

**HB**

**303**

SFIN

FILE

# SENATE FINANCE COMMITTEE REPORT

DATE: 5/10/02

FURTHER:

RECEIVED  
MAY 12 2002  
SENATE FINANCE

DATE TURNED IN TO OFFICE: 12 May 2002

Finance Committee considered 2d CS FOR HOUSE BILL NO. 303(RLS)  
HB 303 INDIVIDUAL INCOME TAX

"An Act relating to taxation of individual income; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**

- same title
- new title

**House Bill:**

- same title
- technical title
- new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
Revenue	5/25/02	2,940.2		#2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Lynne Green</i>		✓		
<i>W. Collins</i>		<del> </del>	✓	
<i>Gary Wilber</i>		✓		
<i>Maryland</i>		✓		
<i>Brew G. Hunsay</i>		✓		
<i>Tom Huff</i>			✓	
<i>W. Collins</i>			✓	
COCHAIR: <i>Edward Partridge</i>		✓		
COCHAIR: <i>Pell Hall</i>			✓	

MAY 1 2 2002

SENATE FINANCE  
SUBCOMMITTEE

# FISCAL NOTE

**STATE OF ALASKA  
2002 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: CSHB 303(FIN)  
 (H) Publish Date: 3/26/02

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

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

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

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

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

1002 Federal Receipts						
1003 GF Match						
1004 GF	5,844.2	5,384.5	4,934.0	4,934.0	4,934.0	4,334.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>5,844.2</b>	<b>5,384.5</b>	<b>4,934.0</b>	<b>4,934.0</b>	<b>4,934.0</b>	<b>4,934.0</b>

Estimate of any current year (FY2002) cost: 0.0

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

**POSITIONS**

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

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

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

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

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

For distribution information, call the Governor's Legislative Office

# SENATE FINANCE COMMITTEE REPORT

DATE: 5/10/02

FURTHER:

REPORTED OUT  
MAY 12 2002  
SENATE FINANCE  
COMMITTEE

DATE TURNED IN TO OFFICE: 12 May 2002

Finance Committee considered **2d CS FOR HOUSE BILL NO. 303(RLS)**  
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"An Act relating to taxation of individual income; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
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- attached amendment(s)
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**Senate Bill:**

- same title
- new title

**House Bill:**

- same title
- technical title
- new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
Revenue	3/25/02	3940.2		#2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>		✓		
<i>[Signature]</i>		<del> </del>	✓	
<i>[Signature]</i>		✓		
<i>[Signature]</i>		✓		
<i>[Signature]</i>		✓		
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
COCHAIR: <i>[Signature]</i>		✓		
COCHAIR: <i>[Signature]</i>			✓	

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DATE: 5/10/02

FURTHER:

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- Senate Bill:**  
 same title  
 new title
- House Bill:**  
 same title  
 technical title  
 new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
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APPROPRIATION - no fiscal note

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<i>[Signature]</i>		<del> </del>	✓	
<i>[Signature]</i>		✓		
<i>[Signature]</i>		✓		
<i>[Signature]</i>		✓		
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
COCHAIR: <i>[Signature]</i>		✓		
COCHAIR: <i>[Signature]</i>			✓	

MAY 12 2002

SENATE FINANCE COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: CSHB 303(FIN)  
(H) Publish Date: 3/26/02

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

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

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

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

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

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

Estimate of any current year (FY2002) cost: 0.0

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

**POSITIONS**

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

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

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

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

For distribution information, call the Governor's Legislative Office

MAY 13 2002

SENATE FINANCE  
COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

Fiscal Note Number: 2  
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(H) Publish Date: 3/26/02

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

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<b>CAPITAL EXPENDITURES</b>	<b>1,904.0</b>	<b>427.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES (increase)</b>	<b>100,000.0</b>	<b>240,000.0</b>	<b>240,000.0</b>	<b>240,000.0</b>	<b>240,000.0</b>	<b>240,000.0</b>
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Estimate of any current year (FY2002) cost: 0.0

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

**POSITIONS**

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

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

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Division: Department of Revenue Date/Time 3/25/2002 6:30 p m  
Approved by: Larry Persily, Deputy Commissioner Date 3/25/2002  
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# FISCAL NOTE

**STATE OF ALASKA  
2002 LEGISLATIVE SESSION**

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 (H) Publish Date: 3/26/02

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

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<b>CAPITAL EXPENDITURES</b>	<b>1,904.0</b>	<b>427.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

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Part-time						
Temporary						

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

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Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469  
 Division: Department of Revenue Date/Time 3/25/2002 6:30 p.m.  
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The Department of Revenue estimates the 3% year-round statewide sales tax in this legislation would generate approximately \$240 million a year in state revenues. Uncertainties over the effect of limiting the sales tax to the first \$2,000 of a sales or service invoice, and the lack of detailed statistics on the sales of goods and services in Alaska corresponding to the exemptions granted in this legislation make it difficult to provide a better estimate of revenues – the actual revenues could be higher. The revenue estimate for FY2002 assumes five months of collections in the first fiscal year, starting with February receipts from January's collections.

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

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

For distribution information, call the Governor's Legislative Office

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COMMITTEE COPY

## How the Alaska Fair Tax Works

The Alaska Fair Tax is a broad-based revenue measure to help fix the fiscal gap and to preserve healthy Permanent Fund dividends far into the future. It combines the best features of sales and income taxes and, as part of an overall fiscal plan, would help protect the Permanent Fund and Budget Reserve Fund for another generation of Alaskans.

Like a sales tax . . .

everyone pays something; and  
the amount is similar to what individuals would pay under a sales tax.

Like an income tax . . .

it's deductible on many federal tax returns (you can't deduct sales taxes);  
it doesn't interfere with existing sales taxes in 97 communities; and  
workers who earn money in Alaska but live Outside would pay.

Most tax returns will be simple enough to fit on a single piece of paper and only take a minute to fill out. You'll just copy Line 33 from your federal tax return (adjusted gross income) and then look up the amount on the state tax table. Adjusted gross income is all income minus IRA contribution, alimony, student loan interest and a few other items. The tax would be withheld from wages.

The amount the Alaska Fair Tax would raise statewide would depend on how much is in the Constitutional Budget Reserve. If state revenues improve through higher oil prices or new development such as the natural gas pipeline and refill the Budget Reserve Fund, the Alaska Fair Tax rate would go down so the state doesn't collect any more money than is needed for essential public services and an adequate reserve.

Here's how much you would pay if the tax were set to raise \$250 million a year:

If your adjusted gross income is:	Your tax* would be:	Your effective tax rate would be:
\$4,000	\$55	1.35%
\$25,000	\$467	1.88%
\$40,000	\$860	2.19%
\$65,000	\$1,412	2.17%
\$100,000	\$2,025	2.02%
\$150,000	\$2,869	1.91%
\$285,000	\$3,951	1.39%
\$675,000	\$4,965	0.73%

\*If you itemize on your federal taxes, this amount would be deductible.

The Alaska Fair Tax calculates income taxes to approximately equal the amount individuals would pay under a moderate sales tax. But, unlike a sales tax, the income tax would be deductible on the federal tax returns for many Alaskans. Unlike a sales tax, the variable rate schedule of the Alaska Fair Tax would not impose an unduly heavy burden on low-income Alaskans. And, unlike a traditional income tax, it would not penalize the success of higher-income Alaskans.

# Alaska Fair Tax

## How the Alaska Fair Tax Works

### What is it?

The Alaska Fair Tax is a broad-based revenue measure to help fix the fiscal gap and to preserve healthy Permanent Fund dividends far into the future. It combines the best features of sales and income taxes and, as part of an overall fiscal plan, would help protect the Permanent Fund and Budget Reserve Fund for another generation of Alaskans.

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### How much will I pay?

Here's how much you would pay if the tax were set to raise \$250 million a year:

If your adjusted gross income is:	Your tax* would be:	Your effective tax rate would be:
\$4,000	\$55	1.35%
\$25,000	\$467	1.88%
\$40,000	\$860	2.19%
\$65,000	\$1,412	2.17%
\$100,000	\$2,025	2.02%
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The Alaska Fair Tax calculates income taxes to approximately equal the amount individuals would pay under a moderate sales tax. But, unlike a sales tax, the income tax would be deductible on the federal tax returns for many Alaskans. Unlike a sales tax, the variable rate schedule of the Alaska Fair Tax would not impose an unduly heavy burden on low-income Alaskans. And, unlike a traditional income tax, it would not penalize the success of higher-income Alaskans.

AK FAIR TAX (amounts in thousands)			Base mult=0.54										
Income (lower) ----->	0.000	10.000	20.000	30.000	50.000	75.000	100.000	150.000	200.000	500.000	1000.000		
Average AGI ----->	4.038	14.851	24.791	39.366	61.393	85.964	118.484	170.766	283.772	675.418	1982.316		
Income (upper) ----->	10.000	20.000	30.000	50.000	75.000	100.000	150.000	200.000	500.000	1000.000	over		
Base bracket rate	1.00%	1.50%	2.00%	2.00%	1.30%	1.30%	1.25%	1.10%	0.30%	0.05%	0.04%		
No. of returns/bracket	92,596	47,406	38,368	54,758	43,651	24,713	16,249	3,925	3,356	486	196		
Eff rate (bracket max)	0.54%	0.68%	0.81%	0.92%	0.85%	0.81%	0.77%	0.72%	0.39%	0.21%			
Bracket rate	0.54%	0.81%	1.08%	1.08%	0.70%	0.70%	0.68%	0.59%	0.16%	0.03%	0.02%		
Bracket amount max	0.054	0.081	0.108	0.216	0.176	0.176	0.338	0.297	0.486	0.135			
Cum amount max	0.054	0.135	0.243	0.459	0.635	0.810	1.148	1.445	1.931	2.066			
Cum amount ave AGI	0.022	0.093	0.187	0.344	0.539	0.711	0.935	1.271	1.580	1.978	2.278		
Eff rate @ ave AGI	0.54%	0.63%	0.75%	0.87%	0.88%	0.83%	0.79%	0.74%	0.56%	0.29%	0.11%		
Eff. sales rate (303)	2.24%	2.08%	1.90%	1.73%	1.58%	1.53%	1.47%	1.38%	1.03%	0.48%	0.24%	Total Rev	
Bracket revenue	2019	4423	7165	18845	23527	17227	15189	4988	5303	961	446	\$100,093	
<b>NOTES:</b>												Alaskans Pay	
Income (lower) ----->	Lower limit of income bracket										Sales	\$93,087	
Average AGI ----->	Average Adjusted Gross Income (AGI) within bracket										Fair	\$75,070	
Income (upper) ----->	Upper limit of income bracket										Savings	\$18,017	
Base bracket rate	Base tax rate on income within bracket limits (base rate X base mult factor = bracket rate)												
No. of returns/bracket	Total tax returns with AGI falling within bracket												
Eff rate (bracket max)	Effective tax rate for a taxpayer whose AGI is at the upper limit of the bracket												
Bracket rate	Tax rate for all income within bracket (note that all taxpayers with income in a bracket pay the same rate for the income in that bracket)												
Bracket amount max	Maximum amount of tax for income within bracket												
Cum amount max	Total tax owed if AGI = upper limit of bracket												
Cum amount ave AGI	Total tax owed if AGI = average for bracket												
Eff rate @ ave AGI	Effective tax rate for a taxpayer whose AGI is average for the bracket												
Eff. sales rate (303)	Average sales tax paid expressed as a percentage of AGI (3% sales tax from HB 303)												
Bracket revenue	Total revenue from returns with AGI within bracket												
Total Rev	Total revenue from all brackets											4/22/2002	

AK FAIR TAX (amounts in thousands)		Base mult=0.945										
Income (lower) ----->	0.000	10.000	20.000	30.000	50.000	75.000	100.000	150.000	200.000	500.000	1000.000	
Average AGI ----->	4.038	14.851	24.791	39.366	61.393	85.964	118.484	170.766	283.772	675.418	1982.316	
Income (upper) ----->	10.000	20.000	30.000	50.000	75.000	100.000	150.000	200.000	500.000	1000.000	over	
Base bracket rate	1.00%	1.50%	2.00%	2.00%	1.30%	1.30%	1.25%	1.10%	0.30%	0.05%	0.04%	
No. of returns/bracket	92,596	47,406	38,368	54,758	43,651	24,213	16,249	3,925	3,356	486	196	
Eff rate (bracket max)	0.95%	1.18%	1.42%	1.61%	1.48%	1.42%	1.34%	1.26%	0.68%	0.36%		
Bracket rate	0.95%	1.42%	1.89%	1.89%	1.23%	1.23%	1.18%	1.04%	0.28%	0.05%	0.04%	
Bracket amount max	0.095	0.142	0.189	0.378	0.307	0.307	0.591	0.520	0.851	0.236		
Cum amount max	0.095	0.236	0.425	0.803	1.110	1.418	2.008	2.528	3.378	3.615		
Cum amount ave AGI	0.038	0.163	0.327	0.602	0.943	1.245	1.636	2.224	2.765	3.461	3.986	
Eff rate @ ave AGI	0.95%	1.10%	1.32%	1.53%	1.54%	1.45%	1.38%	1.30%	0.97%	0.51%	0.20%	
Eff. sales rate (303)	2.24%	2.08%	1.90%	1.73%	1.58%	1.53%	1.47%	1.38%	1.03%	0.48%	0.24%	Total Rev
Bracket revenue	3533	7740	12539	32979	41172	30147	26581	8729	9281	1682	781	\$175,164
<b>NOTES:</b>												Alaskans Pay
Income (lower) ----->	Lower limit of income bracket										Sales	\$162,902
Average AGI ----->	Average Adjusted Gross Income (AGI) within bracket										Fair	\$131,373
Income (upper) ----->	Upper limit of income bracket										Savings	\$31,529
Base bracket rate	Base tax rate on income within bracket limits (base rate X base mult factor = bracket rate)											
No. of returns/bracket	Total tax returns with AGI falling within bracket											
Eff rate (bracket max)	Effective tax rate for a taxpayer whose AGI is at the upper limit of the bracket											
Bracket rate	Tax rate for all income within bracket (note that all taxpayers with income in a bracket pay the same rate for the income in that bracket)											
Bracket amount max	Maximum amount of tax for income within bracket											
Cum amount max	Total tax owed if AGI = upper limit of bracket											
Cum amount ave AGI	Total tax owed if AGI = average for bracket											
Eff rate @ ave AGI	Effective tax rate for a taxpayer whose AGI is average for the bracket											
Eff. sales rate (303)	Average sales tax paid expressed as a percentage of AGI (3% sales tax from HB 303)											
Bracket revenue	Total revenue from returns with AGI within bracket											
Total Rev	Total revenue from all brackets											4/22/2002

AK FAIR TAX (amounts in thousands)			Base mult: 1.35										
Income (lower) ----->	0.000	10.000	20.000	30.000	50.000	75.000	100.000	150.000	200.000	500.000	1000.000		
Average AGI ----->	4.038	14.851	24.791	39.366	61.393	85.964	118.484	170.766	283.772	675.418	1982.316		
Income (upper) ----->	10.000	20.000	30.000	50.000	75.000	100.000	150.000	200.000	500.000	1000.000	over		
Base bracket rate	1.00%	1.50%	2.00%	2.00%	1.30%	1.30%	1.25%	1.10%	0.30%	0.05%	0.04%		
No. of returns/bracket	92,596	47,406	38,368	54,758	43,651	24,213	16,249	3,925	3,356	486	196		
Eff rate (bracket max)	1.35%	1.69%	2.03%	2.30%	2.12%	2.03%	1.91%	1.81%	0.97%	0.52%			
Bracket rate	1.35%	2.03%	2.70%	2.70%	1.76%	1.76%	1.69%	1.49%	0.41%	0.07%	0.05%		
Bracket amount max	0.135	0.203	0.270	0.540	0.439	0.439	0.844	0.743	1.215	0.338			
Cum amount max	0.135	0.338	0.608	1.148	1.586	2.025	2.869	3.611	4.826	5.164			
Cum amount ave AGI	0.055	0.233	0.467	0.860	1.347	1.779	2.337	3.177	3.951	4.945	5.694		
Eff rate @ ave AGI	1.35%	1.57%	1.88%	2.19%	2.19%	2.07%	1.97%	1.86%	1.39%	0.73%	0.29%		
Eff. sales rate (303)	2.24%	2.08%	1.90%	1.73%	1.58%	1.53%	1.47%	1.38%	1.03%	0.48%	0.24%	Total Rev	
Bracket revenue	5048	11057	17912	47113	58817	43067	37973	12470	13258	2403	1116	\$250,234	
<b>NOTES:</b>												Alaskans Pay	
Income (lower) ----->	Lower limit of income bracket											Sales	\$232,717
Average AGI ----->	Average Adjusted Gross Income (AGI) within bracket											Fair	\$187,675
Income (upper) ----->	Upper limit of income bracket											Savings	\$45,042
Base bracket rate	Base tax rate on income within bracket limits (base rate X base mult factor = bracket rate)												
No. of returns/bracket	Total tax returns with AGI falling within bracket												
Eff rate (bracket max)	Effective tax rate for a taxpayer whose AGI is at the upper limit of the bracket												
Bracket rate	Tax rate for all income within bracket (note that all taxpayers with income in a bracket pay the same rate for the income in that bracket)												
Bracket amount max	Maximum amount of tax for income within bracket												
Cum amount max	Total tax owed if AGI = upper limit of bracket												
Cum amount ave AGI	Total tax owed if AGI = average for bracket												
Eff rate @ ave AGI	Effective tax rate for a taxpayer whose AGI is average for the bracket												
Eff. sales rate (303)	Average sales tax paid expressed as a percentage of AGI (3% sales tax from HB 303)												
Bracket revenue	Total revenue from returns with AGI within bracket												
Total Rev	Total revenue from all brackets												4/22/2002

# SENATE COMMITTEE REPORT

DATE: 5/3/02

FURTHER: Finance

DATE TURNED  
IN TO OFFICE: 5/10/02

State Affairs Committee considered 2d CS FOR HOUSE BILL NO. 303(RLS)  
*HB 303 INDIVIDUAL INCOME TAX*

"An Act relating to taxation of individual income; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**

- same title
- new title

**House Bill:**

- same title
- technical title
- new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
DOR	3/25/02	- \$		2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>		✓		
<i>[Signature]</i>		✓		
<i>[Signature]</i>				✓
CHAIR: <i>[Signature]</i>		X		

## MEMO TO FILE

DATE: May 10, 2002

TO: Finance Committee

BILL/RES. NO.: **HB 303 Individual Income Tax**

ATTENTION: Heidi, Vicki  
Senate Secretary's Office

This bill/resolution has not yet received a do pass recommendation.

Please leave this note in the file.

Thank you.