dyson, R-Eagle River, which will increase funding for and allow more charter schools. The University of Alaska's Anchorage campus will also receive a substantial increase.

	2001	2002
Education Funding (Foundation Formula)	\$196,800,000	\$200,265,886
Learning Opportunity Grants	\$2,278,339	\$4,570,037
Pupil Transportation	\$15,273,491	\$15,083,832
University of Alaska (total state funding)	\$184,136,900	\$197,500,000

Municipal Aid Funding Increased

During the past legislative session, the Senate Finance Committee increased funding for municipal aid in the state operating budget. This was the first increase for the program since 1985. Total Anchorage funding exceeded \$10.5 million which helps reduce taxes on an average home in Anchorage by \$226 annually. This increase will help reduce Anchorage property taxes.

The Senate Finance Committee supported making reductions in state government before cutting state funds to communities like Anchorage.

Contact the Senate Finance Committee



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Member - Environmental Conservation, Office of the Governor subcommittees

Subject: Reinstating State Income Tax

Date: Fri, 28 Sep 2001 23:55:11 -0800

From: "Aedene Arthur" <akarthur@pobox.mtaonline.net>

To: <Representative_Bill_Hudson@Legis.state.ak.us>

I support your stance on this issue. If we take \$ from the PFD, the nonresident workers (oil, fish -men, tourism - all of whom take millions out of this state each year as you have pointed out) will not be affected. If we have a reasonable income tax, **MAKING SURE THAT NON-RESIDENTS PAY THEIR SHARE**), we can deduct that tax from our federal taxes as you have also stated. I imagine the industries who have hundreds of non-resident workers will fight this tooth and nail - especially oil and gas companies who want to develop new fields and have lots of \$ to lobby against a state income tax.

I think we need to emphasize the points: A- a state income tax is deductible from federal taxes; B- the thousands of non-residents who work in our state and spend little or nothing while here in Alaska would finally have to leave some of the money they earn in our state; C- Alaskan residents would still get their PFD - if we start tapping the PFD, the non-residents would still be taking \$ from our state; D- if ANWR is open, or the gasline goes through - **LET'S GET SOME INCOME TAX \$ FROM THE NON-RESIDENTS WHO WILL COME UP AND WORK**; E- let's get some income tax from the high-end oil company executives who are working here now, and will pull out after the oil industry is gone and the money the state gets from oil dwindles down to nothing.

Nobody likes the word TAX, but I'm not sure how many people understand the points that you have made, and the ones that I have listed. A sales tax will hurt people who are the working poor in Alaska (I have some of these in my family - barely making it from paycheck to paycheck, no health insurance, no safety net if something happens - they **WORK** just as many other Alaskans do, and earn their wages, but not a **LIVING** wage). If a state sales tax were imposed, the working poor would pay a higher percentage of their salary; just to live, as compared to people who make high salaries. The working poor also often utilize the PFD for living expenses or for help with paying bills, while for those making a lot of money the PFD is a smaller percentage of their yearly income.

Thanks for giving me a chance to voice my opinion.

Subject: Juneau Access/ Save money for the state...

Date: Fri, 28 Sep 2001 20:22:12 EDT

From: Bartelow@aol.com

To: Representative_Bill_Hudson@legis.state.ak.us

Dear Mr. Hudson,

I am the chair of the Haines Mayor's committee on Marine access. We have been actively participating in the McDowell Study on Lynn Canal Ferry Operations and Service Study. We have been working closely with the Skagway committee to identify ways of improving the ferry service in the Lynn Canal.

I am writing because I understand you are leading a fiscal policy group searching for ways in which the state government can save money. And as a Representative for Juneau, I'm sure you are very concerned about Juneau Access, especially in light of renewed efforts to move the capitol.

It is our conclusion that deploying fast ferries in the Lynn Canal as soon as possible could save the state a substantial amount of money. It would also be the best short-term solution to the Juneau Access issue, because it is attainable within a few years.

We all know the ferry system is in financial trouble, and must find ways to become more cost effective to survive. According to DOT studies, Fast Vehicle Ferries operating out of a hub system, will be able to move vehicles and people more cost effectively than the present long haul fleet. Since Lynn Canal represents well over 40% of the total volume of ferry system traffic, then the largest savings to the system should be realized by deploying the first fast ferries in the Lynn Canal.

DOT has set a timeline and priority list for the deployment of fast ferries. Unfortunately, politics not economics has set those priorities, and the Lynn Canal has dropped from 1st to 5th on the list. In light of the financial situation of the ferry system, we believe that fast ferries should be deployed first where they will save the state the most money. The need for improved year round access to Juneau is a regional priority, immediate deployment of fast ferries in the Lynn Canal, offer the only near term solution.

Instead of deploying fast ferries in the Lynn Canal, DOT plans to continue running the Malispina as a day boat in the summer. In order to make the malispina more cost effective, they are proposing a shuttle ferry between Haines and Skagway, to allow the Malispina to operate a shorter day trip. The cost of the shuttle ferry and the dock improvements need for its operation (\$25-\$30 million) are nearly as expensive as a one of the proposed fast ferries (\$30-\$35 million). If a fast ferry were deployed in the Lynn Canal, making 2-3 runs per day, we wouldn't need the shuttle ferry or the Malispina. So why build a shuttle ferry? Also, the Malispina is going to need expensive overhauls to remain in service as long as DOT has it scheduled.

Another thing to keep in mind is that the Malispina is too big to run in the winter so we loose the daily service. The fast ferry could continue daily service year round by reducing the number of trips to meet seasonal demand.


I would like to urge you to look seriously into this issue. Juneau is the largest beneficiary of the Ferry system and therefore has the most to loose with its demise. We need the community of Juneau and its leaders to join with Haines and Skagway to speak with a unified voice in the ongoing debate over the future of the ferry system in the Lynn Canal.

I would love to speak further with you about this issue. Thank you for your time.

Analysis of the Alaska Long Range Fiscal Plan Relevance to Alaska and U.S. Policy Positions of the League of Women Voters

The tax cap initiative violates the "Principles" of the League of Women Voters of the U.S. (Page 66):

- ◆ **"...efficient and economical government requires....adequate financing..."**
Without a long range financial plan Alaska will continue to spend irreplaceable savings at the rate of \$600 million growing to over \$1 billion per year in a \$2.5 billion general fund budget. The state's major savings account, the Constitutional Budget Reserve is projected to be gone by 2005. When the CBR is gone, Alaska will be faced with over a \$1 billion deficit and no way to replace the money short of tapping the earnings reserve of the Permanent Fund. Alaska is the only state without either sales or income taxes or any other major state personal taxes.

- ◆ **"...that government should maintain an equitable and flexible system of taxation."**
Alaska virtually has no personal taxes aside from the smallest gas tax in the U.S., an alcohol wholesale tax, and vehicle registration fees. Alaska is subject to the "Alaska disconnect" in that when economic development occurs it creates a liability for the state because new residents create state costs (e.g. education) but do not contribute sufficient taxes to pay for the new costs. Also, new residents dilute the amount of the PFD. This tax system discourages economic development and is extremely inflexible. 

- ◆ **"...that every person should have access to a free public education..."**
As explained above, the lack of a plan to balance Alaska's budget constitutes a threat to a free education.

State positions of the League of Women Voters of Alaska:

- ◆ Without a long range fiscal plan it will be difficult to impossible to implement the position on "career education in schools", "child care", "domestic violence and sexual assault", and "juvenile needs". Alaska has been reducing support for all the above services over the past ten years.

for fiscal fix

Hudson gets high marks for pushing the fiscal debate

Rep. Bill Hudson, R-Juneau, got bipartisan high marks last week for his willingness to broach the subject of income taxes in Juneau. The subject gets more important with each passing month.

Broad-based general taxes, where everybody pays a fair share to support state services, will be part of any balanced solution to the state's fiscal problem. The sooner we get over our political antipathy to the question, the sooner we'll fix our problem — and the easier it'll be.

The state is currently on track to spend half a billion dollars from savings to balance the budget next year, give or take the difference between projections and reality in oil prices. That difference could be favorable or unfavorable, as always.

The state is also on track to run through its major reserve account, the Constitutional Budget Reserve, in the fall of 2005. That, too, could be sooner or later, depending on oil prices and production — but if we hit that

wall before taking care of the problem, it'll hurt bad.

If we hit that wall before taking care of the problem, it'll hurt bad.

The state currently balances its budget by drawing from the CBR, but current projections show that by the time the CBR runs dry that half-billion-dollar gap will have grown to roughly a billion dollars a year. The most creative Legislature on earth

couldn't squeeze a billion dollars a year out of spending or new revenues without laying down a world of hurt in a place the size of Alaska.

Rep. Hudson's bill would deal with half the problem by creating a state income tax pegged to 15 percent of federal tax liability. A worker paying \$5,000 per year to the feds would thus pay \$750 to the state. The Hudson proposal would raise an estimated \$250 million for state coffers.

The proposal preserves two principles of tax policy. First, everybody plays and nobody rides for free. That's fair, and it gives everyone a direct stake in the outcomes of public policy. And second, such a state structure would mirror the progressivity of the federal system, though at smaller amounts. That's fair, too. People with greater capacity should pay more.

The proposal takes care of only half the projected gap, but there are other tools available for the rest. Tapping the Earnings Reserve of the Alaska Permanent Fund (the earnings left over after dividends and inflation-proofing are covered) is a more or less painless option. Capping dividends at current levels is another. Restructuring oil taxes to make them more progressive and encourage new production is still another. Finally, new revenues thanks to a natural gas pipeline or opening of the Arctic National Wildlife Refuge are a serious prospect, though more remote than the other options listed here.

We have plenty of tools, and they're pretty easy to employ if we can summon the political imagination to pull it off. All these things are relatively easy to do now, when we have a healthy Constitutional Budget Reserve and time to debate and craft the solution. The right kind of debate now would be over which elements to emphasize, and how much, in the total package.

That, regrettably, is still not the majority view in the Legislature, where too many members are still intimidated by their fears of public backlash against taxes, infringements on dividend growth, or just plain change. But they all know a day of reckoning is coming, and that eventually they'll have to face these issues in public. Sooner is better, while we have the luxury of time and the freedom of several good choices.

As Rep. Hudson, a moderate Republican by any measure, put it, "I believe we can't just keep burying our heads in the sand."

4/02/01

Well done
Bill Hudson

Keep up the
momentum.

You deserve
credit for
courage

Jim
Fisher

10/5/01 3/25/01

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APR 02 2001

STATE TAX

Subject: STATE TAX

Date: Tue, 20 Mar 2001 21:07:47 EST

From: YAKEGLE@aol.com

To: Representative_Bill_Hudson@legis.state.ak.us

*Dist 4
Juneau*

BILL WHY NOT JUST GO WITH STATE TAX AND LEAVE THE PFD ALONE. THAT
WAY ALL OF THE OUTSIDE PART TIME SUMMER WORKERS AND FISHERMAN
WOULD HAVE TO PAY TAXES ON THERE EARNINGS.

JAY STEVENS 50 YEAR ALASKA RESIDENT THANKS!

MAY 2001

Subject: Long term financial planning**Date:** Sat, 5 May 2001 12:15:59 -0800**From:** "George R. Lott" <georgerl@ptialaska.net>**To:** "Jeannette James" <Representative_Jeannette_James@legis.state.ak.us>**CC:** "Robin Taylor" <Senator_Robin_Taylor@legis.state.ak.us>,
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"Lyda Green" <Senator_Lyda_Green@legis.state.ak.us>,
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"Carl Moses" <Representative_Cari_Moses@legis.state.ak.us>,
"Brian S. Porter" <Representative_Brian_Porter@legis.state.ak.us>,
"Bill Williams" <Representative_Bill_Williams@legis.state.ak.us>,
"Bill Hudson" <Representative_Bill_Hudson@legis.state.ak.us>,
"Beverly Masek" <Representative_Beverly_Masek@legis.state.ak.us>,
"Andrew Halcro" <Representative_Andrew_Halcro@legis.state.ak.us>,
"Alan Austerman" <Representative_Alان_Austerman@legis.state.ak.us>,
"Tony Knowles" <office_of_the_governor@gov.state.ak.us>

Dear Representative James:

Last year you said that a long term financial planning bill was not likely during an election year. Next year will be another election year so, I suppose we will have to wait until 2003 before we can expect any serious discussion, let alone consideration of a long term financial planning bill. I suppose higher oil prices acted like a sedative to num the legislature's awareness of the need for long term planning. What if we run out of pain killers and money too during an election year. You can count on me to support long term financial planning.

I was encouraged to hear of yours and Senator Murkowski's efforts to extend the Alaska Rail road to link up with the Canadian Rail System. What is the state of that project? Is there any progress to report?

I greatly appreciate the legislature's efforts concerning natural gas pipeline. Thanks.

Wishing you good luck during the hectic closing days of the legislative

Long term financial planning

session.

Sincerely,
George R. Lott
1855 Long Circle
North Pole, Alaska 99705

MAY 4 2001

Subject: Anchorage Daily News article

Date: Fri, 4 May 2001 08:41:45 -0800

From: "Tom Boutin" <boutin@gci.net>

To: <Senator_Dave_Donley@legis.state.ak.us>

CC: "Senator Loren Leman" <Senator_Loren_Leman@legis.state.ak.us>, <Senator_Pete_Kelly@legis.state.ak.us>

"Senator Gary Wilken" <Senator_Gary_Wilken@legis.state.ak.us>

"Kim Elton" <Senator_Kim_Elton@legis.state.ak.us>

"Representative Beth Kerttula" <Representative_Beth_Kerttula@legis.state.ak.us>

<Representative_Bill_Hudson@legis.state.ak.us>, <Senator_Robin_Taylor@legis.state.ak.us>

Dist 4

A

I certainly agree with fiscal policy statements attributed to you in today's ADN on-line. But too often the media make issues regarding equitable funding into one with Native vs. nonnative implications. At least here in Southeast, many communities that receive a free ride such as Gustavus, Tenakee and Pelican have no special racial character. On Prince of Wales Island, the larger communities of Klawock, Hydaburg and Craig have a much greater minority make-up than do the smaller communities like Thorne Bay, Coffman Cove, Point Baker, etc.

The McDonald's in Ketchikan pays property taxes and the BurgerKing in Craig does not. What's the racial implication of that? There is none of course but there is an inequity that needs to be fixed!

The population of the Ketchikan Gateway Borough and of Prince of Wales Island are about the same but Prince of Wales communities have a huge disincentive to form a borough or to combine with communities like Wrangell and Petersburg to form boroughs.

There's no racial issue in wanting every community to contribute to local governmental services. Communities that do not contribute come to see state money the same way the state sees federal money; free no matter how wasteful the project might be. As Alaska dips into the CBR, the last thing we want is Alaskans supporting wasteful spending of state money but that's exactly what happens in communities that have no property tax, especially if the school system is the largest employer in the community.

I don't see much chance of a broad long-range fiscal plan until most Alaskans feel that everyone is treated equitably. We know we're all in the same boat but we need to know that everyone is rowing as hard as they can before anyone asks any of us to row harder. Thanks for your time.

Representative Fred Dyson,
Representative Mike Chenault,
Representative Hugh Fate,
Representative Vic Kohring,
Representative Gretchen Guess,
Representative Reggie Joule

>

Lady and Gentlemen:

>

My name is Maynard V. Tapp of Hawk Construction Consultants, Inc. I am also on the Board of the Alaska Support Industry Alliance (The Alliance). I have over 25 years experience in the oil and gas industry including construction of the TAPS line, international work, and over 15 years experience in Alaska.

>

We all agree that commercialization of Alaskan gas will be excellent for the State of Alaska, the United States, and the environment.

>

I think we can agree that the producers are in the business to make money from their share of resources located here in Alaska. Gas commercialization must be able to make a reasonable return on this investment (some say as high as \$18 billion), I believe the producers are ready and willing to make the commitment. It makes good business sense.

>

Historically, the oil and gas industry has averaged about 4.5-6% net income from their investments. If all they wanted to do is make money they could invest in the stock market which averages about 14% per year since 1900. Thankfully, they recognize the importance of this resource (oil and gas) as a major contributor fueling the economy of Alaska, the USA and the world.

>

These companies make investments where years if not decades elapse prior to their gaining any return on their investment. The significant amounts of money and effort involved in bringing a project of this magnitude to market is not easily justified to those holding the purse strings. The last time a group attempted to put together this project was during the Carter Administration. I have been told up to \$50 million was expended in that effort. Who reimbursed the producers for that expenditure?

>

Currently a reported \$75 million dollars is committed to study the feasibility of bringing gas to market.

>

By introducing a tax on the reserves on the North Slope of Alaska, we could destabilize a very sensitive calculation used to determine the viability of this project. It sends the wrong message to Alaska's partners, that we Alaskan's are so ready and willing to tax any thing that moves (or doesn't move).

>

Alaska's problem is its need to raise revenues to cover our state operating expenses. If we use President Reagan's and our current President Bush's models for raising public revenues, it is NOT BY RAISING TAXES. Is there a way the Alaska Legislature can facilitate stimulating capital investment and thereby benefiting from the growth. The governors mantra of being "open and ready business", should guide our policies and public agenda.

>

We need to find ways to encourage development not scare it away.

>

1. In the mid 1990's the State of Alaska commissioned a report by Dr. Pedro Van Meers (sp). In this report he felt that a Tax Holiday (property tax) would help bring gas commercialization closer. WHY NOT FIND A TAX INCENTIVE RATHER

MAR 28 2001



March 28, 2001

VIA FACSIMILE

Dear Legislator:

The Fiscal Policy Council of Alaska, Inc. is dedicated to promoting the state's long-term fiscal certainty through research and providing objective information about Alaska's finances. This has involved advancing Alaskans' understanding of the state's finances and the long-term implications of the choices our elected officials make—and don't make. We believe the state's economic future rests on stable state spending and revenue policies.

To that end, we urge the Legislature to take action this legislative session that will bring fiscal certainty a step closer. This includes support for the passage of:

1. House Bill 3 that changes the percent of revenues deposited in the Permanent Fund;
2. GARVEE legislation (Senate Bill 128/House Bill 168) to utilize a new financing mechanism to build Alaska's transportation infrastructure; and
3. HJR 15/SJR 13, the constitutional amendment that will provide for permanent inflation proofing of the Permanent Fund.

We have attached additional comments on these three issues and stand ready to offer further comment as requested. The Council also believes it is critical that the availability of all fiscal tools be preserved until a long-range plan is put into place. It is also important that all proposals be evaluated by the degree in which it sustains the real value of the state's financial assets. This is especially important because these financial assets will be the primary source of revenues for the foreseeable future. The standard used to make this evaluation is that the inflation-adjusted value of the state's financial assets (the Constitutional Budget Reserve, Permanent Fund, and general fund) must be at least as great in year 2010 as today.

We urge prompt action of this legislation and look forward to working with the Legislature as it faces the critical decisions that will chart the course of Alaska's fiscal future.

Sincerely,



Marc Langland
President



Fiscal Policy Council of Alaska, Inc.
March 28, 2001
Page 2

Action urged this session on the following legislation:

House Bill 3

An Act relating to deposits to the Alaska permanent fund from mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), federal mineral revenue sharing payments received by the state from mineral leases, and bonuses received by the state from mineral leases, and limiting deposits from those sources to the 25 percent required under art. IX, sec. 15, Constitution of the State of Alaska; and providing for an effective date.

This legislation plays an important role in addressing Alaska's fiscal gap. The bill reduces the 50% contribution to the Permanent Fund, generously provided by the Legislature in better times, to 25%, which is required by the Alaska Constitution. It also protects the 50% contribution, which has taken place to date. It is important that this bill be adopted now so that it will also cover future mineral leases associated with development of Alaska's natural gas.

House Bill 168/Senate Bill 122

"An Act authorizing financing for certain public transportation projects; giving notice of and approving the entry into, and the issuance of revenue obligations that provide participation in, lease-financing agreements for those transportation projects; and providing for an effective date."

The legislation authorizes \$425 million in GARVEE bonds (Grant Anticipation Revenue Vehicles) to accelerate Alaska's highway program. GARVEE bonds take advantage of a change in Federal law permitting Federal Highway funds to pay interest on state bonds for Federal highways. In addition, the state match can be funded with interest earnings from bond proceeds eliminating the need for general fund appropriations. An authorization of GARVEE bonds would speed up completion of vitally needed highways and bridges and enhance economic development and public safety. The bonds authorized will not be a state debt and accordingly, a vote of the people is not required.

Fiscal Policy Council of Alaska, Inc.
March 28, 2001
Page 5

House Joint Resolution 15/Senate Joint Resolution 13

"Proposing amendments to the Constitution of the State of Alaska relating to inflation-proofing the permanent fund."

Three shortcomings in the present management of the Permanent Fund could be overcome with simple technical changes in the state law covering the method for determining earnings available for distribution each year. These shortcomings are:

1. **Conflicting Management Objectives.** Management of the portfolio of the Fund to maximize long term earnings may come into conflict with the need to generate realized income to fund payment of the Dividend.
2. **Unstable Flow of Income.** Permanent Fund realized income, which becomes available for appropriation each year, might be unstable from year to year since it depends upon portfolio management decisions.
3. **Uncertain Inflation Proofing.** Since inflation proofing is paid out of fund income after the Dividend, there is no guarantee that enough money will be left over in any year to fully inflation proof the Fund.

These problems would be eliminated by converting from the current method of determining annual income to the method used by most large managed funds.

That method is to make available for distribution each year a fixed percentage—typically 5 percent—of the market value of the fund averaged over a long interval—typically the last 5 years.

A fixed percentage distribution would free Permanent Fund managers from the need to cash out investments in order to fund the Dividend at a time when holding the investments would maximize long term fund earnings.

A fixed percentage distribution would stabilize the annual income available for distribution by severing its tie to the realized income of the Fund and by dampening its connection to fluctuations in the stock and bond markets. The longer the time period over which the market value of the Fund is averaged, the greater the stability in the annual distribution.

A fixed percentage distribution would automatically inflation proof the Fund and guarantee its value over time. A fixed percentage distribution of 5 percent, used by many large funds, reflects the expectation that the fund can, over time, earn a real rate of return of 5 percent, over and above inflation.

We believe the "5 x 5 Rule" will maximize the growth of the Permanent Fund, stabilize its annual earnings, and guarantee inflation proofing of its principle.



Rob Shoaf
Chairman

As the leading advocate for business, the Alaska State Chamber of Commerce regards the formulation and advocacy of its legislative program to be its most important activities of the year.

The State Chamber's legislative priorities are developed at the grassroots level. Each fall, we begin the process by contacting our 700 business members and the more than 35 local chambers of commerce around the state for their list of legislative concerns and positions. In December, ASCC's Legislative Committee, board members, representatives of local chambers of commerce, and business members meet to review and debate these position statements before presenting them to the full board of directors for final adoption. Leading the State Chamber's Legislative Committee this year is ASCC Chair-elect Helvi Sandvik, President, NANA Development Corporation.

Alaska State Chamber President Pamela La Bolle spearheads our lobbying efforts and works in Juneau on behalf of the state's business community. The membership also holds a legislative forum in Juneau during the session. Business needs to be well represented in the legislative process, and it is ASCC's job to ensure that it is.



Fiscal Planning

ASCC urges the Legislature and Administration to adopt and implement a unified long-range fiscal plan for the state. The plan should address a strategy to bring state spending in line with revenues; encourage and promote economic investment and business development; maintain the state's infrastructure; implement a deferred maintenance plan for all state-owned facilities; and further establish performance measures for state services, in concert with results-based government.

The plan should implement a biennial state budget; privatize state services which could be competitively provided by the private sector; promote development of new businesses that could competitively provide goods or services currently provided by the state; and utilize a systematic funding mechanism, such as general obligation bonds, to meet the state's capital needs.

Alaska North Slope Gas Commercialization

ASCC urges the Legislature and Administration to be receptive to all viable commercialization technologies to develop North Slope stranded gas resources.

Gas commercialization opportunities need to be adequately reviewed to identify the full range of benefits and risks to the state, its citizens and businesses, in an effort to encourage and foster the economical development of our natural gas resources in partnership with oil and gas producers and our Canadian neighbors. The review should specifically include an analysis that encourages producers to move forward with development of a gas line route that has substantial opportunity to benefit Alaskans from the standpoint of jobs, in-state gas use and value-added products.

Oil and Gas Exploration and Development in ANWR

While the Alaska State Chamber of Commerce is urging Congress and the President to pass legislation to open the Coastal Plain of the Arctic National Wildlife Refuge (ANWR) to oil and gas development, we also

urge the Legislature and the Administration to continue to support and actively participate in efforts to open ANWR to environmentally responsible oil and gas development, which would greatly benefit the future economic well being of Alaska.

Funding and Utilization of Research for Resource Management

ASCC is urging Congress to adequately fund and direct the NMFS and USF&WS to conduct the research necessary for management of resources, using good data and credible science which has been subjected to peer review to make the decisions needed to manage fish and wildlife resources in a manner to assure maximum sustainable use. The agencies should also be directed to work cooperatively with the Alaska Department of Fish and Game to complete the research and management.

Alaskans as Leaders in Technology and Service

ASCC urges the Legislature and the Administration to devise a strategy and implement a program to position Alaska as a world leader in the value-added business of providing the technology and services to develop natural resources. This would be done by revitalizing and providing an aggressive state funded vocational education program that includes courses in natural resources and general technology; by funding the University of Alaska at a level reflective of a strong, stable statewide system that invests in its students, faculty, facilities and programs; and by developing incentives for companies that invest in Alaska projects to utilize Alaska businesses and personnel.



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(907) 278-2722 • Fax: (907) 278-6643
asccanch@ptialaska.net



Resource Development Council for Alaska, Inc.

121 W. Fireweed Lane, Suite 250, Anchorage, AK 99503
Phone (907) 276-0700 Fax (907) 276-3887
e-mail resources@akrdc.org http://www.akrdc.org

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Thaddeus J. Owens
2000-2001 Executive Committee
Robert B. Stiles, President
Charles W. Johnson, Sr. Vice President
Mark Hanley, Vice President
Uwe L. Gross, Secretary
Stanley T. Foo, Treasurer
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Senator Frank Murkowski
Congressman Don Young
Governor Tony Knowles

Resource Development Council for Alaska, Inc. 2001 Legislative & Administrative Priorities

General Issues

Access

- Encourage an increase in public lands available for resource development.
- Advocate for multiple-use of public lands.
- Advocate for increased access to and across public lands for resource development.
- Support actions to designate and settle historic RS 2477 rights-of-way across public lands in Alaska.
- Continue to assert the state's rights on lands covered by navigable waters.

Fiscal Policy

- Encourage a responsible, long-range state fiscal plan.
- Support equitable and stable tax and royalties policies that stimulate resident job creation, capital investment and economic development in Alaska.
- Further efforts to privatize Alaska state government services.
- Support timely resolution of the University of Alaska Land Bill.

Education

- Support initiatives to educate business leaders, government officials, students and the general public on responsible resource development activities in Alaska.
- Continue support for the Alaska Mineral and Energy Resource Education Fund (AMEREF).

Specific Issues

Fisheries

- Support fisheries policies that improve access, markets and revenues for Alaska fishermen and a healthy competitive environment for an Alaskan seafood processing industry.
- Support reduced fisheries waste and better utilization of Alaska fishery resources, improved product value and development of new product forms.
- Support fisheries policies that ensure access and revenues for Alaska's fleet and coastal communities.
- Support industry and federal funding of fisheries and marine mammal research in the North Pacific.

Forestry

- Advocate for a reliable and economical long-term federal and state timber supply.
- Support adequate funding and enforcement of the Alaska Forest Practices Act on public and private lands.
- Encourage funding of forest management initiatives and development of an action plan to address long-term forest health and reforestation.
- Encourage the Alaska Legislature, the Knowles administration and the Bush administration to work toward reversal of the federal roadless policy in the Tongass and Chugach National Forests.

Mining

- Support legislative and administrative initiatives to encourage new exploration and development of the state's mineral deposits, as well as increased production from existing deposits.
- Advocate for expansion of the airborne geophysical mapping program.

Oil & Gas

- Support legislative and administrative initiatives to encourage new exploration and development of the state's oil and gas deposits, as well as enhanced production from existing fields.
- Advocate for the continued use of the area-wide leasing program.
- Encourage public policy decisions which may improve the commercial viability of developing Alaska's stranded natural gas resources.
- Educate and advocate for opening the coastal plain of the ANWR to oil and gas development.

Subsistence

- Urge the legislature to adopt a proposal placing a constitutional amendment before the voters to regain state management of Alaska's fish and game resources.

Tourism

- Support increased access to tourism opportunities and improved visitor facilities throughout Alaska.
- Advocate for additional helicopter landing sites.

Infrastructure

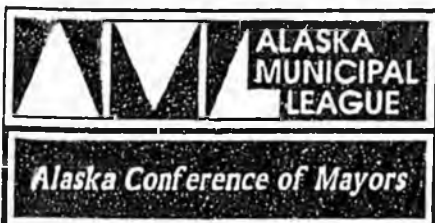
- Support improvements, additions and modernization to the state's land, marine, and air transportation infrastructure.
- Focus federal and state transportation funds on community needs as documented in the regional "area" transportation plans.
- Support policies and timely and effective permitting for power generation and transmission projects.

Regulation/Permitting

- Advocate for clear, streamlined and equitable state and federal permitting systems based on sound science and reasonable economics.
- Advocate for a reasonable permit fee system that is uniform, predictable and equitably allocates costs related to permitting activity.

Cook Inlet Beluga Whale

- Support the co-management agreement between the National Marine Fisheries Service and the Cook Inlet Marine Mammal Council to promote the recovery of the Cook Inlet beluga whale population.
- Oppose a federal or state endangered listing for the Cook Inlet beluga whale.



217 Second Street, Suite 200 • Juneau, Alaska 99801 • Tel (907)586-1325, Fax (907)-463-5480

March 8, 2001

Representative Brian Porter
Speaker of the House
Alaska State Capitol
Juneau, AK 99811

Dear Senator Halford:

The entire membership of the Alaska Municipal League (AML) and the Alaska Conference of Mayors (ACoM) unanimously supported the development of a **state long-range fiscal plan** as their top legislative priority. Even though state revenue from oil is relatively high now, an old adage states, "The best time to fix a roof is when it is not raining."


The purpose of this letter is to **offer support of municipalities to this effort**. The overwhelming rejection of the tax cap initiative encourages our position that Alaskans do want efficient services and stable public finances. The key factors in the defeat of the tax cap initiative were:


- The desire for **local control**; and
- **Credible solid facts about the pros and cons** of property tax cuts so citizens were able to make a reliable cost-benefit choice. A key factor in making the information credible was the **broad grassroots and community involvement**.

Using the model from the tax cap campaign, the AML Board of Directors is discussing ways to help stimulate broad public discussion and deliberation with similar grassroots and community groups. We will be working with all parties to provide the public with the same kind of clear information they received during the tax cap campaign. By creating a greater understanding and discussion at the grassroots level, we hope to support your efforts at the state level.

The AML and ACoM pledges to support other efforts you may propose and municipal leaders stand ready to help.

Sincerely,


Mayor Willie Thomas
President AML


Mayor Sarah Palin
President ACoM

cc: Alaska House of Representatives

MAR 27 2001

A M E R I C A N S F O R T A X R E F O R M

GROVER G. NORQUIST

PRESIDENT

March 19th, 2001

State Representative Bill Hudson
State Capitol, Room 108
Juneau, AK 99801-1182

Dear State Representative Bill Hudson;

Americans for Tax Reform (ATR) has learned of efforts to raise taxes on hard-working Alaskans. Specifically at issue are excise taxes, this time on consumers of distilled spirits, beer and wine. These taxes are regressive in nature, as they affect lower-income wage-earners more than high-income consumers. ATR will vigorously oppose any such efforts.

Alaskans currently enjoy a permanent fund in excess of \$28 billion (one of the largest investment funds in the world), and an annual check paid to every resident (who has lived in Alaska over one year) of \$1,769.

The current budget proposal under consideration increases spending by \$72 million, increasing funds for schools and social services. Any discussion of raising taxes at a time of increasing surpluses, already budgeted spending and an annual payout of \$1,769 is unfair.

Taxpayers are already struggling to meet the costs of taxation, paying more for taxes than food, clothing, and shelter combined. The recent economic slowdown is not an excuse for a money-hungry government to demand more from its taxpayers. Rather, the state should be looking for ways to reduce taxes, give more money to those who need it most, and allow them to spend it how they see fit while at the same time providing a boost to a sputtering economy.

I urge you to oppose any efforts to raise taxes, and hope that you focus on ways to reduce them.

Sincerely,



Grover G. Norquist

MAR 27 2001

March 24, 2001

TO: Representative Andrew Halcro

FROM: Michael and Rose Marie Citti
4841 Edinburgh Drive
Anchorage, Alaska 99515
(907) 243-2990

Good Morning Representative Halcro:

Today at the federal level there is a great debate on how much of the American people's money should be returned to them. It is not a question of should the American people's money be returned to them but only how much and how soon.

Today in Juneau there is a proposal put forward by Representative Bill Hudson to take money from the citizens of Alaska to help sustain and perhaps expand state government. Far too often we have seen citizens run for public office with lofty goals of doing the people's work only to see them become servants to an ever growing government. The income tax proposal is just one example. We will be required to cut our personal budget so government can sustain, what is in our opinion, a bloated budget. When will the exponents of expanded taxes stop and ask the people they claim to represent where they will cut their standard of living to support government. When the legislature is asked to slow or cut the size of government, the citizens of Alaska hear great howls of grief from the legislature.

We know we will receive letters from members of the legislature telling us how hard they work and what a chore it is to cut or slow the growth of government. To those we say; "government is the servant of the people not the other way around". Far too many citizens run for public office only to become enamored with the power of government and as a consequence will do all that can be done to continue that power. The power to tax is the power to destroy. We urge this ill conceived proposal be put to death as soon as possible.

CC: Members of the ALaska State Legislature

Rose Marie Citti Michael Citti

FEB 8 2008

Dan Keck

PO Box 938

Sitka, Alaska 99835

(907) 747-3908

To:
From: Dan Keck
RE: Budget Proposal

Leaving Sitka on vacation
for a few weeks
on Feb 26 -
Call him before
then, if you
want to discuss
this idea.
A

For several years now there has been a need for a balanced, long range, sustainable budget for the State of Alaska.

A number of proposals have come forward, initiating much discussion throughout the State. However, nothing has been offered that satisfies the concerns of the citizens of Alaska.

Having said this, I see no way we can reach a balanced budget in our state without using some of the earnings from the Permanent Fund. I would like to offer the following proposal; take 7.5% of the earnings from the Permanent Fund and share it 45% for State and local government, and 55% for the Permanent Fund Dividend Program. All earnings above 7.5 % would go back into the principal of the Permanent Fund for inflation proofing.

This proposal is based on these assumptions;

1. I have used ^{*}10% to estimate the earnings of the Permanent Fund. Based on past performance, this is a conservative estimate.
2. $10\% \times \$28,000,000,000 = \$2,800,000,000.00$
 $7.5\% \times \$28,000,000,000 = \$2,100,000,000.00$
3. $55\% \text{ of } \$2,100,000,000 = \$1,155,000,000.00$
 $45\% \text{ of } \$2,100,000,000 = \$945,000,000.00$
4. Using a the following population estimates each citizen would receive:

Population 650,000	Dividend \$1,776.92
Population 660,000	Dividend \$1,750.00
Population 670,000	Dividend \$1,723.88
Population 680,000	Dividend \$1,698.53
Population 690,000	Dividend \$1,673.91
Population 700,000	Dividend \$1,650.00

There is nothing magical about the numbers I have used in this proposal. they are there to show how the earnings from the Permanent Fund can be used to support our government and fund the Dividend Program.

I have used ⁺10% because it falls in the middle of the past performance of the fund, with a low of 6% and a high of 18%.

If the 7.5% proves insufficient for inflation proofing, it would need to be adjusted accordingly.

I would, also, suggest that the Constitutional Reserve, Rainy Day Accounts and all other pots of money be put into one fund to be managed by the Permanent Fund Board and the earnings be used for government support.

I would further suggest that if these two programs will not balance the budget, a tax or combination of taxes be imposed in a way to least burden the tax payers of Alaska.

Please do not hesitate to call me if I may be of assistance.

Bill -

Mr. Keck also suggested that citizens, such as himself, go out and "sell" the idea of a long term fiscal plan to the public. He feels legislators will not be able to convince the general public that any PF money should be touched.

Gunny

Subject: Income Tax

Date: Tue, 10 Apr 2001 18:39:15 -0800

From: Jana Varrati <janav@nook.net>

To: Representative@nook.net, Representative_Bill_Hudson@legis.state.ak.us

Representative Hudson,

You probably don't remember me from the old days when you were the commish at admin and helped us start the Council on Domestic Violence and Sexual Assault; nevertheless, I won't forget you! So, here I am in Nome, a fabulous, fun city still bothering you.

I want to thank you for having the courage to introduce the income tax bill this session. I believe people need to contribute to the state to help pay for services they receive, as much as possible. The elimination of the income and school taxes were two of the most foolish things the legislature did when we had oodles of money. People need to have an investment in their state and in their communities so they feel they have a right to contact their legislators and council members, to testify at hearings and at teleconferences. We've had a major disconnect since eliminating those taxes. I wish you success. Please let me know if there's anything I can do to help move these two pieces of legislation.

I know you're doing everything possible to ensure that the Majority comes up with a "real" plan for the state; your bill goes a good way in making that happen. Hopefully, common sense rather than campaign coffers will rule.

Sincerely,

Jana Varrati

*Noted.
to reply see r*

APR 05 200

POM for Representative Hudson



From: Mr. Eric W Tasker
7724 Arlene St

Telephone: 243-7245

Anchorage, AK 99502

NON Constituent

Registered Voter: V

Email:

Bill: HB 199 Title: INCOME TAX: INDIVIDUALS/TRUSTS/ESTATES

Message:

I don't want the state to seek or receive any new or increased revenue that comes out of the pockets of the voting public. I do want a massive reduction in the size and cost of state government.

Entered in ANC on 4/05/01 POMID: 765

Distribution: 1

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Message 12 out of 14.

POM for Representative Hudson



From: Mr. Jerry S Dixon
PO Box 1058

Telephone: -

Seward, AK 99664
Email:

NON Constituent

Registered Voter: V

Bill: HB 199 Title: INCOME TAX: INDIVIDUALS/TRUSTS/ESTATES
Message:

I applaud your stand on the need for a state income tax. I paid Alaska State Income Tax from 1967 to 1980 and did so willingly. We need new sources of revenue for schools and public safety. Thank you.

Entered in SEW on 4/05/01 POMID: 775

Distribution: 1

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Message 14 out of 14.

MAR 27 2001

Subject: Income Tax Bill

Date: Fri, 23 Mar 2001 16:56:36 -0900

From: Wolf <wolfholl@gci.net>

To: Representative_Bill_Hudson@legis.state.ak.us

Dear Mr. Hudson:

I'd like to congratulate you on submitting your bill. The idea that we all must contribute towards paying for the services that we expect to get from the State, has gotten lost in the fat years of the past. We must get used to that responsibility again. Debating some form of taxation will eventually lead us there. I applaud your initiative. I know it takes courage to do this in the current political and social climate. You've shown that courage. Keep it up!

Wolf Hollerbach, Fairbanks

April 12, 2001

TO: Representative Andrew Halcro

FROM: Michael and Rose Marie Citti
4641 Edinburgh Drive
Anchorage, Alaska 99515
(907) 243-2990

Government exists by consent of the people to serve the people. Government has no inherent powers not granted by the people. It is the responsibility of every American and Alaskan to be cynical and critical of government, for when they stop, tyranny begins. We view our participation in government to be our duty to those who died in defense of our liberties.

It is apparent that our letter opposing a state income tax has ruffled a few feathers. Some of the legislative letters we received reflected a view that government must continue to exist and grow at the expense of the people. It is an observable fact most elected representatives expect the people they represent to cut-back on their budgets/expenses, to pay for a government that is not willing to do the same.

Far too many members of the legislature use funding as a tool for re-election. Money is power and politicians use it well. If this is doubted, just listen to the ads at election time. It is sad how so many in the legislature truly believe that government is the only answer. They believe the people exist to serve the government not the other way around.

Andrew, we appreciate the open and candid dialog we have with you. We agree that far too many members of the legislature say one thing in public yet do another in private. Re-election seems to be the prime goal of the majority of the legislature.

We have been challenged to suggest cuts in government. We seem to be brushed aside as not understanding the bigger picture. We are constantly reminded that the budget is so big and we need to cut so much.

Instead of looking for places where we can find 100's of millions, why not look for 100's of ways to save a million. We have put together a short list of places to start.

SUGGESTED BUDGET CUTS and TRIMS

- Cut the pay and per-diem of every member of the legislature and staff. Eliminate all retirement benefits for all members of the legislature and staff. Elective office was never intended to be a career.
- Bring state salaries in line with private industry. If the state must establish a two tier salary systems to accomplish this do it. It is outrageous that government employment pays substantially better in salary & benefits than most private sector jobs. If you expect people owning businesses and creating private sector jobs to fund government; then make the playing field of private vs public a lot more level.
- Andrew, we support your proposal to have all frequent flyer miles returned to the state for future travel. It's time that the government sought ways to reduce the cost of governing. Ask for contract air fares. Combine purchasing departments, get discount agreements on everything the government buys. Insist that government staff buying anything, ask for government pricing. We have been in business for 18 years and we can count on one hand the number of times a state employee has asked us for a discount when making a purchase.
- Stop all subsidy of private industry. A business venture needing government dollars, tax breaks, or other government subsidy to start up or continue operation, is economically unstable and should not be supported. Matanuska Maid Dairy is a prime example, as is the Mark Air hangar, grain elevators in Valdez, barley project in the Interior and least we forget Alaska Seafood Institute. The risk in starting a business is huge. The government subsidies of private industry rewards failure. There is an obvious reason banks won't loan these ventures money. The State should not be in the banking business.
- Eliminate funding for the special interest industries, visitor, logging, seafood, economic development. They should pay for their own promotion.
- The state has no business competing with private enterprise on any level. Make public radio, television and the Alaska State Ferry System pay their own way.
- Cut back on travel by members of the legislature and state employees. Until we can get a handle on spending, stay at home. The telecommunications industry has amazing ways to interact around the world without leaving home, use it.
- Realize once and for all that the money belongs to the people of the state of Alaska. When Juneau asks for more money from the citizens we must come up with places we can cut our budget to accommodate. Most Alaskans are simply not convinced that the government has done a very good job of cutting government.

The entire government process, the constituent, legislative representatives, support staff and government departments must take on the responsibility to cut the cost of government. Legislatures must toughen their resolve to have open and honest discussions. Your duty is not to defend government at all costs. You are elected to make tough decisions. Scale back the role of government, Do not try to be all things to all people. The citizens of Alaska want to be responsible. We do not want the government in matters we can take care of ourselves.

We care far too much for this State to stop doing our duty as citizens. We are tired of hearing what can't be done. We want to hear what can be done. We have had enough excuses, we must have action.

Andrew, you are one of the few who understands what public service is all about, You listen with an open mind. You also think outside the box to find solutions.

Thank You.

A handwritten signature in black ink, appearing to read "Rose Marie Citta". The signature is written in a cursive style with a large initial "R" and a long horizontal flourish at the end.

Eddie Grasser wrote:

hey this looks somewhat like the intent behind hb 199!

Updated 04-20-99: Early Retirement Policy for all current employees.....

>

>As a result of the reduction of money budgeted for department areas, we are forced to cut down on our number of personnel. Under this plan, older employees will be asked to go on early retirement, thus permitting the retention of the younger people who represent our future. Therefore, a program to phase out older personnel by the end of the current fiscal year, via retirement, will be placed into effect immediately.

>

>This program will be known as SLAP (Sever Late-Aged Personnel). Employees who are SLAPped will be given the opportunity to look for jobs outside the company. SLAPped employees can request a review of their employment records before actual retirement takes place. This phase of the program is called SCREW (Survey of Capabilities of Retired Early Workers). All employees who have been SLAPped or SCREWed may file an appeal with the upper management.

>

>This is called SHAFT (Study by Higher Authority Following Termination).

>

>Under the terms of the new policy, an employee may be SLAPped once, SCREWed twice, but may be SHAFTed as many times as the company deems appropriate.

>

>If an employee follows the above procedures, he/she will be entitled to get HERPES (Half Earnings for Retired Personnel's Early Severance) or CLAP (Combined Lump sum Assistance Payment) unless he/she already has AIDS (Additional Income From Dependents or Spouse). As HERPES and CLAP are considered benefit plans, any employee who has received HERPES or CLAP will no longer be SLAPped or SCREWed by the company.

MAR 20 2001

Subject: A state income tax

Date: Tue, 20 Mar 2001 16:53:20 -0900

From: Robert Basler <baslerbb@alaska.net>

To: Representative_Bill_Hudson@legis.state.ak.us

WASILLA

Dear Representative Hudson,

I read today in the Anchorage Daily News about your proposed state income tax, in this article you propose that the people who work pay part of their earnings to the state for state programs. However you mention that there is a Budget Reserve available and we might draw it dry in a few years. May I suggest we don't draw the Budget Reserve down then. May I suggest we cut, cut, cut, government spending. Or possibly you could name one state run social program that has done me or my family any good at all.

I am sick and tired of you politicians trying to figure out ways to waste my hard eared money. I work to hard to have it spent on sick druggies and alcoholics, child abusers, schools that don't teach, schools that produce Bob Chrystals, etc., etc.

Please if you have time tell me how you want to spend my money.

Sincerely,
Robert W. Basler

MAR 20 2001

Subject: TAXES, Taxes, taxes and more taxes

Date: Tue, 20 Mar 2001 13:31:05 -0900

From: Bob Solberg <bsolberg@gci.com>

To: "AK_Representative_Bill_Hudson" <Representative_Bill_Hudson@legis.state.ak.us>

CC: "AK Representative Scott Ogan" <Representative_Scott_Ogan@legis.state.ak.us>, "AK Senator Lyda Green" <Senator_Lyda_Green@legis.state.ak.us>

NO MORE TAXES.....NO.....NO.....NO.....NO.....NO!!!!

STOP SPENDING MY MONEY!

Dist 27

MAR 20 2001

Subject: Income tax....**Date:** Tue, 20 Mar 2001 15:37:46 -0900**From:** Mike Outterson <moutterson@gci.com>**To:** Representative_Bill_Hudson@legis.state.ak.us*Dist 26
Wasilla*

Mr. Hudson, Please find other ways to raise money for the state before you suggest an income tax (or better yet...how about finding ways to SAVE money!!). We have enough taxes as it is without having the state taking more money from me. Your proposal punishes me for working hard and making a good wage!

Take money from the permanent fund first, that way everybody contributes equally.

Why should those of us who make the most pay the way for everybody else? We are the ones who use the state provided services the least!

A starting point might be moving the capital to Anchorage. Think of all the money the state would save in airfare and per diem costs since Anchorage has the largest number of representatives! Having a sales tax is another way to raise revenue. A sales tax would also take advantage of the tourist trade. Currently, they contribute nothing tax wise (not counting the various cruise ship taxes they are charged) to the state while enjoying it's amenities.

I must admit, an income tax like you proposed, will make me consider moving out of state. The cost of living up here is high enough. Additional money out of my pocket might be the straw that breaks the camels back.

Mike Outterson

Subject: HB199 YES!

Date: Tue, 20 Mar 2001 17:41:11 -0800

From: Mary Griswold <mgrt@xyz.net>

To: Bill Hudson <Representative_Bill_Hudson@legis.state.ak.us>

CC: Representative_Eldon_Mulder@legis.state.us, Drew Scalzi <abl1@xyz.net>

*Dist
07
Homer*

March 20, 2000

Dear Representative Hudson,

Thank you for introducing HB199 instituting a graduated state income tax. I believe an income tax is an integral component of a responsible long-range financial plan, which should also include a small state sales tax and use of a portion of permanent fund earnings without affecting the permanent fund dividend program. I strongly support POMV and believe it should be set at 5%.

I agree that grass roots support for a fiscal plan is important, especially when it includes the ugly T word. But I heard the same message last year: Let's talk now and act next year. I think it's time to act. I hope that next session will be productive.

Sincerely,

Mary Griswold
P.O. Box 1417
Homer, AK 99603

MAR 26 2001

Subject: State Income Tax Bill

Date: Wed, 21 Mar 2001 16:48:25 -0900

From: "Karen F. Miller" <kfmiller@gci.net>

To: "Senator_Randy_Phillips" <Senator_Randy_Phillips@legis.state.ak.us>,
<Representative_Bill_Hudson@legis.state.ak.us>,
<Representative_Fred_Dyson@legis.state.ak.us>,
<Representative_Pete_Kott@legis.state.ak.us>

Dear Rep. Bill Hudson:

We want to give you our full support for the income tax measure you have introduced. One of the reasons we voted against the measure that was on the ballot last year is that it did not give an income tax option as part of the solution to our long-term fiscal gap. I have talked to many people in my community and around the state that would like to see some form of income tax introduced.

At the time we eliminated the tax in our state we felt that it was a mistake. A reduction would have been so much wiser. However, we cannot look back and we need to reintroduce a reasonable tax plan now.

Karen & Clellis Miller
10021 Crest View lane
Eagle River, AK 99577
907 694-2710

MAR 30 2001

Mr. Sam V. Kaser
PO Box 451
Sterling AK, 99672 -

Email:

~~Non Constituent Opposes~~

BILL#: ~~HB 199 INCOME TAX: INDIVIDUALS/TRUSTS/ESTATES~~

SUBJECT:

MESSAGE: ~~We don't need an income tax. Government doesn't need any more money. You need to cut expenditures.~~

DISTRIBUTION: 12

Jerney P Beshaw
PO Box 586

Glennallen AK, 99588 -

Email:

Non Constituent Opposes

BILL#: ~~SB 48 MUNICIPALITIES INCORP/PROPERTY VALUATION~~

SUBJECT:

MESSAGE: I've an idea for you. Here it is, instead of rounding up unwilling towns and villages into your boroughs, why not just have the people pay a flat head tax of 50 to 100 dollars right to the school district offices. It's really for the future education of our kids.

DISTRIBUTION: 60

Mr. Eric W Tasker
7724 Arlene St

Anchorage AK, 99502 243-7245

Email:

~~Non Constituent Opposes~~

BILL#: ~~HB 199 INCOME TAX: INDIVIDUALS/TRUSTS/ESTATES~~

SUBJECT:

MESSAGE: ~~I will absolutely positively forever vote against and oppose the election of any legislator or governor who attempts to impose state income tax, regardless of how charming or sensible their views are on other issues.~~

DISTRIBUTION: 1

Mr. Martin P Branville
1209 Wild Rose Ave

Fairbanks AK, 99701 456-3649

Email:

Non Constituent Opposes

BILL#: ~~SB 43 CONSTRUCTION OF HIGHWAYS BY DOTPA~~

SUBJECT:

MESSAGE: Beware of what you ask for, you may get it. Previously the state has privatized different areas of DOT, such as the bridge crew, to cut costs and three years later had to put it back in house with DOT because of the contractors cost increases. Currently DOT does their high coat and chip jobs in Fairbanks for approximately .55/sq ft. Most contractors doing the same job are charging \$1.25/sq ft. By leaving these jobs within DOT you are getting more bang for the buck at these costs.

DISTRIBUTION: 60

Mrs. Laura L Saxe
PO Box 1445

MAR 30 2001

Mr Morris M Matthews
PO Box 870061

Wasilla AK, 99687 376-3724
American Legion/VFW

Email:

Non Constituent Supports

BILL#: ~~HB 88 PIONEERS' AND VETERANS' HOME/ADVISORY BD~~

SUBJECT:

MESSAGE: Please vote in favor of this bill. There is no reason not to.
DISTRIBUTION: 41

Mr Louis H Baim
648 W Daron Dr

Palmer AK, 99645 746-0383

Email:

~~Non Constituent~~

BILL#: ~~HB 199 INCOME TAX: INDIVIDUALS/TRUSTS/ESTATES /~~

SUBJECT:

MESSAGE: ~~I am a State of Alaska retired employee. When I retired it was~~
~~said that we would not be forced to pay state income tax. How is this~~
~~stipulation addressed in Representative Hudson's bill?~~
DISTRIBUTION: 8

Roger Davis
3817 Bartlett St

Homer AK, 99603 -

Email:

~~Non Constituent~~

BILL#:

SUBJECT: ~~TAXATION~~

MESSAGE: ~~We the people of Alaska are the source of the government, upon~~
~~our will only, all natural resources are for the maximum benefit of the~~
~~people, and the power of taxation shall never be surrendered away. A~~
~~state income tax, a Christian model, 10% of the Federal. The Apostle~~
~~Paul said when speaking of sin, especially greed.~~
DISTRIBUTION: 60

Jerry W Chernik
950 E Bogard Rd #209

Wasilla AK, 99687 -

Email:

~~Non Constituent Opposes~~

BILL#: ~~HB 199 INCOME TAX: INDIVIDUALS/TRUSTS/ESTATES~~

SUBJECT:

MESSAGE: ~~I am vehemently opposed to Representative Hudson's bill for~~
~~state income tax. According the the paper he is saying we would pay 15%~~
~~which is ludicrous. I am strongly opposed to any state income tax~~
~~proposal.~~
DISTRIBUTION: 10

Mr. Sam V Kaser
PO Box 451

MAR 8 0 2001

DISTRIBUTION: 12

Mr. Thomas B Wood
PO Box 141

Eagle River AK, 99577 694-9430

Email:

Non Constituent Opposes

BILL#: HB 199 INCOME TAX: INDIVIDUALS/TRUSTS/ESTATES

SUBJECT:

MESSAGE: Hudson's HB 199 concerning taxation of alaska's citizens is a reflection of the insatiable appetite liberals have for other peoples money. Only those sequestered in Juneau could be so out of touch with the real world. Hudson and his ilk is what is wrong with America. Just say no.

DISTRIBUTION: 60

Ms. Marlene M Luke
1600 W 11th Ave #23

Anchorage AK, 99501 274-0361

Email:

Non Constituent

BILL#:

SUBJECT: DEATH

MESSAGE: Is there anyone in the legislature who feels strongly enough about euthanasia or choice of death to bring a bill before the legislature or a vote before the people of the state of Alaska?

DISTRIBUTION: 60

Mr. Clair A Sherman
8731 Bell Pl

Anchorage AK, 99507 344-8731

Email:

Non Constituent

BILL#:

SUBJECT: ALCOHOL

MESSAGE: I am a voter and I agree with the excise tax on alcohol and wish to express my support to pass it.

DISTRIBUTION: 60

Mr. James E Preston
PO Box 394

Homer AK, 99603 -

Email:

Non Constituent

BILL#:

SUBJECT: CRIMES

MESSAGE: Concerning the hate crimes bill recently introduced in the state Senate there are already existing laws and we should use them. We do not need more laws, we need enforcement of existing laws.

DISTRIBUTION: 60

Mrs. Janice R Preston
PO Box 394

MAR 3 2003

John Kunik
PO Box 81

Chitina AK, 99566 822-5515
C.R.A.B.
Email:

Non Constituent Opposes

BILL#: ~~SB 48 MUNICIPALITIES INCORP/PROPERTY VALUATION~~

SUBJECT:

MESSAGE: I oppose this bill because there is no economy to warrant a new bureaucracy. High unemployment and welfare numbers, unskilled labor force, and a 95% native population. The issue of subsistence hasn't been discussed! Plus we wouldn't be able to vote on this bill - illegal!!

DISTRIBUTION: 58

John Kunik
PO Box 81

Chitina AK, 99566 822-5515
C.R.A.B.
Email:

Non Constituent Opposes

BILL#: ~~SB 48 MUNICIPALITIES INCORP/PROPERTY VALUATION~~

SUBJECT:

MESSAGE: The state assessor stated it would cost more to implement government than a viable return. The actual amount of property in private hands is less than 1% in the Copper Basin. We pay the highest rates for gas, what few homes that have power, food, and no services. We haul water, no sewers.

DISTRIBUTION: 58

Ms. Walter L Anderson
1203 W 43rd Ave

Anchorage AK, 99503 349-9641

Email:

Non Constituent Supports

BILL#: ~~SB 105 VICTIMS RIGHTS/PRISONER'S PFD~~

SUBJECT:

MESSAGE: I support SB 105 that would provide legal representation for victims of crime.

DISTRIBUTION: 60

~~Mr. J. Harold Michal~~

~~PO Box 155~~

~~Valdez AK, 99686 635-2628~~

Email:

~~Non Constituent~~

BILL#:

SUBJECT: ~~VALUATION~~

MESSAGE: ~~Legislators need the backbone to legislate an income tax. Most senior citizens remember the state survived before oil and agree it should be replaced. A scale model adjusted by income to protect poverty people is recommended. Such a tax will not be defeated at the polls.~~

1

DISTRIBUTION: 60

APR 03 2001

Subject: income tax**Date:** Tue, 3 Apr 2001 12:52:15 -0800**From:** "John D. Lundy" <jdl@gci.net>**To:** <Representative_Beth_Kerttula@legis.state.ak.us>

CC: <Representative_Bill_Hudson@legis.state.ak.us>, <Representative_Al_Kookesh@legis.state.ak.us>, <Representative_Gary_Stevens@legis.state.ak.us>, <Representative_Drew_Scalzi@legis.state.ak.us>, <Representative_Ken_Lancaster@legis.state.ak.us>, <Representative_Mike_Chenault@legis.state.ak.us>, <Representative_Joe_Green@legis.state.ak.us>, <Representative_Norman_Rokeberg@legis.state.ak.us>, <Representative_Andrew_Halcro@legis.state.ak.us>, <Representative_Ethan_Berkowitz@legis.state.ak.us>, <Representative_Lisa_Murkowski@legis.state.ak.us>, <Representative_Eric_Croft@legis.state.ak.us>, <Representative_Lesil_McGuire@legis.state.ak.us>, <Representative_Kevin_Meyer@legis.state.ak.us>, <Representative_Brian_Porter@legis.state.ak.us>, <Representative_Sharon_Cissna@legis.state.ak.us>, <Representative_Harry_Crawford@legis.state.ak.us>, <Representative_Eldon_Mulder@legis.state.ak.us>, <Representative_Pete_Kott@legis.state.ak.us>, <Representative_Fred_Dyson@legis.state.ak.us>

I understand the legislature is once again considering the stupidity of re-instituting the state income tax.

I understand the need for a tax base.

I understand that the income tax is the most expensive and least inclusive form of taxation available to the state.

The native population by and large do not pay federal income tax. By law, the federal income tax is a "voluntary" tax, if one never files one does not "volunteer" and hence does not have to file or pay this tax. A state tax that is fixed at some percentage (the figure I here of is 15%) of the federal tax paid will of course generate no income from this segment of the population.

Income tax collection will obviate the creation of an entire new bureaucracy...the state version of the infernal revenue service. How many thousands of new employees will have to be hired to suck up a major portion of the revenue generated?

A sales tax makes much more sense. It would be collected by city and/or borough governments and forwarded to the state. The state tax agency could consist of one person who adds up the checks and makes a deposit to the state fund once a month....the rest of the time this person could function in his/her regular capacity...i.e.: mail clerk, janitor...etc. A high school education and the ability to use a calculator would be sufficient training.

The sales tax would be levied equally....it would be un-avoidable....and it would gather funds from the tourists who flock to Alaska yearly and spend freely. The argument that these tourists would not come if they have to pay a small sales tax is ludicrous. There are a very few places that do not have sales tax, however, most states have a tax over 5%. A state sales tax of 5% would not be noticed by tourists as they are used to paying more and the citizenry would be taxed equally (there is a new concept!!! Equal treatment under the law!!! There should be a country somewhere in the world that embraces this concept !!!)

Provision can be made to exempt food and medicines from this tax, and the time honored concept of income tax avoidance would not be in place in Alaska.

Thank you for your time in reading this missive...

Subject: Fw: HB 225

Date: Fri, 4 May 2001 11:00:28 -0800

From: "Sioux Plummer" <twoplums@alaska.net>

To: <Representative_Bill_Hudson@legis.state.ak.us>

Dist 3

FYI

----- Original Message -----

From: Sioux Plummer

To: Representative Bill Williams@legis.state.ak.us

Cc: Representative Bill Hudson@legis.state.ak.us

Sent: Thursday, May 03, 2001 11:23 AM

Subject: HB 225

Dear Rep. Williams,

Please move HB 225 from your committee today! It is imperative that leaders such as yourself have the courage to help mend the dire alcohol wounds in our state. This is just a small part of what needs to be done; please do what you can so the entire legislature has an opportunity to make HB 225 law.

I appreciate your consideration.

Sioux Plummer
Juneau, Alaska
364-2564

MAY 2 2001

Subject: Opposition to HB 225

Date: Mon, 30 Apr 2001 18:36:03 -0800

From: "Alaskan Brewing Co." <akbrew@alaska.com>

To: <Representative_Bill_Hudson@legis.state.ak.us>

Dist 3

Dear Representative Hudson:

I am going to be testifying on HB 225 Tuesday May 1st, 2001 in the House Finance Committee Meeting on which you sit. As I mentioned in your office earlier this winter I support your efforts to find a solution to our States Budget Deficit. However I believe to single out one industry to shoulder an unreasonable tax increase is not a fair way to do it. All I know is the beer side of this issue so allow me to make its case, I also know that HB 225 is allowing tax relief to the small brewers. So let me first state my appreciation for the consideration granted to the small brewers. Below is the Brewers Guild of Alaska position statement in regards to Beer Taxes which states well my thoughts on this issue.

The Brewers of Alaska appreciate the relief exempting them from the additional taxes proposed in HB225. However, we believe that raising taxes 300% will hurt our hospitality industry irrevocably. This tax will be paid by the citizens of Alaska, 98% of whom deal with alcoholic beverages responsibly. A reasonable tax rate increase (say 40% which is high by any standards) would be appropriate if it were a part of a fiscal plan to deal with the budget deficit of the State of Alaska. Alaska already has one of the highest state excise tax rates in the nation, so this is not about getting back to a reasonable tax rate. We are already reasonably high. Again the brewers of Alaska appreciate the tax relief proposed, however if your intention is to hurt the consumers of beer in Alaska, then in clear conscience we cannot support HB 225 with its 300% increase on beer.

Alaska already pays the highest state excise tax in the northwest where Alaskan distributes its beer. AK=\$.35 per gallon, WA=\$.26/gal, OR=\$.08/gal, ID=\$.15/gal, MT=\$.14/gal, WY=\$.02/gal. Alaska is 10th highest in the nation already. But the political climate is emotionally charged and while the beer industry has been a leader in the national focus to improve the responsible consumption of beer there still remains less than 2% of the population who misuse what we make. Car manufacturers do not pay taxes for the abuse of their product, beef farmers do not pay taxes for cholesterol etc. But, beer brewers ALREADY pay taxes for what we make. My point here is that we already pay a reasonably high tax rate.

Beer when consumed responsibly is a healthy part of our society. The responsible consumer of a legal beverage is who will be paying this tax, if HB 225 was a part of a reasonable fiscal package I would not be writing you. I personally think that a 40% increase, phased in over 4 years would be reasonable. This approach would allow this tax increase to be absorbed without a shock and while this may seem high by some it also will seem low by others. I do not envy your position.

Third World Counties have inflation rates that sometimes can be in the triple digits and we all shake our heads at the hardship that must create for their businesses. Please Do Not Let a 300% increase hit Alaska's hospitality industry.

Thank you,

Geoff Larson
President, Alaskan Brewing and Bottling Co.

APR 27 2001

Subject: VOTE AGAINST HOUSE BILL 225

Date: Fri, 27 Apr 2001 15:20:01 -0600

From: Chris von Imhof <vonimhof@alyeskaresort.com>

Organization: Alyeska Resort

To: Representative_Eldon_Mulder@legis.state.ak.us,
Representative_Bill_Williams@legis.state.ak.us,
Representative_Con_Bunde@legis.state.ak.us,
Representative_Richard_Foster@legis.state.ak.us,
Representative_John_Harris@legis.state.ak.us,
Representative_Bill_Hudson@legis.state.ak.us,
Representative_Ken_Lancaster@legis.state.ak.us,
Representative_Jim_Whitaker@legis.state.ak.us,
Representative_Eric_Croft@legis.state.ak.us,
Representative_John_Davies@legis.state.ak.us,
Representative_Carl_Moses@legis.state.ak.us

Dear Representative:

I am writing to you in response to House Bill 225 (the liquor tax issue).

This bill is being sold as "only a \$.10 per drink tax". In reality, it is much more than that.

The tax increase being proposed is over a 350% increase over our current tax. The new tax would place Alaska as having the highest alcohol tax in the nation.

I feel that an increase of this magnitude is inappropriate. I acknowledge that the liquor tax has not been increased since 1983. My issue is not with an increase but with the amount of the increase. I feel that the industry should pay their fair share, but a 350% increase is not fair.

I urge you to vote against House Bill 225 the way it is written. This increase would be very detrimental to Alaska's hospitality industry.

Thank you for your consideration and support against House Bill 225.

Sincerely,

Chris von Imhof

Vice President and Managing Director

ALYESKA RESORT

Alyeska Resort, Alyeska Ski Area and the Anchorage Golf Course

907-754-2201

APR 26 2001

Subject: Excise tax increase

Date: Thu, 26 Apr 2001 09:23:48 -0700

From: "buddy4" <buddy4@alaska.net>

To: <Representative_Eldon_Mulder@legis.state.ak.us>,
<Representative_Bill_Williams@legis.state.ak.us>,
"Representative Con Bunde" <Representative_Con_Bunde@legis.state.ak.us>,
<Representative_Richard_Foster@legis.state.ak.us>,
<Representative_John_Harris@legis.state.ak.us>,
<Representative_Bill_Hudson@legis.state.ak.us>,
<Representative_Jim_Whitaker@legis.state.ak.us>,
<Representative_Eric_Croft@legis.state.ak.us>,
<Representative_John_Davies@legis.state.ak.us>,
<Representative_Carl_Moses@legis.state.ak.us>,
<Representative_Ken_Lancaster@legis.state.ak.us>

Anchorage

All Representatives on the Finance Committee
Attention: Rep. Mulder and Rep. Williams,

SCHEDULE A PUBLIC HEARING AS SOON AS POSSIBLE on HB225 the increase on the excise alcohol tax. You are not obligated to guarantee profits to the alcohol industry on the backs of my family's safety. A 10 cent increase of 300% amounts to 9 cents. How can a legislator sleep at night knowing that alcohol is in the gene pool of Alaskans with FAS babies becoming incarcerated adults? And the young people of Alaska who start drinking before they are 14, will become dependent adults. How about the family beatings on each other with children watching because of alcohol? These same people grow up to become violent adults and an expense on the system. The truth is, alcohol is Alaska's worst nightmare because it effects everyone. It is not an inebriate problem only but a problem of every working family, every responsible drinker who binges, every young person who drinks early in life, and every baby who deserves a chance to be born healthy.

The Alcohol industry knows that it is time for an increase and that a layer of people will drink less because of it. IS THERE ANYTHING WRONG WITH DRINKING LESS? How much money is enough?

Robert Palmer
Anchorage, Alaska
345-6192

APR 25 2001

Dist 18

Subject: HB 225, HB 80, HB 179, HB12

Date: Wed, 25 Apr 2001 08:49:36 -0700

From: "buddy4" <buddy4@alaska.net>

To: "Representative Con Bunde" <Representative_Con_Bunde@legis.state.ak.us>,
<Representative_Eldon_Mulder@legis.state.ak.us>,
<Representative_Bill_Williams@legis.state.ak.us>,
<Representative_Richard_Foster@legis.state.ak.us>,
<Representative_John_Harris@legis.state.ak.us>,
<Representative_Bill_Hudson@legis.state.ak.us>,
<Representative_Ken_Lancaster@legis.state.ak.us>,
<Representative_Jim_Whitaker@legis.state.ak.us>,
<Representative_Eric_Croft@legis.state.ak.us>,
<Representative_John_Davies@legis.state.ak.us>,
<Representative_Carl_Moses@legis.state.ak.us>

To all House Finance Committee members,

In front of the committee are the most Alaskan of all bills this session. Each one deals with alcohol and the most tragic effects to every one of your constituents. These are not Anchorage bills. With all the pressure to ignore the consequences and pay the public "bills" for the alcohol related problems, I am asking you to show integrity and vote to increase the alcohol excise tax, standardize hours of alcohol sales, establish accountability for young people who drink and lower the legal limit to drink and drive. **All of these bills have the public support to pass.**

If you look at other bills that deal with alcohol, they shift the burden of cost off the backs of the alcohol consumer and onto the backs of everyone else AND targets the person who already has a drinking problem. The bills listed above will do the opposite; they reduce the amount a person will drink, reduce the damage that results and lays the cost squarely on the shoulders of those who buy, sell, and drink alcohol. Is there anything wrong with drinking less?

I want something better for my self and my family and am willing to pay for it. Pass these bills this year!

Joan Diamond
Anchorage, Alaska

APR 25 2001

Subject: HB225**Date:** Wed, 25 Apr 2001 12:25:45 EDT**From:** GoMntMike@aol.com**To:** Representative_Eldon_Mulder@legis.state.ak.us,
Representative_Bill_Williams@legis.state.ak.us,
Representative_Con_Bunde@legis.state.ak.us,
Representative_Richard_Foster@legis.state.ak.us,
Representative_Bill_Hudson@legis.state.ak.us,
Representative_Jim_Whitaker@legis.state.ak.us,
Representative_John_Harris@legis.state.ak.us,
Representative_Ken_Lancaster@legis.state.ak.us,
Representative_Carl_Moses@legis.state.ak.us, Representative_Brian_Porter@legis.state.ak.us**CC:** BPGAlaska@aol.com, trust@ptialaska.net, kbruce@northweststrategies.com

Dear House Finance Member:

The beverage/hospitality industry has shown its willingness to accept a reasonable increase in the wholesale tax on spirits, wine and beer, that would place us at the highest level for spirits in the nation, and within the top ten for beer and wine, but the 300% increase proposed by Representative Murkowski is quite simply punitive.

Although there is no question that there is a cost to society from the sale of alcohol, we should not overlook the importance that the sale of it plays in the viability of hundreds of small and large tourist-related businesses throughout the state, as well as the many contributions to our communities that it makes possible.

Though many of our social programs have been a waste of money, I support the Wellness Court concept, and feel that the industry should pay its fair share to the betterment of society. A 30% increase meets that criteria.

Thank you all for your hard work. Please be reasonable.

Sincerely,

Mike Gordon,
President, Jadon, Inc. dba Chilkoot Charlie's

APR 24 2001

Subject: HB 225
Date: Tue, 24 Apr 2001 11:22:52 -0800
From: "Fred" <Fred@rralaska.com>
To: <Representative_Eldon_Mulder@legis.state.ak.us>,
<Representative_Bill_Williams@legis.state.ak.us>,
<Representative_Con_Bunde@legis.state.ak.us>,
<Representative_Richard_Foster@legis.state.ak.us>,
<Representative_Bill_Hudson@legis.state.ak.us>,
<Representative_Jim_Whitaker@legis.state.ak.us>,
<Representative_John_Harris@legis.state.ak.us>,
<Representative_Ken_Lancaster@legis.state.ak.us>,
<Representative_Carl_Moses@legis.state.ak.us>

I oppose HB 225 because the increase is unjustified. The tax does not address any problems associated with the consumption of alcohol. This proposed tax is unwarranted and will result in substantial price increases to the consumer at all levels.

Fred Rosenberg
Red Robin Alaska, Inc.
4450 Cordova Street, Suite 200
Anchorage, AK 99503-7273
(907) 563-7777 Fax (907) 561-2525
email:Fred@rralaska.com

Subject: House Bill 225

Date: Mon, 23 Apr 2001 19:36:59 -0800

From: "bob / pat white" <fbnt@ptialaska.net>

To: <Representative_Bill_Hudson@legis.state.ak.us>

*Dist 7
(Too many)
Robert
Whites
to Tell
M*

I am opposed to the imposition of the increadable taxes on alcohol that is proposed by this bill. Target disfunctional users instead. bob white

POM for Representative Hudson

APR 05 2001



From: Verner Stillner
PO Box 211433

Telephone: -

Auke Bay, AK 99821

Constituent

Registered Voter: U

Email:

Bill: HB 225 Title: ALCOHOLIC BEVERAGE TAX

Message:

I support this bill for public health, social cost, and fairness. There has been no tax increase since 1983

Entered in JNU on 4/05/01 POMID: 714

Distribution: 3

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Message 1 out of 14.

APR 05 2001

POM for Representative Hudson



From: Ben Washburn
2710 Fritz Cove Road

Telephone: 790-8808

Juneau, AK 99801

NON Constituent

Registered Voter: U

Email:

Bill: HB 225 Title: ALCOHOLIC BEVERAGE TAX
Message:

I am contacting to voice my support for HB 225. I am highly in favor of an increased tax on alcohol. I am relatively familiar with alcohol consumption and related consequences and from a public health standpoint, literature suggests a significant correlation between positive outcomes and increased alcohol tax. Thank you

Entered in JNU on 4/05/01 POMID: 718

Distribution: 18

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Message 2 out of 14.

APR 02 2001

Subject: HB 225 - Increasing the alcoholic beverage tax rates

Date: Sun, 1 Apr 2001 19:43:47 -0800

From: "Michele Czajkowski" <michelec@gci.net>

To: <Representative_John_Davies@legis.state.ak.us>,
<Representative_Carl_Moses@legis.state.ak.us>,
<Representative_Eric_Croft@legis.state.ak.us>,
<Representative_Ken_Lancaster@legis.state.ak.us>,
<Representative_John_Harris@legis.state.ak.us>,
<Representative_Jim_Whitaker@legis.state.ak.us>,
<Representative_Bill_Hudson@legis.state.ak.us>,
<Representative_Richard_Foster@legis.state.ak.us>,
<Representative_Con_Bunde@legis.state.ak.us>,
<Representative_Bill_Williams@legis.state.ak.us>,
<Representative_Eldon_Mulder@legis.state.ak.us>

CC: <Representative_Lisa_Murkowski@legis.state.ak.us>

Dear Representative Mulder, Representative Williams, Representative Bunde and Members of the Finance Committee:

I am writing to ask you to support HB 225, "an act relating to municipal taxation of alcoholic beverages and increasing the alcoholic beverage tax rates." HB 225 recommends a very modest increase to an alcohol tax that has not seen one penny of an increase since 1983. This tax increase is very reasonable.

What is not reasonable is to continue to ignore the cost of alcohol to this community and other communities statewide. Because the cost is, indeed, severe. In Anchorage alone, 55% of all motor vehicles crash fatalities, 100% of fire fatalities, 60% of fire injuries, 50% of assaults, 59% of all domestic violence, 55% of sexual assaults, and 48% of all homicides are alcohol-related (ref. MOA's Healthy Anchorage Indicators Report, 1998). Statewide, the annual cost of alcohol abuse in Alaska is \$246 million yet a mere \$12.7 million is collected under Alaska's current state alcohol tax.

I applaud Representative Murkowski for introducing this legislation and I hope it passes with overwhelming support.

Respectfully,
Michele Czajkowski
3930 East 66th Avenue
Anchorage, AK 99507
phone: 907-522-3479

MAR 30 2001

MESSAGE: Get the gas line within the state. Don't be subject to Canada.
Keep our gas within our jurisdiction.
DISTRIBUTION: 35

Ms. Claude E Swaim
2221 Eagan Ave Box 113

Fairbanks AK, 99701 479-6756

Email:

Non Constituent Opposes

BILL#: SB 119 WILLIAM R. WOOD FAIRBANKS INTL AIRPORT

SUBJECT:

MESSAGE: My wife and I honor Dr. Wood, but we don't favor naming the airport after him. It should remain the Fairbanks International Airport. Other pioneers we talk with feel the same way.

DISTRIBUTION: 60

Ms. Claude E Swaim
2221 Eagan Ave Box 113

Fairbanks AK, 99701 479-6756

Email:

Non Constituent

BILL#:

SUBJECT: TAXATION

MESSAGE: My wife and I are in favor of increasing the alcohol tax.

DISTRIBUTION: 60

Ms. Marilyn E Connor
1001 Boyd

Anchorage AK, 99501 277-0270

Email:

Non Constituent

BILL#:

SUBJECT: DISABILITIES

MESSAGE: I urge you to please support the \$750,000 capital budget for system reform and the \$700,000 for the infant learning program. Thank you very much.

DISTRIBUTION: 21

Mr. Paul D. Beran
12175 Glacier HW

Juneau AK, 99801 586-2380
Pastor, Resurrection Lutheran Church

Email:

Constituent

BILL#:

SUBJECT: ALCOHOL

MESSAGE: On behalf of the people of Alaska, the tremendous suffering, abuse, and death caused by alcohol abuse, I urge you to increase the alcohol tax considerably. Presently alcohol is being subsidized because the treatment and destruction of its abuse far outweighs the minimal tax received. Please do what you can to stop this abuse, suffering, domestic violence to personal and other lives.

DISTRIBUTION: 60

Email:

Non Constituent Supports

BILL#: ~~HB 175 APPROP: POWER PROJECTS~~

SUBJECT:

MESSAGE: I support the full funding of the Power Creek Hydroelectric Project to lower power costs for the city of Cordova to help maintain its economic viability

DISTRIBUTION: 60

Mr. Richard C Demello JR
1070 Biscayne Dr

Kenai AK, 99611 283-9502

Email:

Non Constituent

BILL#:

SUBJECT: ~~DMV VEHICLES~~

MESSAGE: I believe that the DMV is not being responsive to the needs of the people. I believe that they should not be out to make money. Specifically, I paid a fee of 15.00 for my son's drivers test. We rented a car and he arrived on time. He was denied the test. His parents who were at work were not there and his adult sister did not qualify. I did not receive the fee back. Personnel did not listen to my concern. Their attitude would be the biggest problem that needs correcting.

DISTRIBUTION: 60

Mr Oscar R DelPino
PO Box 1634

Cordova AK, 99574 -

Email: odelpino@ptialaska.net

Non Constituent Supports

BILL#: ~~HB 175 APPROP: POWER PROJECTS~~

SUBJECT:

MESSAGE: I support the full funding of the Power Creek Hydroelectric Project to lower power costs for the city of Cordova to help maintain its economic viability

DISTRIBUTION: 60

Mr Thomas C Cooper
PO Box 1286

Cordova AK, 99574 -

Email:

Non Constituent Supports

BILL#: ~~HB 175 APPROP: POWER PROJECTS~~

SUBJECT:

MESSAGE: I support the full funding of the Power Creek Hydroelectric Project to lower power costs for the city of Cordova to help maintain its economic viability

DISTRIBUTION: 60

~~Sherrill P Carlson~~

~~PO Box 32840~~

~~Juneau AK 99803~~

MAR 30 2001

Email:

~~Constituent~~

BILL#:

SUBJECT: ~~ALCOHOL~~

MESSAGE: I strongly support the 15 per drink alcohol tax. Put the burden where the problem is.

DISTRIBUTION: 60

Ms Sarah E Czech
PO Box 10242

Fairbanks AK, 99710 452-3696

Email:

Non Constituent Supports

BILL#: ~~HB 160 REPORTING OF ABORTIONS~~

SUBJECT:

MESSAGE: I WOULD LIKE TO SEE HB 160 GO THROUGH. I THINK THAT IF YOU HAVE TO REPORT A LIVE BIRTH OR DEATH, YOU SHOULD ALSO HAVE TO REPORT EACH ABORTION PERFORMED.

DISTRIBUTION: 40

Mr. James J Hessler
PO Box 1541

Homer AK, 99603 235-7701

Email:

Non Constituent Amend

BILL#: ~~HB 103 APPROP. OPERATING BUDGET~~

SUBJECT:

MESSAGE: Please pledge your support of \$700,000 for infant learning programs and \$750,000 for DD Systems Reform. I feel that having a wait list for infants with disabilities is wrong and should be addressed by Governor Knowles' budget request.

DISTRIBUTION: 60

Ms. Susan L Yanish
508 Monroe St

Fairbanks AK, 99701 456-2488

Email:

Non Constituent Supports

BILL#: ~~HB 160 REPORTING OF ABORTIONS~~

SUBJECT:

MESSAGE: I strongly support HB 160. All other physicians in Alaska must provide statistics of their medical practice. In 48 of the other 49 states, abortion providers must provide statistics of their abortion practices. Physician accountability is a crucial element in keeping up the standards of national medical care and health. It is important for all Alaskan medical providers to participate in providing statistics of their practices. The passage of HB 160 moves us towards this end.

Hi, Bill,

I APPRECIATE YOUR INTRODUCTION OF
HB 199 (ALTHOUGH MY PERSONAL INCLINATION
IS FOR A SOMEWHAT DIFFERENT STRUCTURE)
— WE'VE GOT TO COME TO GRIPS WITH
REALITIES AND HAVE SOME SERIOUS
AND OBJECTIVE CONSIDERATION OF AN
INCOME TAX!

THOUGHT YOU MIGHT BE INTERESTED
IN THIS. IT'S AN EXCERPT FROM THE
"MESSAGE OF THE GOVERNOR OF ALASKA"
TO THE SEVENTEENTH LEGISLATIVE
ASSEMBLY — JANUARY 25, 1945.

REGARDS,



* ERNEST GRUENING

How Should Revenue Be Secured?

We now come to the difficult and, shall I say painful—or perhaps not too painful—question of how we are going to raise the money. This is a really vital question of continuing, constant and permanent importance to the life of the Territory. Four years ago, following some excellent studies that had been made on the Alaska tax structure—studies by competent and qualified experts, studies which give us really all the information we need and which are available to any member of the Legislature—the studies by Mr. Frederick Lusk of the U. S. Treasury Department and the two studies issued by Rettie and Pegues, under the auspices of the Alaska Planning Council, a complete revamping of our tax structure was proposed.

Need of a New Tax Structure

It was clearly the view of these analysts, and it was mine, that our tax structure was a patchwork that bore no relation either to the financial capacity of the Territory, to its needs, or to its possible fluctuations in income. It is not my intention to rehearse the whole subject here in great detail. Those interested will find it in my 1941 Message to the Legislature. It was not, and was never designed to be, a burdensome program. It advocated the abolition of virtually all existing Territorial taxes, the elimination of Federal taxes paid in the Territory by crediting them against the new taxes, and the substitution therefor of three relatively simple taxes—a personal income tax, a corporate income tax and a property tax. All were to be light. The property tax was designed to equalize the existing unfairness of having Alaskans who live in the incorporated towns pay property taxes, while those just outside, a number steadily increasing, do not. It would not have added one cent of property taxation to those living in towns, and it would have borne lightly on those outside, since the Organic Act establishes a maximum of one percent; and moreover, as drawn, personal property, such as furnishings, household goods, was to be excluded from the new taxation.

Income Tax

As for the income tax, with moderate rates, it would have been the fairest tax of all, and still is, reaching everybody, but in relation to ability to pay. But fully as important as this should

be provisions going to the heart of our most fundamental Territorial problem. That problem is to prevent, or at least to diminish, the constant drain, or removal, from the Territory of its natural wealth, either in the form of materials or wages, without leaving any modest equivalent behind. Any tax bill should, as far as possible, be accompanied by provisions aiming also at taxing the income of non-resident companies and non-resident individuals earning income in the Territory. We should aim to secure revenue properly due from the absentee corporations as well as the thousands of non-resident fishermen, cannery workers, placer miners and others who come to the Territory for a few weeks or a few months to benefit from the high wages received, and then go outside, leaving nothing here. In the case of thousands of these non-resident cannery workers, we know that even today, they do not even receive their pay in Alaska, but get it when they return to Seattle. The Territory gets nothing from them. The Territorial economy gets next to nothing from them. Until this, and some other forms of absenteeism, are corrected, or at least modified, it will be difficult to answer the question of how to build up the population of Alaska.

I may ask at this point, and it is pertinent to the discussion: "What reason is there for any worker in these seasonal industries to live in Alaska?" Of course, I can answer that question in part by saying that many people love Alaska, that it is probably the most beautiful part of our America, that its freedom, its abundance, its friendly people provide an emotional appeal that is a sufficient answer to some. But, to many others, these factors do not make an appeal, or at least not a sufficient appeal, and certainly little in the way of nourishment. The Alaskan, who is a fisherman, a cannery worker or a placer miner, gets his pay for an entire year during a few weeks or months in the working season. If he stays here, he is subject during the balance and greater part of the year, not merely to unemployment (I am, of course, speaking of non-war periods), but is subject also to the substantially higher living costs which prevail here. The seasonal worker from down below, on the other hand, gets the same wages. In some industries, such as the canneries, he gets his round-trip transportation paid and then, having harvested his season's wages in Alaska, he goes back

"outside," both to secure another job in the fall, winter and spring, and in any event to enjoy, during the larger balance of the year, a lower cost of living. Let us face the fact that from an economic standpoint, from a practical standpoint, from a dollar and cents standpoint—and these standpoints, after all, motivate more people than any other standpoint—there is today no advantage, but great disadvantage, for a large part of our people to live in Alaska permanently. Here lies a part of the answer, at least, of why Alaska's population has not grown more. It's not the only factor, but it is certainly an important one. It is a part of our basic problem which we should endeavor to correct.

There are various ways to meet this problem. Extending tax differentials, such as now exist between the cost of the resident and nonresident commercial fisherman's license, and between the resident and nonresident hunting license, is one approach. Creating opportunities in private industry for all year 'round employment—an important part of the proposed Development Agency's job—is another. Raising the standard of life in Alaska with better housing, improved health services, broader educational opportunities, more recreational facilities for the children; legislation extending various aspects of social and economic security, such as recommended earlier in this message—all these would tend to create more permanent residents of Alaska. But to return to the subject of taxation.

Now, had we adopted this tax program proposed four years ago, we would have no financial problem today. Not only would we have plenty of money in the treasury for our present and post-war needs, but we could actually reduce such tax rates as we had established four years ago. In the past four years hundreds of millions of dollars have been expended in the Territory by private contractors on defense jobs. Since they were all operating on a cost-plus-fixed-fee basis, it is not even certain whether these companies would have had to pay the taxes themselves or whether they would not have been passed on to Uncle Sam.

In any event the Territory would have gotten the money. Think of the millions of dollars that were expended in the Territory for Defense workers' wages on these projects. Think of the tens of thousands of men, accustomed to a pre-war wage of

six, seven, eight dollars a day, who were getting sixteen, eighteen and twenty dollars a day. Do you think that the man earning twenty dollars a day would have missed the two percent, the forty cents, that it was proposed to withdraw from his pay envelope as a Territorial tax? Of course not! But what this would have meant to the Territorial Treasury in the aggregate it is now somewhat depressing to contemplate. Think of the fortunes that were made by many Territorial merchants in these bonanza years. One business man of one interior town told me two years ago that he had made more money in the preceding two years of his business than in the previous 27, but under the small license fee which, under the existing system, he was required only to pay, the Territory got nothing of all this. His case is typical.

Well, that's past now and there is no use deploring it, but it may serve to guide us in the future. No one enjoys paying taxes, and, believe it or not, I do not enjoy proposing a tax program. But wouldn't it be well to have one that will rid us of the gross inequalities which now exist, wherein some persons and groups pay moderately and some not at all? What sense is there in a tax system under which our transportation companies pay nothing to the Territorial Treasury? We have, for instance, three steamship companies, all of which bear a name that indicates that they are in the Alaska trade. They have one port outside of Alaska and numerous ports within Alaska. Their entire business is derived from Alaska. The regulation of their rates, the character of their accommodations—all these are beyond the control of any Alaska authorities. But certainly Alaska could, if it would, secure a reasonable, slight part of their profits when profits are made. The same is true of the growing and potentially tremendous air transport industry. We have a bus-line traffic developing in the interior. Is there any particular reason why these transportation agencies should not contribute to the support of the government which supplies them with many facilities and maintenance at public expense?

We shall have a substantial construction industry when the war ends. Is it likewise to be immune from taxation?

Of course whenever a tax program is proposed, its opponents say: "Now is not the time." Four years ago, the argument was advanced that we were going into an emergency and we

would shortly be paying high Federal taxes. So then "was not the time"—although, in fact, it was the greatest of all times. Two years ago the argument was that we were paying high Federal taxes, and again we heard, "now is not the time," although we still had millions of dollars in defense contracts flowing into the Territory. Sooner or later we will discover that the argument is always that now is never a good time to put through a tax reform program.

However, I will grant that this year is not nearly as good a time as four years ago or two years ago. Some defense work is still going on, although of course it is tapering off. And surely we all appreciate that we are now paying high Federal income taxes, that many Alaskans, like other Americans, are now paying Federal taxes who never paid them before. But I still contend that the problem is with us and will continue to be with us until we settle it right, and that every postponement makes it more difficult. One of the weaknesses of our tax structure, as I pointed out four years ago, is that we have most of our eggs in just two baskets—canned salmon and gold—and that if anything happened to either, the financial position of the Territory would be seriously impaired. Well, it has happened here. We need more diversification of Territorial income, and we need a broader base.

One other aspect of tax legislation which I think was made clear four years ago and which I need to repeat: drawing up an income tax and, to a lesser degree, a property tax, is a highly complex, technical job. It requires an expert. It requires a specialist long trained in this particular type of work, who has followed the gradual development, during the last generation, of new tax methods, who understands the many pitfalls and jokers which experience has brought to light. Very few people possess those qualifications. It is a fact that if this body—all forty members—rose to a man and shouted: "We want an income tax!" (I don't expect this to happen, but I am merely using this for purposes of illustration), in other words if all declared their desire and purpose for such a tax, it could not be drawn here by anyone in the Territory and approved within sixty days. This is not a peculiarity of Alaska. Every state legislature hires its tax experts when tax legislation is on the docket. So, four years ago, in anticipation of this technical problem.

I secured the services of a very excellent man who, for the preceding twelve years, had not only drawn up all the tax legislation for the Washington State Legislature, but had presented it to the appropriate committees of that Legislature and worked with its legislators to produce the acts which are now on that State's statute books. Four years ago I was able to get his services paid for by a non-profit agency interested in public administration, the Public Administration Clearing House.

After consulting with a few members of the Legislature, I have again secured, for a limited period, the services of the same man, Mr. Alfred Harsch, although this time the Public Administration Clearing House is paying only a part of his expenses. He has made a draft of a bill for your consideration. He will come up from Seattle and explain it and discuss it with the membership of the Legislature whenever they desire. I think I have already made plain that I have done this only because I deemed it a desirable service to the Legislature, and, obviously, making it possible for the Legislature to have available a well-drawn and authoritative income tax bill, with someone who can answer questions and discuss proposed modifications, does not imply any obligation on the Legislature's part to accept this bill. It will be presented for your consideration. This proposed bill differs from the bill of four years ago in several respects, although in principle it is not far different, and whatever its suggested rates, should the Legislature decide that it wishes to adopt an income tax bill, those rates can be modified of course. This bill follows closely the new Federal procedure, having as large an element as is possible of pay-as-you-go and being accompanied by tables which make it clear what each tax payer is likely to pay. As now drawn, the rates have been fixed at a small fraction of the Federal rate. It is likewise proposed, in which respect the draft differs from the first draft presented four years ago, to credit the Federal salmon pack taxes against the income tax.

I will go no further into the subject of this general tax program except to say that there are plenty of other ways of raising money, but I, for one, retain my strong opposition to a sales tax, which would be particularly unjustified in the Territory, would add to its existing high costs of living and would

be escaped largely by the seasonal visitors, falling instead on the all-year-round Alaskan resident.


One final word concerning the income tax bill. I have spoken of the difficulty inherent in even getting such a bill drafted. A similar difficulty confronts the question of getting it adopted even if we assume, for the sake of argument, that a majority desires such a bill. For experience has shown—the experience which it really required the Federal government a generation to obtain, and the benefit of which experience we now have—that it must, to be a sound bill, be a long bill. Many of its provisions are bound to be somewhat technical and complex. Those provisions are necessary for the soundness of the bill, for the protection of the entire community that adopts it, and to make it an effective instrument. So I venture to suggest that it be understood in advance that this bill is of necessity, long, intricate, and that its study—the kind of study that it merits—requires time and patience. Given our sixty-day limitation no bill would be easier to defeat, if its defeat is desired, by the tactics that go under the general head of "filibustering." I hope that whatever the action of the Legislature may be, it will be based on considerations of general policy.

PAGE #2
Mr. HUDSON - H.B. - 199

I would not have been able to experience, first hand the beauty of Miami, Florida. One of my fondest memories, thanks to you and Lucy, once again, thank you, very much.

How are you Lucy and family, doing? Through the years, I have lost touch with you, however I have not forgotten you and Lucy.

My Sincerest, Thank You, Sir: For allowing me the honor and privilege to participate in Alaska State, Community processes.



Mr. Robert A. Byers
P.O. Box 865
Soldotna, Alaska
#99669-0865
PHONE: 907-262-6188

Mr. R. Byers
P.O. Box 865
Soldotna, Alaska
99669-0865

PAGE # 4 OF 7 PAGES.

FEB 15 2002

February 12, 2002

MOST HONORABLE, MR. WILLIAM HUDSON:
HOUSE OF REPRESENTATIVES
Box V.
Juneau, Alaska
#99811

RE: HB 199 - **INCOME TAX: INDIVIDUAL/TRUSTS/ESTATES.**

Thank you very much for your Time, Service and Help, to the Citizens, of the Great State of Alaska, Your efforts are greatly appreciated. And also, for your service in the United States Coast Guard.

I understand the need for tax's, to pay for Government Services for all citizens. I do not know of many people who live within a City and or Borough who can afford to pay for their own roads, sewer systems, water supplies, curbs and sidewalks, street lights, fire, and police department employees. However, by collecting monies, from all of the citizens, all of these services can be utilized.

Respectfully, I would therefore request that Disabled Veterans, who have all ready served their Country and State. Be granted a "Tax - Exempt Status", from the proposed Income Tax on Individuals, Trusts and Estates. This Tax Exemption would be a pleasant and greatly appreciated way of saying "Thank You", to these Veterans, for their Services, to one and all.

I greatly appreciate, the privilege of voting - since 1974, I have only missed voting once and while I am not in your voting area, I believe that this specific issue, also affects the veterans, whom you represent.

Mr. Hudson; I am Carole's, ex-husband and I have also helped you, by driving a truck load of your Household goods (and Lucy's), From Soldotna to Seward, when you moved to Juneau, to serve under former, Governor Jay Hammond's administration.

I would also like to thank you once again (even tho many years have passed), for the privilege of allowing me to stay in your home, in Miami, Florida.

Mr. R. Byers
P. O. Box 865
Soldotna, Alaska
99669-0865

PAGE 2 OF 4 PGS.



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Wealth Management Specialists

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FACSIMILE TRANSMISSION

TO: Rynniewa Moss
PHONE:
FAX: 907-465-3258

FROM: Naomi Brooks
PHONE: 907-278-6775
DATE: March 19, 2002

NO. OF PAGES (Including Cover): 6

Rynniewa,

Attached is a revised version of HB199 from Doug Blattmachr. If you have any questions please do not hesitate to contact me. Thank you.

Naomi Brooks

CONFIDENTIALITY NOTE:

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BILL ID: HB 199

00 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 199

01 "An Act relating to taxation, including taxation of income of individuals," ~~[- estates, and~~
02 ~~trusts.-"]~~

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

04 * Section 1. AS 43.20 is amended by adding a new section to read:

05 Sec. 43.20.009. Tax on individuals, ~~estates, and trusts.~~ (a) There is
06 imposed for each taxable year an income tax, computed as provided in this section, on
07 every

08 (1) resident individual; and

09 (2) nonresident and part-year resident individual, ~~estate, and trust,~~ with
10 income from sources in the state.

11 (b) For a resident individual,

12 (1) for calendar year 2002, the tax under this section is one percent of
13 the individual's income;14 (2) for each calendar year after 2002, the tax under this section is two
01 and one-fourth percent of the individual's taxable income.02 (c) For a nonresident or part-year resident individual, ~~or for an estate or a trust,~~03 (1) for the calendar year 2002, the tax under this section is one percent
04 of the individual's, ~~estate's, or trust's~~ income, multiplied by a fraction, the numerator of
05 which is taxable income from sources in the state and the denominator of which is
06 taxable income from all sources;07 (2) for each calendar year after 2002, the tax under this section is two
08 and one-fourth percent of the individual's, ~~estate's, or trust's~~ taxable income, multiplied
09 by a fraction, the numerator of which is taxable income from sources in the state and
10 the denominator of which is taxable income from all sources.11 (d) An individual whose income includes a cost-of-living allowance that is
12 exempt from the federal income tax shall determine and include that amount as part of
13 the individual's taxable income as if the cost-of-living allowance were not exempt.14 (e) In this section, "taxable income" means adjusted gross income, as defined
15 in 26 U.S.C. 62 (Internal Revenue Code), and includes the income described in (d) of
16 this section.

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

18 (a) Every individual, trust, estate, partnership, and [IF A] corporation
19 subject to tax under this chapter [, OR A PARTNERSHIP THAT HAS A
20 CORPORATION AS A PARTNER, IS] required to make a return of income under
21 the provisions of the Internal Revenue Code [, IT] shall file with the department,

22 within 30 days after the federal return is required to be filed, a return setting out

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

25 (2) other information that the department requires for the purpose of
26 carrying out the provisions of this chapter [THAT THE DEPARTMENT
27 REQUIRES].

28 * Sec. 3. AS 43.20.031(c) is amended to read:

29 (c) In computing the tax under this chapter, a corporation [THE
30 TAXPAYER] is not entitled to deduct any taxes based on or measured by net income.

31 * Sec. 4. AS 43.20.040 is repealed and reenacted to read:

01 Sec. 43.20.040. Income from sources in the state. (a) In this chapter,
02 income from sources in the state includes

03 (1) compensation for personal services rendered in the state;

04 (2) working in the state for salary or wages;

05 (3) income from real or tangible personal property located in the state;

06 ~~(4) income from stocks, bonds, notes, bank deposits, and other~~

07 ~~intangible personal property having a taxable or business situs in the state; however,~~

08 ~~the receipt of interest income from intangible property in the state does not alone~~

09 ~~establish a taxable or business situs in the state; Income from intangible personal~~

property, including annuities, dividends, interest, and gains from the disposition of intangible

personal property, shall constitute income derived from Alaska sources only to the extent that

such income is from property employed in a business, trade, profession or occupation carried on

in this state.

10 (5) rentals and royalties for the use of or for the privilege of using, in

11 the state, patents, copyrights, secret processes and formulas, good will, marks, trade

12 brands, franchises, and other property having a taxable or business situs in the state;

13 ~~(6) income distributed from a trust established under or governed by~~

14 ~~the laws of the state;~~

15 ~~(7) income of a trust established under or governed by the laws of the~~

16 ~~state and income of the estate of a decedent who on the date of death was domiciled in~~

17 ~~the state;~~

18 ~~(8) income, from a source with a taxable or business situs in the state,~~

19 ~~of~~

20 ~~(A) a trust not established under or governed by the laws of the~~

21 ~~state; or~~

22 ~~(B) the estate of a decedent who on the date of death was not~~

23 ~~domiciled in the state;~~

24 (9) income of whatever nature from a source with a taxable or business
25 situs in the state.

26 (b) Except as provided in (a)(4) of this section, in this section, income is from
27 a source with a taxable or business situs in the state if it is attributed to or derived from:

28 (1) business facilities or property in the state;

29 (2) business, farming, or fishing activities in the state;

30 (3) conducting in the state the management or investment function for
31 intangible property;

01 (4) a partnership, or limited liability company, ~~estate, or trust~~ conducting
02 business activities in the state;

03 (5) a corporation transacting business activities in the state that has
04 elected to file federal returns under subchapter S of the Internal Revenue Code;

05 (6) any other activity from which income is received, realized, or
06 derived in the state.

07 (c) If a business, trade, or profession is carried on partly inside and partly
08 outside the state, other than the rendering of purely personal services by an individual,
09 the income from sources in the state shall be determined as provided in AS 43.19.

10 * Sec. 5. AS 43.20 is amended by adding a new section to article 1 to read:

11 Sec. 43.20.046. Individual, ~~trust, and estate~~ tax credits. (a) For a resident,
12 ~~a trust established under or governed by the laws of this state, or the estate of a~~
13 ~~decedent who on the date of death was domiciled in this state, the income tax imposed~~
14 ~~on that resident, trust, or estate by another state or territory of the United States for the~~
15 ~~taxable year, on income derived from sources in that state or territory, is allowed as a~~
16 ~~credit against the tax under this chapter.~~

17 (b) The credit under (a) of this section is determined by multiplying the tax
18 computed under this chapter by a fraction, the numerator of which is the income
19 derived from sources in the other state or territory and the denominator of which is
20 income derived from all sources. The credit under (a) of this section may not exceed
21 the actual tax paid to the other state or territory.

22 (c) An individual, ~~estate, or trust~~ is allowed only the state credits provided in
23 this section. The total state credit allowed under this section may not exceed the tax
24 liability for the taxable year for the individual, ~~estate, or trust~~. A credit may not be
25 carried, in whole or in part, to a different taxable year.

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

27 Sec. 43.20.171. Tax withholding on wages of individuals. (a) Every
28 employer making payment of wages, salaries, or crew shares after December 31, 2002,

29 (1) shall deduct and withhold an amount of tax computed in a manner

30 to approximate the amount of tax due on those wages, salaries, or crew shares under
31 this chapter for that taxable year;

01 (2) shall remit the tax withheld to the department accompanied by a
02 return on a form prescribed by the department at the times required by the department
03 by regulation;

04 (3) is liable for the payment of the tax required to be deducted and
05 withheld under this section but is not liable to any individual for the amount of the
06 payment; and

07 (4) shall furnish to the employee on or before January 31 of the
08 succeeding year, or within 30 days after a request by the employee after the
09 employee's termination if the 30-day period ends before January 31, a written
10 statement on a form prescribed by the department showing

11 (A) the name and taxpayer identification number of the
12 employer;

13 (B) the name and social security number of the employee;

14 (C) the total amount of wages, salary, or crew shares for the
15 taxable year; and

16 (D) the total amount deducted and withheld as tax for the
17 taxable year.

18 (b) The department shall publish the rate of withholding required by this
19 section.

20 (c) In this section,

21 (1) "employee" includes an individual who receives compensation on a
22 crew share basis in connection with a commercial fishing activity;

23 (2) "employer" includes a person who pays compensation to an
24 individual on a crew share basis in connection with a commercial fishing activity.

25 * Sec. 7. AS 43.20.010 is amended by adding new paragraphs to read:

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

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

30 (14) "resident" means an individual who, for the entire taxable year,
31 was domiciled in the state or resided in the state.

01 * Sec. 8. AS 43.05.085; AS 43.20.012, and 43.20.013 are repealed.

02 * Sec. 9. The uncodified law of the State of Alaska is amended by adding a new section to
03 read:

04 SEVERABILITY. Under AS 01.10.030, if any provision of this Act, or the

05 application of a provision of this Act to any person or circumstance is held invalid, the

06 remainder of this Act and the application to other persons is not affected.

07 * Sec. 10. The uncodified law of the State of Alaska is amended by adding a new section to

08 read:

09 RETROACTIVE APPLICATION. Sections 1 - 5, 7, and 8 of this Act are retroactive

10 to January 1, 2002.

James



Governor needed to give public hope that when things got better there would be tax relief

Government should not amass more than it needs

Fate amendment requires the CBR to be the trigger which causes the legislature to replenish the CBR instead of taking care of capital needs.

\$4.3 billion is due to the CBR today

James do we need the Constitutional Budget Reserve

1982 - ^{Ohio Oil Money} 4 billion available for GF 2 million barrels a day
Statutory Budget Reserve - money has to be appropriated

In some instances people could pay tax to state while not paying federal taxes

Crawford 50% tax on dividend takes larger % from people at bottom; flat tax

1% first year 2.25% next year and then on

Amendment #1 as amended

Eric Croft

190m. food $\frac{1}{2}$ 190 prescription

~~HB 111~~ ~~HB 303~~ HB 303

Conditional Effect

~~HB 303~~ vendor exempt w dropped

6% seasonal to 3% year round

~~2%~~

HB 199

Graduate tax rate based on CBR balance

Flat tax

800 million

1.3

1.3

.5 million



Sec 1. 1 use HB 35

Sec 2 use Sec 1 of HB 398

328



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FACSIMILE TRANSMISSION

TO: Rynniva Moss
PHONE:
FAX: 907-465-3258

FROM: Naomi Brooks
PHONE: 907-278-6775
DATE: March 22, 2002

NO. OF PAGES (Including Cover): 7

Rynniva,

Attached are some comments and suggested revisions on HB 199 from David Shaftel. We sent the bill over to him for comments, and he was just able to get back to us.

We agree with his comments regarding the taxation on partnerships, limited liability companies and S-corporations and the effect this double taxation would have on Alaska.

If you have any questions or comments, please do not hesitate to contact me.

Thank you.

Naomi

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March 21, 2002

SENT VIA FACSIMILE TO 258-1649

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Carolyn F. Wenzmacker, J.D. ♦
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● Admitted in CA
+ Admitted in WA
■ Admitted in MA

Naomi Brooks
Alaska Trust Company
1029 West 3rd Avenue Suite 601
Anchorage, AK 99501-1981

Re: House Bill 199

Dear Naomi:

You have asked me to review the above bill and give Doug and you my comments. I note that the provisions that would tax estates and trusts have been deleted.

I suggest that also provisions which would tax partnerships, limited liability companies and S-corporations be deleted. At the federal level, all of these entities are treated as pass-through entities. That is, their income flows through and is taxed at the individual owner's level. If the State of Alaska were to enact a tax on the income of such entities, then that income would be taxed twice. First at the entity level, and subsequently at the individual level.

Such double taxation would be inconsistent with the manner in which these entities are taxed at the federal level. Further, if Alaska were to enact such a double tax on such entities' income, then such taxation would deter the formation of these business and investment entities in Alaska. Rather, persons desiring to use such entities would form them in other states. As a result, Alaska would lose filing fees, and more importantly would lose overall financial business.

Thank you for the opportunity to comment on House Bill 199.

Sincerely,



David G. Shaftel

DGS/ab

BYLL ID: HB 199

00 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 199

01 "An Act relating to taxation, including taxation of income of individuals" [~~estates, and~~
02 ~~trusts~~];

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

04 * Section 1. AS 43.20 is amended by adding a new section to read:

05 Sec. 43.20.009. Tax on individuals, ~~estates, and trusts~~. (a) There is
06 imposed for each taxable year an income tax, computed as provided in this section, on
07 every

08 (1) resident individual; and

09 (2) nonresident and part-year resident individual, ~~estate, and trust~~, with
10 income from sources in the state.

11 (b) For a resident individual,

12 (1) for calendar year 2002, the tax under this section is one percent of
13 the individual's income;

14 (2) for each calendar year after 2002, the tax under this section is two
01 and one-fourth percent of the individual's taxable income.

02 (c) For a nonresident or part-year resident individual, ~~or for an estate or a trust~~,

03 (1) for the calendar year 2002, the tax under this section is one percent
04 of the individual's, ~~estate's, or trust's~~ income, multiplied by a fraction, the numerator of
05 which is taxable income from sources in the state and the denominator of which is
06 taxable income from all sources;

07 (2) for each calendar year after 2002, the tax under this section is two
08 and one-fourth percent of the individual's, ~~estate's, or trust's~~ taxable income, multiplied
09 by a fraction, the numerator of which is taxable income from sources in the state and
10 the denominator of which is taxable income from all sources.

11 (d) An individual whose income includes a cost-of-living allowance that is
12 exempt from the federal income tax shall determine and include that amount as part of
13 the individual's taxable income as if the cost-of-living allowance were not exempt.

14 (e) In this section, "taxable income" means adjusted gross income, as defined
15 in 26 U.S.C. 62 (Internal Revenue Code), and includes the income described in (d) of
16 this section.

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

18 (a) ~~Every individual, trust, estate, partnership, and S corporation~~
19 ~~subject to tax under this chapter [S] PARTNERSHIP THAT HAS A~~
20 ~~CORPORATION AS A PARTNER, is~~ required to make a return of income under
21 the provisions of the Internal Revenue Code [IT] shall file with the department.

Handwritten note: "1/2" and "2" with a scribble.

22 within 30 days after the federal return is required to be filed, a return setting out

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

25 (2) other information that the department requires for the purpose of
26 carrying out the provisions of this chapter [THAT THE DEPARTMENT
27 REQUIRES].

28 * Sec. 3. AS 43.20.031(e) is amended to read:

29 (e) In computing the tax under this chapter, a corporation [THE
30 TAXPAYER] is not entitled to deduct any taxes based on or measured by net income.

31 * Sec. 4. AS 43.20.040 is repealed and reenacted to read:

01 Sec. 43.20.040. Income from sources in the state. (a) In this chapter,
02 income from sources in the state includes

- 03 (1) compensation for personal services rendered in the state;
- 04 (2) working in the state for salary or wages;
- 05 (3) income from real or tangible personal property located in the state;
- 06 ~~(4) income from stocks, bonds, notes, bank deposits, and other~~

07 ~~intangible personal property having a taxable or business situs in the state; however,~~
08 ~~the receipt of interest income from intangible property in the state does not alone~~
09 ~~establish a taxable or business situs in the state; Income from intangible personal~~
10 ~~property, including annuities, dividends, interest, and gains from the disposition of intangible~~
11 ~~personal property, shall constitute income derived from Alaska sources only to the extent that~~
12 ~~such income is from property employed in a business, trade, profession or occupation carried on~~
13 ~~in this state.~~

14 (5) rentals and royalties for the use of or for the privilege of using, in
15 the state, patents, copyrights, secret processes and formulas, good will, marks, trade
16 brands, franchises, and other property having a taxable or business situs in the state;

17 ~~(6) income distributed from a trust established under or governed by~~
18 ~~the laws of the state;~~

19 ~~(7) income of a trust established under or governed by the laws of the~~
20 ~~state and income of the estate of a decedent who on the date of death was domiciled in~~
21 ~~the state;~~

22 ~~(8) income from a source with a taxable or business situs in the state.~~

23 ~~or~~
24 ~~(A) a trust not established under or governed by the laws of the~~
25 ~~state; or~~

26 ~~(B) the estate of a decedent who on the date of death was not~~
27 ~~domiciled in the state;~~

24 (9) income of whatever nature from a source with a taxable or business
25 situs in the state.

26 (b) Except as provided in (a)(4) of this section, in this section, income is from
27 a source with a taxable or business situs in the state if it is attributed to or derived from

28 (1) business facilities or property in the state;

29 (2) business, farming, or fishing activities in the state;

30 (3) conducting in the state the management or investment function for
31 intangible property;

01 ~~(4) a partnership, or limited liability company, estate, or trust conducting~~
02 ~~business activities in the state;~~

03 ~~(5) a corporation transacting business activities in the state that has~~
04 ~~elected to file federal returns under subchapter S of the Internal Revenue Code;~~

05 (6) any other activity from which income is received, realized, or
06 derived in the state.

07 (c) If a business, trade, or profession is carried on partly inside and partly
08 outside the state, other than the rendering of purely personal services by an individual,
09 the income from sources in the state shall be determined as provided in AS 43.19.

10 * Sec. 5. AS 43.20 is amended by adding a new section to article 1 to read:

11 Sec. 43.20.048. Individual, trust, and estate tax credits. (a) For a resident,
12 a trust established under or governed by the laws of this state, or the estate of a
13 decedent who on the date of death was domiciled in this state, the income tax imposed
14 on that resident, trust, or estate by another state or territory of the United States for the
15 taxable year, on income derived from sources in that state or territory, is allowed as a
16 credit against the tax under this chapter.

17 (b) The credit under (a) of this section is determined by multiplying the tax
18 computed under this chapter by a fraction, the numerator of which is the income
19 derived from sources in the other state or territory and the denominator of which is
20 income derived from all sources. The credit under (a) of this section may not exceed
21 the actual tax paid to the other state or territory.

22 (c) An individual, estate, or trust is allowed only the state credits provided in
23 this section. The total state credit allowed under this section may not exceed the tax
24 liability for the taxable year for the individual, estate, or trust. A credit may not be
25 carried, in whole or in part, to a different taxable year.

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

27 Sec. 43.20.171. Tax withholding on wages of individuals. (a) Every
28 employer making payment of wages, salaries, or crew shares after December 31, 2002,

29 (1) shall deduct and withhold an amount of tax computed in a manner

30 to approximate the amount of tax due on those wages, salaries, or crew shares under
31 this chapter for that taxable year:

01 (2) shall remit the tax withheld to the department accompanied by a
02 return on a form prescribed by the department at the times required by the department
03 by regulation;

04 (3) is liable for the payment of the tax required to be deducted and
05 withheld under this section but is not liable to any individual for the amount of the
06 payment; and

07 (4) shall furnish to the employee on or before January 31 of the
08 succeeding year, or within 30 days after a request by the employee after the
09 employee's termination if the 30-day period ends before January 31, a written
10 statement on a form prescribed by the department showing

11 (A) the name and taxpayer identification number of the
12 employer;

13 (B) the name and social security number of the employee;

14 (C) the total amount of wages, salary, or crew shares for the
15 taxable year; and

16 (D) the total amount deducted and withheld as tax for the
17 taxable year.

18 (b) The department shall publish the rate of withholding required by this
19 section.

20 (c) In this section,

21 (1) "employee" includes an individual who receives compensation on a
22 crew share basis in connection with a commercial fishing activity;

23 (2) "employer" includes a person who pays compensation to an
24 individual on a crew share basis in connection with a commercial fishing activity.

25 * Sec. 7. AS 43.20.340 is amended by adding new paragraphs to read:

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

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

30 (14) "resident" means an individual who, for the entire taxable year,
31 was domiciled in the state or resided in the state.

01 * Sec. 8. AS 43.08.085; AS 43.20.012, and 43.20.013 are repealed.

02 * Sec. 9. The uncodified law of the State of Alaska is amended by adding a new section to
03 read:

04 SEVERABILITY. Under AS 01.10.030, if any provision of this Act, or the

05 application of a provision of this Act to any person or circumstance is held invalid, the
06 remainder of this Act and the application to other persons is not affected.

07 Sec. 10. The uncodified law of the State of Alaska is amended by adding a new section to
08 read:

09 RETROACTIVE APPLICATION. Sections 1 - 5, 7, and 8 of this Act are retroactive
10 to January 1, 2002.