SCOMM
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Alaska State Legislature

House Special Committee on Ways and Means

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HB 293 State Sales Tax

As amended in the House Special Committee on Ways and Means, the current version:

- Levies a statewide sales and use tax at 3% effective January 1, 2004
- Caps the total amount of combined local and state sales tax at 8%. The effect on municipal sales and use tax rates shall be phased in with the municipal rate not to exceed 6% as of January 1, 2008, followed by a limit to 5% on January 1, 2010. The 8% combined cap may be exceeded by a municipality if approved by the local voters in a referendum.
- Phases in statewide authority to administer and collect sales and use tax according to the following schedule:
    1. For the first two years, municipalities may collect and enforce their own sales and use tax laws under their current ordinances,
    2. Then, on January 1, 2006, municipalities must begin enforcing and collecting local sales and use taxes under the state sales and use tax laws.
    3. Finally, on January 1, 2008, the state assumes responsibility for administering and collecting state and local sales and use taxes.
- Allows the state to contract with municipalities for tax administration field office services
- Allows municipalities to continue to levy and collect special taxes on single categories of items
- Includes an increase in the motor fuels tax to 20 cents per gallon and deposits 6 cents per gallon of those proceeds into the special highway fuel tax account to be used for increased revenue sharing to the municipalities

Committee Members:
Representative Cheryll Heinze • Representative Vic Kohring • Representative Norman Rokeberg
Representative Bruce Weyhrauch •Representative Peggy Wilson
Representative Max Gruenberg • Representative Carl Moses

Exemptions: the following sales, uses, purchasers, or categories will be exempt from the statewide tax:

- Sales to and uses by a governmental agency
- Sales and rents of real property
- IRS approved charitable organizations
- Purchases with food stamps or WIC program benefits
- Intangible items
- Isolated or occasional sales or leases
- The prices of a motor vehicle, boat, snowmobile, airplane or mobile home above $5,000
- Sales for resale
- Services for resale
- Sales for ingredients used in mining and manufacturing
- Sale of property for lease
- Certain intrastate transportation and services in interstate commerce
- Health care services by licensed providers
- Child care services

The bill authorizes the department to enter into the Streamlined Sales and Use Tax Agreement to simplify and modernize sales and use tax administration.

The statewide sales and use tax sunsets on January 1, 2012.

Committee Members:
Representative Cheryll Heinze • Representative Vic Kohring • Representative Norman Rokeberg
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Statewide Sales Tax

What Do Other States Charge?

The only states in the nation without a statewide sales tax are Alaska, Delaware, Montana, New Hampshire and Oregon. The others collect taxes that range from a low of 2.9% in Colorado to 7% in Mississippi, Tennessee and Rhode Island.

- In most states, the cities, counties, transit districts and other taxing authorities add their tax onto the state tax rate, with the states handling collection and enforcement, then disbursing the funds to the municipal agencies.
- State and city sales taxes are collected and administered separately in only a very few locations nationwide. Businesses prefer to deal with a single set of rules and a single taxing authority (reducing compliance costs to businesses).

Because of the cumulative effect of adding local sales taxes to the state tax, many states set a maximum overall rate.

- The highest combined state and municipal sales tax rate in the nation is in Alabama, with at least one community at 11%. Arkansas and Oklahoma are tied at second at 9.875%.

Most states — 28 of 45 — exempt all or some food purchases from sales taxes, with three additional states charging a lower tax rate on foods.

- All states exempt prescription medicines from sales tax.
- Fewer than 10 states exempt non-prescription medicines from sales tax.

Most states allow businesses to retain a portion of their collections as reimbursement for the expense of collecting the tax for the state.

- For those states that do allow a "discount" to businesses on their sales tax returns, the rate ranges from 0.5% of the amount collected to as much as 5% for businesses with small tax collections.
- One-third of the states set a maximum on the amount of money a business is allowed to retain.

Of those states with a general statewide sales tax, the tax provides an average of around 30% of the state's overall general fund revenues.

How Many Alaska Cities and Boroughs Already Have a Sales Tax?

About one-third of Alaskans live in a community — a city or a borough — with a municipal sales tax. The rates for those 200,000-plus Alaskans range from:

- A low of 1% in Tenakee and White Mountain.
- To a high of 7% in Wrangell, with a 6% rate in Petersburg, Cordova, Kodiak and Kotzebue.

The 97 cities and boroughs with a sales tax collected about $125 million in Fiscal Year 2001, for an average of more than $600 per capita.

Each municipality has its own list of tax exemptions, limits and rules, such as a cap on the maximum amount of a single purchase subject to a sales tax (to ease the burden on purchasers of big-ticket items such as cars). There is no uniformity across the state. In this aspect, merchants likely would appreciate a state-governed sales tax program, with one set of rules statewide.

The Alaska Municipal League has gone on record opposing a statewide sales tax. The league's members see the sales tax as historically the domain of municipalities in Alaska and do not want to lose control over the tax revenue or administration. Alaska communities with an existing sales tax also fear the economic damage that could be inflicted upon their cities and boroughs if the state were to impose a statewide sales tax on top of municipal taxes.

- For example, Wrangell and Petersburg, at 7% and 6%, respectively, believe merchants in their communities would lose a significant amount of business to out-of-state suppliers if residents were charged an 8%, 9% or 10% combined state/municipal tax.

Most municipalities allow for some form of exemption for senior citizens, though the process varies from city to city.

- For example, Juneau issues tax-exempt cards to seniors and then requires businesses to keep a log of all tax-exempt purchases. Wrangell uses a different approach. It issues seniors a $250-a-year sales tax rebate, rather than requiring businesses to keep a log and enforce the exemption.

Assuming the state controlled collection of the tax, the most efficient method for distributing the local tax back to cities and boroughs would be to determine the local share of the tax revenue — for example, if Sitka had a 5% rate and the state had a 3% rate — and then compute the local share of total collections and send out the check.

How Much Would the State Raise from a Sales Tax?

The Department of Revenue estimates the state would collect approximately:

- $110 million a year for every 1% in a statewide sales tax on retail goods and services sold in Alaska, assuming no exemptions.
- $75 million a year if foods and medical goods and services were exempted.

Additional exemptions would reduce the tax burden on some residents and, consequently, reduce revenues to the state. Exemptions also could complicate administration of the tax. And, if the state exempted any goods or services already subject to municipal sales taxes, and then imposed its exemptions on municipalities, some cities and boroughs could see a drop in their tax revenues.

Is a Seasonal Sales Tax a Good Idea?

This is hard to judge, but it appears from Juneau's sales tax records that sales are not as heavily weighted to the summer season as many people might expect. Permanent Fund dividends and the Christmas shopping season appear to help keep the volume of sales from leaning too heavily toward a summer surge.

Based solely on Juneau's records, it appears a six-month seasonal tax might not generate much more than 50% to 55% of the year's taxable revenues. And it could be less if local residents shifted their purchases to the no-tax season.

A seasonal sales tax, while intended to grab more tax revenues from summer visitors, could actually harm local businesses, particularly big-ticket merchants that depend on local sales. For example, would a heavy seasonal sales tax deter residents from making purchases locally during the summer season? Would it hurt car dealers, appliance and furniture stores and electronic shops? Would the sales return each fall?

Who Would Pay the Tax?

A sales tax is generally considered to be regressive, meaning that lower-income people, who spend a greater proportion of their income on local goods, would pay a larger share of their income in sales taxes when compared to higher-income people. Exemptions for medical care and other necessities would reduce but not eliminate this imbalance. And the state could use a credit system to somewhat reimburse lower-income households for taxes paid on food. Taxing all services also would help to lessen the proportion of the tax burden on lower-income households, as middle- and upper-income households generally purchase services more than households on limited income.

It's hard to say how much of the sales tax would be paid by visitors from out of state, although the Department of Revenue believes it would be in the range of 10% of total tax revenues for a tax in place for the entire year. Visitors spend heavily on gifts, food, lodging and tours, although federal law prohibits a state sales tax on air transportation.

What is the Nationwide Streamlined Sales and Use Tax Agreement?

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

> *"It is the purpose of this agreement to simplify and modernize sales and use tax administration in the member states in order to substantially reduce the burden of tax compliance."*

One of the key reasons for the push is to address the loss of state and municipal sales tax revenues to mail order and Internet commerce. The growth of mail order and Internet sales is costing states and municipalities billions of dollars a year in lost sales taxes. The retail industry has made it clear it wants to see a set of uniform sales tax rules nationwide as a condition of working with the states to collect taxes on interstate commerce. Alaska would not be in compliance with the nationwide effort if it adopted a state sales tax without the same exemptions and rules for municipal taxes statewide.

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

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

What Other Issues Should be Considered?

In addition to questions of local control, joining the nationwide streamlined sales tax campaign, and the risk of economic damage to communities that already have a heavy sales tax burden, other issues for the state to consider include:

- Taxable vs. non-taxable sales.
  Food (prepared vs. unprepared), medicines (prescription vs. non-prescription), medical care (licensed care only or all care), sales by nonprofit organizations, and sales at vending machines are among the obvious issues.
- Senior citizen tax exemption.
  No exemption, or exempt all purchases by seniors, or issue an annual rebate check? If purchases are exempt, should such tax-exempt purchases be limited?
- An exemption for purchases and/or sales by nonprofit organizations.
- Expectation for audits and enforcement. A stronger enforcement and audit program would add to the costs but would produce higher revenues to the state.

One other major issue to consider is the essential need for a "use tax" as part of any sales tax. Most states collect a use tax under the same set of statutes as their sales tax. This helps cover sales by nationwide retailers with a nexus (presence) in individual states, and allows the taxation of goods brought into the state. It is a matter of fairness. For example, it would allow taxation of office equipment brought into Alaska the same as a photocopier purchased in the state.

How Much Would it Cost the State to Administer a Sales Tax?

The Department of Revenue estimates it would cost approximately $5 million a year to administer a statewide sales tax program, depending on the complexity of the tax, the number of exemptions, and the attention to enforcement and audits. The cost of sales tax programs nationwide average around 2% of collections. At $5 million a year, Alaska would be within that range with a reasonable sales tax that raised $250 million per year

In addition to annual costs, there would be a first-year expense of approximately $2 million to set up the tax program, including programming, offices, public and taxpayer educational programs, publications and tax forms, and a web-based filing system.

Alaska Department of Revenue - April 25, 2003

Sales and Use Taxes
The Building Blocks

Policy Issues

What is the nature of a sales and use tax?

- Tax on consumption.
- Sales tax and use tax are complementary. It is important to have the use tax in statute if the state wants to collect tax on purchases made out of state and then brought into Alaska, such as new cars and trucks.

What is important in a good sales and use tax?

- Certainty.
- Simplicity.
- Fairness.

Why is it important?

- Business development. An overly complex set of tax codes is bad for business.
- Consumer acceptance.

What makes a good sales tax?

- Affordable rate.
- Broad base.
- Understandable rules.

Technical Issues

1. What is included in the tax base, and is it properly defined? Some examples of problem areas that need workable definitions in statute.

- "Tangible personal property." Such as software? Does it depend whether the software is off the shelf, customized or downloaded from the internet?
- Intangible property. Such as copyrights or trademarks or the sale of business goodwill.
- Services. Does this include mortgage interest, bank fees or insurance?
- Real property is not taxed through sales/use tax, but is stationary machinery at a business considered personal property or real property?

2. To what extent are business inputs taxed?

- Common exemptions.
  - o "Sales for resale" generally are exempt from sales taxes, but do not generally include the following:
    - Promotional items to be given away.
    - Filling material purchased by a dentist.
    - Leather purchased by a shoe repairman.
  - o Manufacturing.
    - How is "manufacturing" defined? Many states require that the process "transform" one material into a different material.
    - What is the point at which production begins and ends? Are all of the components of the production process tax exempt? Most states say production begins with the withdrawal of raw materials from storage and ends when finished goods are taken to storage within the plant. The next sale of the goods then is taxable.
    - How integral to manufacturing process must an input be for it to be considered taxable?

- Use tax. Generally, the use tax is applied against:
  - o Consumables.
  - o Self-constructed assets.
  - o Assets brought in from other states.

- Consider:
  - o Direct-pay permits for businesses to remit use taxes, such as contractors and others with a significant amount of tax-exempt use of goods (such as a manufacturer or refinery). For example, raw material used at a welding shop would be tax exempt but not the paper or toner for the photocopier.

3. What issues arise with common exemptions?

- Food. Prepared food vs. groceries? Is restaurant potato salad treated the same as grocery deli potato salad and the same as prepackaged potato salad? If candy is excluded, are marshmallows considered candy? Or does it depend on the size of the marshmallows? Is food from the deli counter exempt even if the purchaser sits down and eats in the food court just as it were a restaurant?
- Medicine. What about herbal supplements? Over-the-counter drugs?
- Medical. Veterinary services? Massage therapy? Include prescription glasses? What about the drugstore magnifying glasses?
- Utilities. What about self-generated electricity? Fuel going into generators?
- Clothing. Safety gear or receiving blankets sold by a midwife? Wigs?
- Bundling. If taxable and non-taxable items are sold as a unit, how is it taxed?

4. Who should collect tax on charitable gaming? The operator of the game that sells the pull-tabs to players, or the distributor that sells the bulk pull-tabs to charities?

5. Challenges to simplicity. These are policy calls that could complicate administration, collection and enforcement of a sales and use tax.

- Sales tax holidays.
- Caps, such as a limit on the taxable amount of a single transaction. Define a single transaction? What about a 60-month car lease? Is each month's payment a transaction? What about businesses that keep an invoice open for favored customers to take advantage of the cap? And what about professional services? Does the cap apply to the law firm's entire billing for the month, or for each piece of work done for the client?
- Multiple rates.
- Differing tax bases in local jurisdictions. This raises the issue of state jurisdiction over sales and use tax exemptions and administration statewide. Is it fair to expect a statewide business to operate under 100 different tax codes?

6. How will special sale situations be handled?

- Leases: Is the tax collected upfront or on payment?
- Casual or occasional sales. Such as Girl Scout cookie sales and garage sales.
- Mergers and acquisitions. Do we really want to try collecting a sales tax on a sale such as BP's sale of ARCO assets to Phillips?
- Bartering. Can the state collect a sales tax on bartered goods?

7. Will local sales taxes be administered by the state? Will the state charge municipalities for administering and collecting their share of the taxes?

8. What administrative provisions are necessary to ensure goals of certainty and fairness?

- Registration of sellers. This would allow the state to monitor taxpayer compliance. This could also simplify the process for claiming an exemption for goods for resale.
- Can a seller file an extension for return?
- Allow or require consolidated returns?
- What accounting method is permissible?
- Are inactive sellers required to file?
- Are division-organized sellers allowed to file by division?

9. Why is use tax important? Is this fuss all about a pair of shoes bought in Seattle?

   - Equal treatment of taxpayers. Is it fair for one Alaskan to avoid the tax by shopping out of state?
   - Businesses are the largest payors under a use tax.

10. What can be done about the regressivity of a sales tax?

   - Taxing services, and not just goods, would help spread the tax burden across middle- and upper-income households that tend to spend more on services than low-income households.
   - Grocery credit. Perhaps a credit based on family size instead of a food exemption would achieve the same purpose, while avoiding the definition of tax-exempt food.

11. What can the nationwide Streamlined Sales Tax Project do for us?

   - Provide standard definitions to make tax administration easier and more business friendly.
   - Uniform sourcing rules. This applies to determining the source of the taxable transaction, which is an important issue in interstate commerce.
   - Clear administrative provisions already articulated.

12. Is the internet sales issue important to Alaska? Yes, especially in Alaska where consumers rely heavily on catalog, phone and internet orders. But there are federal legal restrictions to taxing sales placed with out-of-state companies — which is something the Streamlined Sales Tax Project is trying to resolve so that states and municipalities can collect revenue from such sales.

Comparison of State and Local Retail Sales Taxes

January, 2003

	Food Items [1] Taxable (T) Exempt (E)	State Rate	Maximum Local Rate [2]	Maximum State/Local Rate [2]
Alabama	T	4.00	7.00	11.00
Alaska	T	0.00	7.00 [3]	7.00
Arizona	E	5.60	3.00	8.60
Arkansas	T	5.125	4.750	9.875
California	E	6.00	2.50	8.50
Colorado	E	2.90	5.00	7.90
Connecticut	E	6.00	---	6.00
District of Columbia	E	5.75	---	5.75
Florida	E	6.00	1.50	7.50
Georgia	E	4.00	3.00	7.00
Hawaii	T *	4.00	---	4.00
Idaho	T *	5.00	3.00	8.00
Illinois	T **	6.25	3.00	9.25
Indiana	E	6.00	---	6.00
Iowa	E	5.00	2.00	7.00
Kansas	T *	5.30	3.00	8.30
Kentucky	E	6.00	---	6.00
Louisiana	T **[4]	4.00	5.50	9.50
Maine	E	5.00	---	5.00
Maryland	E	5.00	---	5.00
Massachusetts	E	5.00	---	5.00
Michigan	E	6.00	---	6.00
Minnesota	E	6.50	1.00	7.50
Mississippi	T	7.00	0.25	7.25
Missouri	T	4.225	4.125	8.350
Nebraska	E	5.50	1.50	7.00
Nevada	E	6.50	0.75	7.25
New Jersey	E	6.00	---	6.00
New Mexico	T	5.00	2.25	7.25
New York	E	4.00	4.50	8.50
North Carolina	E [4]	4.50	3.00	7.50
North Dakota	E	5.00	2.50	7.50
Ohio	E	5.00	2.00	7.00
Oklahoma	T	4.50	5.35	9.85
Pennsylvania	E	6.00	1.00	7.00
Rhode Island	E	7.00	---	7.00
South Carolina	T **	5.00	2.00	7.00
South Dakota	T *	4.00	2.00	6.00
Tennessee	T	7.00	2.75	9.75
Texas	E	6.25	2.00	8.25
Utah	T	4.75	2.25	7.00
Vermont	E	5.00	1.00	6.00
Virginia	T **	3.50	1.00	4.50
Washington	E	6.50	2.40	8.90
West Virginia	T	6.00	---	6.00
Wisconsin	E	5.00	0.60	5.60
Wyoming	T *	4.00	2.00	6.00

[1] Food purchased for consumption off-premises.
[2] Highest local rate known to be actually levied by at least one jurisdiction. Includes local taxes for general purposes and those earmarked for specific purposes (e.g. transit). Taxes applying only to specified sales (e.g. lodging or meals) are excluded.
[3] Alaskan cities and boroughs may levy local sales taxes from 1% to 6%.
[4] Food exempt from state tax, but subject to local taxes. In Louisiana, food will be exempt from state tax 7/1/03.
** Food taxed at lower rate.
* Income tax credit allowed to offset sales tax on food.

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

Testimony for House Ways and Means Committee
Thursday, May 1, 2003
Dan Dickinson, Director, Department of Revenue Tax Division

My name is Dan Dickinson, and I am director of the Department of Revenue Tax Division. We administer 19 different tax types, and I'd like to take five minutes to talk about one important aspect of a tax that Alaska doesn't have — and that is the Streamlined Sales Tax Project.

What is the Streamlined Sales Tax Project and what could it mean for Alaska?

- It will increase the likelihood that we can get out-of-state businesses to collect sales tax for us on their sales into Alaska.
- It gives us a precise framework for simplicity, fairness, uniformity and certainty — all worthy goals of any tax program.
- And it will make Alaska a friendlier place to do business than if we instituted a complex maze for a sales tax.

Consider a business selling its goods nationwide. First of all, it is confronted with 7,500 different taxing jurisdictions — states, cities and counties, and special jurisdictions such as transit districts, school districts or the Brewers Stadium District in Wisconsin. Many of these jurisdictions overlap. Each might have a different tax rate and different rules. Suppose the state taxes clothing and the county exempts clothing but not athletic gear, while the transit district considers a softball mitt to be clothing. The business would have to figure out which transit district and county the address was in, and then decide whether the purchase was taxable and, if so, the tax rate.

If our example were in Mississippi, there could be seven different tax rates depending on what was sold, ranging from an 8% tax on "drink for human consumption…through vending machines" to "1% on services performed [by] … electrical power associations." After withholding the tax, that same business might be subject to three different audits, including the one that said, "Oh, our rates changed two weeks ago. What do you mean you didn't know?"

And suppose the consumer bought an item and sent the check to a business' corporate headquarters in Missouri, which then notified its distributor in Oregon that found the closest warehouse with the product in North Carolina that called up a shipping firm in South Carolina to deliver it to the purchaser in Virginia. In what state did the sale occur? Each state may have its own sourcing rules and say the sale occurred in its state.

Now consider the phone call itself that was used to place the order. If you think about it, it should come as no surprise that AT&T is one of the biggest backers of the Streamlined Sales Tax Project. AT&T nationwide files about 70,000 different sales tax returns a year.

Back in 1967, the U.S. Supreme Court looked at all this and issued its famous (or infamous) Bellas Hess ruling. Illinois had a sales and use tax and asked that Bellas Hess, a firm in Missouri that sold goods by mail to purchasers in Illinois, be required to collect sales tax and remit it to Missouri.

The Supreme Court said it would be an intolerable burden on interstate commerce to require an out-of-state business to do all the work necessary to accurately collect the tax. As such, no state could ask that of businesses outside its legal jurisdiction.

Before we roll our eyes too much, let's look at what a retailer looking at Alaska sees. For example, the Kenai Peninsula Borough has a 2% tax and, within the borough, the City of Homer has a 3% tax but the City of Kachemak has none.

The City of Ketchikan and Ketchikan Gateway Borough have separate sales taxes. Newspapers and publications are taxable in the city but not under the borough tax. Residential rentals are taxable by the borough taxes but not the city.

Many attempts to remedy this mess fell short over the 35 years since the court case, while the amount of interstate commerce grew and grew. Finally, as Internet sales hit, the Streamlined Sales Tax Project looks like it might be the answer.

What is the answer?

It is a short statute that each participating state must adopt — the Uniform Sales and Use Tax Administration Act. The legislative finding in the act says: "This state should enter into an agreement with one or more states to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance for all sellers and for all types of commerce."

The agreement between the states sets forth the framework that a state tax must conform to:

- Uniform Definitions — Any state that, for example, exempts groceries yet taxes restaurant food will treat a ham and cheese croissant from the Safeway deli the same way as a croissant sandwich in a restaurant.
- Rate simplification — Each state may have just one tax rate covering all categories, except food and drugs may have a lower rate. Then, each city can have its own rate, added to the state tax rate.
- State administration — The state is responsible to track local changes and provide a central point of administration.
- Uniform sourcing rules, audit rules and administration of exempt transactions.

Thirty-eight states have brought the project together. It is their hope to ask Congress for a law allowing that if a state is a participating member of this project, then every business would be required to collect tax on items sold into that state. Under the Streamlined Sales Tax Project, such collection would no longer be an unreasonable burden on interstate commerce.

Let me mention a couple of things the streamlined sales tax project does not do. It does not set the tax rate in any state or city — that is up to you. It does not set what you can decide to exempt or not exempt — it just requires that if you exempt something for which the Streamlined Sales Tax Project has a definition, you use that definition. The project creates a framework in which legislatures can make the critical policy decisions.

As you think about a sales tax, please think about the Streamlined Sales Tax Project. We would be the first state to adopt a sales tax since it came into being, and we have the chance to learn from other states' mistakes.

Thank you, and I'll try to answer any questions you may have, though I usually do better answering question on taxes we have in place than taxes we don't.

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Streamlined Sales Tax Project

Executive Summary

March 2003

The Streamlined Sales Tax Project is an effort created by state governments, with input from local governments and the private sector, to simplify and modernize sales and use tax collection and administration. The Project's proposals include tax law simplifications, more efficient administrative procedures, and emerging technologies to substantially reduce the burden of tax collection. The Project's proposals are focused on improving sales and use tax administration systems for both Main Street and remote sellers for all types of commerce.

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Florida

Thirty-nine states and the District of Columbia are involved in the Project. Thirty-six states and the District of Columbia are voting participants in the Project because their legislators have enacted enabling legislation or their governors have issued executive orders or similar authorizations. Three states are non-voting participants in the work of the Project because they do not have the formal commitment of the state executive or legislative branches, but are still participating. Forty-five states and the District of Columbia impose a sales and use tax.

The Project was organized in March 2000. The Project is conducting its work through a steering committee with co-chairs, four work groups, and a number of sub-groups. Project participants are generally state revenue department administrators but there are also representatives of state legislatures and local governments. Businesses — including national retailers, trade associations, manufacturers, direct marketers, telecommunications companies, leasing companies, technology companies, printers, accounting firms, and others — have actively participated in the Project by offering expertise and input, reviewing proposals, suggesting language, and testifying at public hearings.

The goal of the Streamlined Sales Tax Project is to provide states with a Streamlined Sales Tax System that includes the following key features:

- **Uniform definitions within tax laws.** Legislatures still choose what is taxable or exempt in their state. However, participating states will agree to use the common definitions for key items in the tax base and will not deviate from these definitions. As states move from their current definitions to the Project's definitions, a certain amount of impact on state revenues is inevitable. However, it is the intent of the Project to provide states with the ability to closely mirror their existing tax bases through common definitions.

- **Rate simplification.** States will be allowed one state rate and a second state rate in limited circumstances (food and drugs). Each local jurisdiction will be allowed one local rate. A state or local government may not choose to tax telecommunications services, for example, at one rate and all other items of tangible personal property or taxable services at another rate. State and local governments will accept responsibility for notice of rate and boundary changes at restricted times.

- **State level tax administration of all state and local sales and use taxes.** Businesses will no longer file tax returns with each local government within which it conducts business in a state. Each state will provide a central point of administration for all state and local sales and use taxes and the distribution of the local taxes to the local governments. A state and its local governments will use common tax bases.

- **Uniform sourcing rules.** The states will have uniform and simple rules for how they will source transactions to state and local governments. The uniform rules will be destination/delivery based and uniform for tangible personal property, digital property, and services.

- **Simplified exemption administration for use- and entity-based exemptions.** Sellers are relieved of the "good faith" requirements that exist in current law and will not be liable for uncollected tax. Purchasers will be responsible for paying the tax, interest and penalties for claiming incorrect exemptions. States will have a uniform exemption certificate in paper and electronic form.

- **Uniform audit procedures.** Sellers who participate in one of the certified Streamlined Sales Tax System technology models will either not be audited or will have limited scope audits, depending on the technology model used. The states may conduct joint audits of large multi-state businesses.

- **State funding of the system.** To reduce the financial burdens on sellers, states will assume responsibility for funding some of the technology models. The states are also participating in a joint business – government study of the costs of collection on sellers.

The Project proposes that states change their sales and use tax laws to conform with the simplifications as proposed by the Project. Thus, the simplifications would apply to all sellers. Sellers who do not have a physical presence or "nexus" are not required to collect sales and use taxes unless Congress chooses to require collection from all sellers for all types of commerce. Sellers without a physical presence can volunteer to collect under the proposed simplifications. Registration by sellers to voluntarily collect sales and use taxes will not infer that the business must pay business activity taxes, such as the corporate franchise or income tax.

The Streamlined Sales Tax System will provide sellers the opportunity to use one of three technology models. A seller may use Model 1 where a Certified Service Provider, compensated by the states, will perform all of the seller's sales tax functions. A seller may use Model 2, a Certified Automated System, to perform only the tax calculation function. A larger seller with nationwide sales that has developed its own proprietary sales tax software may use Model 3 and have its own system certified by the states collectively. However, some sellers may choose to continue to use their current systems and still enjoy the benefits of the Project's simplifications.

The Streamlined Sales Tax Project envisions two components to the legislation necessary to accomplish the Project's goals. First, states would adopt enabling legislation referred to as the Uniform Sales and Use Tax Administration Act ("Act"). The Act allows the state to enter into an agreement with one or more states to simplify and modernize sales and use tax administration in order to reduce the burden of tax compliance for all sellers and all types of commerce. The Act does not require any amendments to a state's sales and use tax law.

Secondly, states would amend or modify their sales and use tax laws to achieve the simplifications and uniformity required by the participating states working together. The Project refers to this legislation as the Streamlined Sales and Use Tax Agreement ("Agreement"). Some states will require only minor changes to current law to implement the requirements of the Agreement. Other states with more complicated sales tax laws may require significant changes to current law to be in accord with the Agreement.

A certificate of compliance will document each state's compliance with the provisions of the Agreement and cite applicable statutes, rules or regulations, or other authorities supporting such compliance. Public notice and comment will be provided before a state becomes part of the interstate Agreement. A state is in compliance with the Agreement if the effect of the state's laws, rules or regulations, and policies is substantially compliant with each of the requirements of the Agreement. If a state is found to be out of compliance with the Agreement, it will not be accepted into the interstate Agreement or will be sanctioned or expelled by the other participating states. In a voluntary system, sellers who are voluntarily collecting sales taxes for participating states may decide to no longer collect for the expelled state. Also, that state may not have a vote on changes in the Agreement.

A governing board will be comprised of representatives of each member state of the Agreement. Each member state is entitled to one vote on the governing board. The governing board is responsible for interpretations of the Agreement, amendments to the Agreement, and issue resolution. A State and Local Government Advisory Council and a Business and Taxpayer Advisory Council from the private sector will advise the governing board.

On November 12, 2002, thirty states and the District of Columbia approved the interstate Agreement provisions. States will move forward in 2003 and enact the conforming legislation. The Agreement will become effective when at least ten states with twenty percent of the total population of all states imposing a state sales tax have enacted the conforming legislation and are found to be in compliance with the requirements of the Agreement.

It's anticipated that states that enact the conforming legislation and are found to be in compliance with the Agreement will continue as the governing states of the interstate Agreement of the future.

The project website is www.streamlinedsalestax.org.

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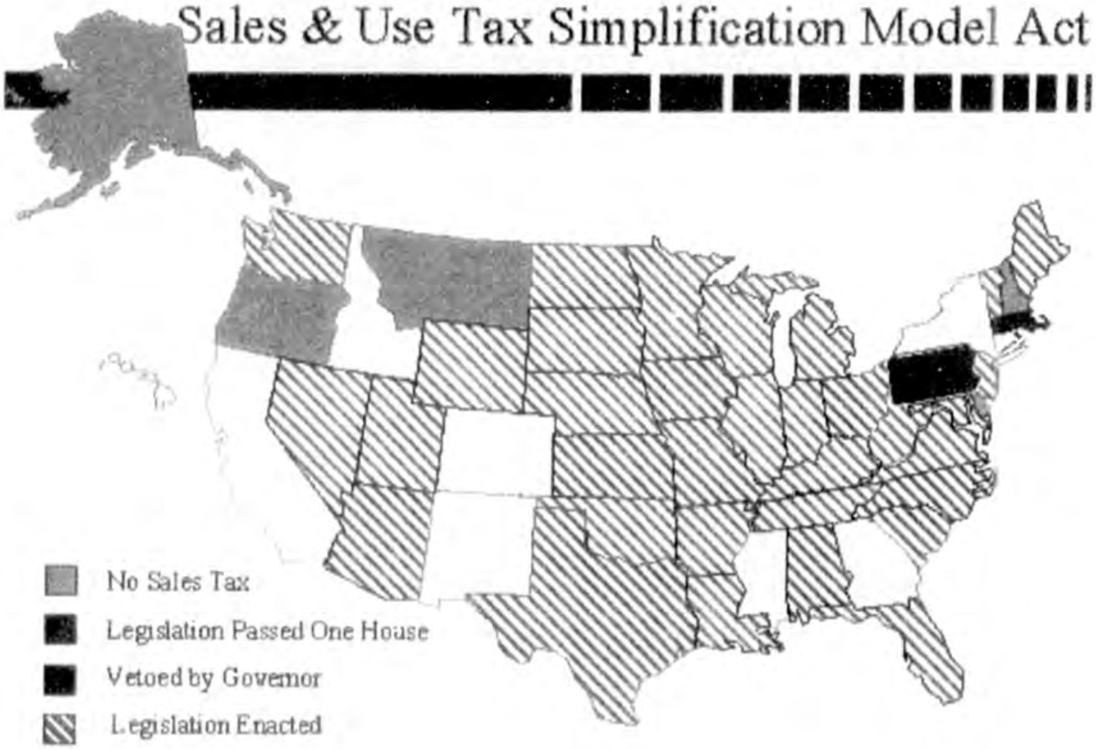
State Legislative Action 2001 - 2002

Sales & Use Tax Simplification Model Act



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Viewpoint

Education Is the Key to Selling The Streamlined Sales Tax Agreement

by Charles Collins

Charles Collins is director of government affairs for Taxware, a division of govONE Solutions. He previously worked with the North Carolina Department of Revenue for 32 years, serving the last 10 as director of the Sales and Use Tax Division. He also spent two-and-one-half years as cochair of the Streamlined Sales Tax Project and was a delegate to the Streamlined Sales Tax Implementing States.

In November 2002, representatives of 30 states approved the initial provisions of an interstate agreement for the administration of sales and use tax. The provisions' intent is twofold: Reduce the tax compliance burden for businesses and encourage voluntary collection by sellers not currently required to collect sales and use tax. To become effective, these provisions must be enacted by state legislatures. While many provisions would provide sellers immediate relief from the compliance burden, until the agreement is effective, states will not be able to certify software or contract with third parties to perform tax administration functions, both of which will be important in inciting voluntary tax collection. If the most important factors in selling real estate are location, location, location, then the most important factors in getting the provisions of the agreement passed are education, education, education.

The agreement process has been ongoing for three years, yet many tax professionals and members of the business community have not been involved. Additionally, the majority of state legislators do not have detailed knowledge of how the provisions will affect their constituents. Finally, citizens in most states with sales and use taxes do not understand the concept of use taxes.

The Need for Simplification

For years, sellers and other taxpayers have been asking states to simplify their rules, practices, and regulations for sales and use tax. The current structure has been described as *burdensome* for businesses and the cost of compliance *significant*. Further complicating the issue is the rise in the number of local businesses conducting multistate commerce (that is, expanding into multiple locations outside of their original county and state), heightening their need to account for multiple rules, procedures, and tax treatments.

The U.S. Supreme Court has ruled that a remote seller without a presence in the state where a purchase is being shipped cannot be required by tax authorities to collect the tax on the transaction. The Court also indicated that Congress, which regulates interstate commerce, could mandate a collection responsibility on remote sellers without a presence in the state where the merchandise is delivered. This means that even though the seller cannot be required to collect the appropriate tax, the tax is still due, and the purchaser is liable to self-report the tax.

While some individuals report and pay the appropriate tax, most do not. Nonpayment stems from a lack of awareness of the requirement, or a belief that the taxing authorities will not discover the omission. Furthermore, only about half of the states provide a simple reporting method, such as placing a line on their state income tax return forms.

If the most important factors in selling real estate are location, location, location, then the most important factors in getting the provisions of the agreement passed are education, education, education.

The rapid expansion of remote sales, combined with the inability of taxing authorities to require remote sellers to collect tax, has caused growing concern among some governors, legislators, and taxing authorities, both over the loss of revenue and the erosion of the sales tax base. In-state and brick-and-mortar merchants are equally concerned about the expansion of remote sales and its effect on their businesses. Many feel that out-of-state sellers have a competitive advantage because they are not required to collect the tax. The remote merchants, on the other hand, feel that they are at a disadvantage due to the existing complexities of sales tax compliance, because a lack of in-state presence makes it difficult to follow tax changes. All of these positions illustrate the need for a simpler system and clearly advocate the need for more widespread use of technology solutions.

Previous Efforts

Earlier moves towards simplification have fallen short. The late 1990s National Tax Association Electronic Commerce and Telecommunications Project identified many of the shortcomings of the existing sales and use tax structure. Another national effort in the late 1990s was the Sales Tax Simplification Project, led by a committee of representatives from the American Institute of Certified Public Accountants (AICPA), Committee on State Taxation (COST, now Council on State Taxation), Institute of Professionals in Taxation (IPT), National Tax Association (NTA), Tax Executive Institute (TEI), Federation of

Tax Administrators (FTA), and Multistate Tax Commission (MTC). This joint effort identified many sales and use tax complexities and some possible solutions, and a few states changed their statutes and practices accordingly. For example, Utah enacted legislation to restrict changes in local rates and North Carolina removed its good faith requirement for the acceptance of an exemption certificate, making the purchaser liable for any additional tax with the erroneous use of a certificate. Although previous efforts did not result in enactment of significant legislation and change, they helped lay the groundwork for simplification and advance the effort forward.

The Streamlined Sales Tax Project

The modern simplification effort began in earnest in late 1999 and was formalized in March 2000 at a meeting of state taxing authorities organized by the National Governors' Association (NGA), National Conference of State Legislatures (NCSL), FTA, and MTC. The effort known as the Streamlined Sales Tax Project (SSTP) now includes representatives from over 39 states. (Five states do not have a state sales tax and the other six have chosen not to actively participate.) The project provides an opportunity for taxing authorities, tax professionals, and business and professional organization representatives to discuss and refine proposals that simplify tax administration. The project devised a set of proposals intended to simplify the administration of sales and use tax by making laws, rules, and practices simpler and more uniform across states. The project's proposals also included new technology solutions to improve tax compliance and remove burdens from sellers and other taxpayers. The technology solutions call for certification of tax application software by states and contracts with third parties to assist with the administration of the tax functions for businesses. Information on the proposals and technology solutions can be found at the project's Web site: http://www.streamlinedsalestax.org.

For the provisions of the streamlined agreement to be enacted in a majority of the states, more legislators, businesspeople, and citizens must be educated.

The project's proposals were reviewed and revised by an implementing body of 40 tax administrators, 40 legislators, and seven business delegates, who signed off on the revised proposals in November 2002, paving the way for the proposals to be considered by individual state legislatures. The National Conference of State Legislatures, one of the major supporters of the effort, endorsed the proposals in January. Over 30 states are currently drafting legislation that includes some or all of the proposed provisions.

The Need for Education

Business Community: Jointly, the business community and taxing authorities have worked to analyze the current tax structure, devise solutions, and acquaint tax professionals with the effort. Tax professionals from the retail, leasing, telecommunications, manufacturing, and technology sectors, as well as from tax accounting and consulting firms, have led this effort. In addition, business organizations such as COST, TEI, IPT, the Equipment Leasing Association (ELA), and the National Retail Federation (NRF) have provided presentations on their programs for their members to learn and discuss the effort. Although this effort has been significant, there are still thousands of merchants and other taxpayers in every state who know little about the effort. These groups, and others, will need to increase their efforts to ensure that more businesses understand the impact to their operations and can make an informed legislative decision.

Taxing Authorities: Through the project, and groups such as the FTA and MTC, tax officials in most states have a working knowledge of the effort. Many have significant knowledge, since they worked to craft the proposed provisions. Last year's gubernatorial elections ensure the appointment of many new tax commissioners. The National Governors' Association, another of the project's major sponsors, along with FTA, MTC, and project members in each state will have to continue their efforts to educate new governors and tax administrators. These individuals must be knowledgeable about the proposals when called to testify and when explaining the effect of the proposals on their state laws.

Legislators: Based on information from NCSL, about 1,750 new state legislators will take office this year. This represents the largest turnover of legislators in nearly 30 years. Most of these legislators have limited knowledge about the simplification effort and must be educated along with many of the returning legislators. As noted earlier, the implementing body that reviewed the SSTP proposals contained approximately 40 legislators from 20 states. These legislators, NCSL, and the project members must continue their efforts to inform legislators about the proposals, so they will be well-informed when casting votes.

Individuals: Most citizens do not understand the concept of use tax. Complementary to the sales tax, it is intended to tax transactions just like a sales tax, regardless of the method of purchase. States need to increase awareness about use taxes and why tax may appear on remote purchases. Easy solutions include adding information on their income tax return forms or posting it on their Web sites. Most important, states need to communicate that the use tax is not new — it has been in effect for years.

The Promise of the SSTP

The proposals in the Streamlined Sales and Use Tax Agreement hold great promise for a simpler, less burdensome sales and use tax system. They provide more uniformity and simplification and make a more effective use of technology. They also make it easier for remote merchants to begin collecting tax, which will increase the use tax compliance rate. In addition to increasing revenue for tax authorities, the agreement will bring more fairness and equality among remote and in-state sellers.

For the provisions of the streamlined agreement to be enacted in a majority of the states, more legislators, businesspeople, and citizens must be educated. This will take a concerted effort on the part of the taxing authorities, tax professionals, and professional associations to educate the decision-makers, the business community, and the public. Once passed, the agreement will lay the foundation for a simpler, more efficient system. These groups have been partnering in this effort for several years and have already accomplished what many thought was not possible three years ago. So, while the process of educating so many may seem daunting, the group's track record is a good indication of the positive changes to come. ☆

Alaska Oil and Gas Association

AOGA

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Judith M. Brady, Executive Director

May 12, 2003

Senate Finance Committee Members
House Finance Committee Members
Alaska State Legislature
State Capitol
Juneau, Alaska

Dear Committee Member:

In conjunction with this letter, the Alaska Oil and Gas Association (AOGA) is submitting detailed comments on HB 293 (Version 23-LS1064\D), which would enact a new state sales and use tax. The purpose of this letter is to draw your attention to the key points in those comments.

HB 293 must have transitional provisions.

It will come as a surprise to every Alaskan to find that all their personal property already in this state on January 1 next year will be taxed at 3% because HB 293 has no transitional provision to "grandfather" property that's already here when the tax becomes effective. There is a similar problem for services for which contracts are made before the tax takes effect.

Starting on Day 1 when the tax takes effect, people are going to need to have certificates and other paperwork in hand from the Department of Revenue (DOR) immediately, in order to qualify for the tax exemptions they are entitled to under the legislation. Of course, it will be impossible for DOR to have all the necessary paperwork processed and issued on Day 1. There needs to be a presumption that people who have filed their paperwork with DOR are assumed to have whatever it is that they applied for from DOR until DOR has had a reasonable time to process and act on their application.

DOR needs immediate legal authority to develop regulations and adopt forms to implement the sales and use tax, instead of having to wait to do these things until HB 293 becomes effective on the first of next year.

Our comments have a complete set of Transition Rules for your consideration which would take care of these and similar transitional matters.

- There are a number of technical errors in the legislation and the way it would operate.

For example, the exemption of sales for resale is flawed. It often happens that sales for resale are linked, as when a sub-subcontractor provides services to a subcontractor that is providing services to a general contractor that is providing services to the client, for example. The way the sales-for-resale exemption is currently written, the sales in such a linked series of sales for resale would be taxed. As a result, a single product or service in such a series of sales for resale would be taxed several times before it is bought by its customer or end-user. We know this is not how the sales-for-resale exemption is meant to work.

The fix that we offer for this particular problem is not hard, but the problem does need to be fixed. So do other problems like this in HB 293.

- Oil and gas operations already taxed under AS 43.55 (severance tax) and AS 43.56 (state property tax) should not be taxed again under the state sales and use tax. The State already acknowledges this principle through the exemptions from state and municipal taxes set out in AS 43.55.017 and AS 43.56.030, and it simply needs to be reconfirmed in HB 293.

  The operation of a field by the field operator apparently will be a "service" to the other partners in the field, which would subject it to tax under HB 293. So would Alyeska's operation of TAPS. In addition, everything that we buy and use for the fields or for the pipelines would be taxed. It also appears that the pipeline tariffs for shipping oil will be taxed, even though that would reduce the netback value in the field upon which state severance tax and royalties are based.

  It makes no sense to make it more expensive to operate in Alaska, and to lower the netback value of the oil and gas resources at the same time, when new oil and gas exploration and development are a cornerstone in the State's long-term fiscal plan.

  It makes no sense to tax the construction and operation of a Gas Pipeline under this sales and use tax, when the project's economics represent a major obstacle to moving forward with it.

  The petroleum industry already bears more than its fair share of the tax burden in Alaska, through the State's special property and severance taxes on its exploration, production and pipeline operations. It is unfair to tax those operations again under this sales and use tax.

The member companies in AOGA feel very strongly about these last points. But you may be surprised to find that most of AOGA's comments are concerned with making the sales and use tax work, and are not arguing against taxing our industry. It is in no one's best interests, including ours, to have Alaska enact a sales and use tax that doesn't work in a clear and reasonable fashion. AOGA's comments represent the thinking of tax professionals who want to see this tax work smoothly if it passes. Therefore, despite the length and technical detail of our comments, and despite the lateness in the legislative session, I would urge you to take the time to read and consider them carefully. Our intention is to help make HB 293 a better bill for all Alaskans.

Very truly yours,

Judith M. Brady
Executive Director

JMB:tw

cc: Gene Therriault, Senate President
Pete Kott, Speaker of the House

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COMMENTS AND RECOMMENDATIONS OF THE ALASKA OIL & GAS ASSOCATION ON HOUSE BILL NO. 293 (Proposed State Sales and Use Tax)

May 12, 2003

The Alaska Oil and Gas Association (AOGA) is an industry trade association whose 17 members account for the great majority of the oil and gas exploration, production, transportation, and refining and marketing activities in the State of Alaska. The AOGA Tax Committee has reviewed House Bill No. 293, which would enact a new state sales and use tax. The members of the AOGA Tax Committee unanimously offer the following comments and recommendations regarding this Bill. Because of the ongoing and rapid revision in the working draft for a Committee Substitute by the House Ways & Means Committee, these comments are tied to the original version of HB 293 as introduced.

1. In General. AOGA is not taking a stand one way or the other regarding the basic idea of a state sales and use tax. The question of whether such a tax should be enacted as a step toward balancing the state budget, or whether some other tax or revenue source should be used instead, is something that legislators and their constituents should discuss and decide for themselves. As the trade association for the oil and gas industry in Alaska, AOGA will only say that we encourage the State to adopt and implement in a timely manner a feasible and fair financial plan to balance the budget.

For much the same reasons AOGA has no comment about the merits of the proposed 3% rate for the sales and use tax relative to some other rate for it. This, too, is a matter for legislators and constituents to decide among themselves.

The remainder of our comments are addressed toward making the sales and use tax under HB 293 work fairly and reasonably, in recognition of the possibility that Alaskans will decide such a tax is right for Alaska. We will also address specific aspects of the tax that would directly affect AOGA members.

2. Transition Rules. HB 293 needs transitional provisions in order to avoid unintended consequences during the transition from no sales and use tax to the proposed tax. For example, the use tax under proposed AS 43.44.010(b)(3) would fall on property "acquired as the result of a transaction that was not initially subject to the sales [or use] tax … but … because of the buyer's subsequent use of the property is subject to the … tax." Such a provision may well make sense once the state sales and use tax is up and running. But what it means for the transition is that, when this proposed tax takes effect, all existing property in Alaska as of that effective date will be subject to the 3% tax. We doubt such a massive and unexpected tax on all Alaskans and businesses is the intended effect. There are similar issues regarding the taxability of services that have been contracted for (and perhaps even paid for) before the effective date, but which are performed in whole or in part after that date.

To address these transitional issues, AOGA offers the following as a new section of the Bill (to be numbered as appropriate):

* **Sec. _.** TRANSITIONAL PROVISIONS. The uncodified law of the State of Alaska is amended by adding the following provisions regarding the sales and use tax under AS 43.44 enacted by Section 1 of this Act:

(a) All property in the state immediately before the effective date of this Act shall be exempt from the sales and use tax under AS 43.44 until it is first sold (within the meaning of "sale" for purposes of AS 43.44) on or after the effective date of this Act.

(b) All property bought in the state or brought into the state before the effective date of this Act which is temporarily outside the state on the effective date of this Act shall, when it is back in the state, be exempt from the sales and use tax under AS 43.44 until it is first sold (within the meaning of "sale" for purposes of AS 43.44) on or after the effective date of this Act.

(c) All services performed in this state pursuant to a contract or other agreement made before the effective date of this Act shall be exempt from the sales and use tax under AS 43.44 even though the services are performed on or after the effective date of this Act, except that services performed under such a contract after the effective date of this Act shall become taxable under AS 43.44 beginning as of the earlier of the following:

(1) the date the contract or agreement is amended, renewed or extended, regardless of any particular date as of which the amendment, renewal or extension may be stated to take effect; for a contract or agreement that automatically renews itself periodically unless a party to it acts to prevent the renewal, it shall be deemed to be renewed for purposes of this paragraph as of the end of the contract period in which the effective date of this Act falls; and

(2) one year after the effective date of this Act.

(d) During the first year after the effective date of this Act, for purposes of any provision in AS 43.44 requiring a person to register with, have a certificate from, or obtain some other action by the Department of Revenue in order for that person to perform an act or qualify for an exemption or other status under AS 43.44,

(1) the person shall be presumed to fulfill the requirements of that provision for six months from the date when the person submits to the Department of Revenue the registration, application for the certificate, or request for action on such

forms as the Department of Revenue may require or on a form of the person's own devising if the Department has not prescribed a form for the person's situation, together which such supporting documentation and materials which the Department of Revenue may by regulation require for such a submission;

(2) if the Department of Revenue affirmatively rejects a person's submission under (1) of this subsection, or refuses to register, issue a certificate to, or take an action requested by a person in a submission made under (1) of this subsection, the presumption under (1) of this subsection shall be rebutted as of the date of that action by the Department of Revenue, and

(A) the person shall have a reasonable time (as prescribed by the Department of Revenue by regulation, but not less than 60 days) from the date of the rejection or refusal in which to cure any defect or meet any condition specified by the Department of Revenue in the rejection or refusal, and upon such a cure or fulfillment of the condition by that person, the presumption under (1) of this subsection shall be reinstated without any interruption;

(B) if the person fails to cure the defect or fulfill the conditions specified by the Department of Revenue pursuant to (A) of this paragraph, or if the Department in its rejection or refusal specifies no defect to be cured and no condition to be fulfilled, then the person shall, within a reasonable time (as prescribed by the Department of Revenue by regulation, but not less than 60 days) from the date of the rejection or refusal, take all necessary action to comply with AS 43.44 with respect to the actions taken or status claimed by the person while acting under the presumption under (1) of this subsection, except that interest under AS 43.05.225 on any unpaid taxes under AS 44.43 shall only accrue with respect to those taxes remaining unpaid at the end of the period for the person to come into compliance with AS 43.44;

(3) if the Department of Revenue fails to act on a person's submission under (1) of this subsection within six months of its submission, the presumption under (1) of this subsection shall be extended until the Department of Revenue does act on it; if the Department of Revenue then affirmatively rejects the submission or refuses to register, issue a certificate to, or take an action requested by a person in the submission, the provisions of (2) of this subsection shall apply with respect to that rejection or refusal; and

(4) if the Department of Revenue registers, grants a certificate to, or takes an action requested by a person in a submission made under (1) of this subsection, the presumption for that person under (1) of this subsection shall become conclusive with respect to the time when the presumption applies under (1) – (3) of this subsection.

3. No Double Taxation of Oil and Gas Operations. Alaska already imposes two special state taxes directly on our operations:

- the Oil and Gas Properties Production Tax (AS 43.55, the "severance tax"), which is imposed on the act of producing crude oil and natural gas from property in this state, and

- the Oil and Gas Exploration, Production and Pipeline Transportation Property Tax (AS 43.56, the "state property tax"), which is imposed on property that is used, or committed by contract for use, in oil and gas exploration, production, or transportation by pipeline within Alaska.

Both of these special taxes are very substantial monetarily. The State received $496.3 million in severance tax in FY2002 and is expected to receive $596.6 million this fiscal year and $498.1 million in FY 2004.[1] In FY2002 the petroleum industry paid $270.4 million under AS 43.56, of which $220.7 million was paid to municipalities and $49.7 million to the State.[2] The State's net receipts under that tax this fiscal year and next are projected to be $48.6 million and $48.5 million, respectively.[3] Based on the state-municipal ratio for FY2002, this implies a total tax under AS 43.56 of more than $260 million a year for this year and next.

Historically the State has recognized that, in imposing these special taxes directly on our operations, it would be inappropriate and unfair to subject those operations to a second or third tax.[4] To this end AS 43.55.017 currently provides:

> Sec. 43.55.017. Relation to other taxes. (a) Except as provided in this chapter, the taxes imposed by this chapter are in place of all taxes now imposed by the state or any of its municipalities, and neither the state nor a municipality may impose a tax upon
> (1) producing oil or gas leases;
> (2) oil or gas produced or extracted in the state;
> (3) the value of intangible drilling and exploration expenses.

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1 Source: Alaska Dept. of Revenue, *Spring 2003 State Revenue Sources Book*, p. 25, Table 11.

2 *Id.*, p. 38, Table 17.

3 *Id.*, p. 25, Table 11.

4 This principle that the payment of tax specifically targeted on the oil and gas industry is in place of other, more general taxes that would otherwise fall on it, goes back to Alaska's very first oil and gas tax legislation back in Territorial days. The original severance tax (now AS 43.55) provided in part:

> … The payment of the taxes herein imposed shall be in full, and in lieu of all ad valorem taxes now or hereafter imposed by the Territory, cities, towns, school districts, and other local government units upon any property rights attached to or inherent in the right to producing oil and/or gas, upon producing oil and/or gas leases, upon machinery, appliances and equipment used in and around any well producing oil or gas and actually used in the operation of such well, and also upon oil and gas produced in the Territory upon which gross production taxes have been paid, and upon any investment in any property hereinbefore in this paragraph mentioned or described. Any interest in the land, other than that herein enumerated, shall be assessed and taxes as other property within the taxing district in which such property is situated. It is expressly provided that the gross production tax shall not be lieu of income taxes nor excise taxes upon the sale of oil and gas products at retail.

§ 2, ch. 7, ESLA 1955.

> (b) The taxes imposed by this chapter are in place of all taxes imposed by a municipality upon oil or gas in place or nonproducing oil or gas leases or properties.
>
> (c) The taxes imposed by this chapter are not in place of the tax imposed by income taxes, franchise taxes, or taxes upon the retail sale of oil or gas products.[[5]]

AS 43.56.030 has a similar provision exempting property taxable under that tax from all municipal taxes, including "taxes on the retail sale or use of the property" beyond the first $1,000 of each sale, and "taxes one the sale or use of [natural] gas or unrefined oil[.]"

Together, these two statutes provide that the special taxes on our industry are in place of other, more general taxes that could or would otherwise tax our operations a second time. The State historically has thought, rightly, that the taxation of oil and gas is sufficiently important as to be treated as a separate policy matter, apart from the general issues of state tax policy. By specifically dealing with oil and gas taxes separately, the State frees itself to consider and decide tax policy issues for Alaskans and their businesses as a whole, without having to worry about any unexpected implications which those general policy decisions might have on the State's very large oil and gas tax revenues. This approach by the State is sound.

From industry's perspective this historical approach has also been fair. We already pay taxes to the State once through the special taxes that are imposed on our operations. It would be unfair for the State to tax those operations a second or third time through general taxes like the proposed sales and use tax.

It appears that HB 293, as currently drafted, would tax the oil and gas exploration operations, field production operations, and pipeline transportation operations in two different ways. One would be through the tax on all the property and equipment used in these various operations. The other would be through the tax on all the services that are being provided in the course of conducting these operations. Here are some illustrations of how this would occur:

- *Exploration operations*. All the seismic and geophysical work performed for the leasehold owners by geophysical companies would be taxable services. The materials and supplies used in those operations would be taxable personal property. For any exploratory well that might be drilled, the actual drilling itself would be a taxable service by the drilling company, and all the pipe used to line the well bore would be taxable property. Even the managerial functions performed by one oil

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[5] These other kinds of taxes are not preempted by our payment of severance tax because they are not directly imposed on the same operations. In other words, the severance tax is on the act of producing oil an gas, and it increases the total cost of conducting those production operations. In contrast, an income or franchise tax does not increase the costs of producing the oil and gas, but only falls on whatever profits or net income is realized as a result of those production operations and any other business activities the taxpayer may have within the state. Similarly, a tax on retail gasoline sales, for example, does not increase the cost of producing the crude oil from which that gasoline was refined.

company on behalf of other working-interest owners in directing these exploration operations on their leases appear to be taxable services provided by the operator to the other owners.

- *Production operations*. Here, too, the activities performed by the field operator to operate a field on behalf of all the owners appear to be taxable services performed by that operator for the other owners. As with exploration, the drilling of wells by drilling companies would be taxable services, and the hardware in the wells and on the surface would be taxable property. Any new production facilities for existing fields, and all production facilities for new fields, would be taxable property when they are built or installed.

- *Pipeline operations*. All material and supplies being used in the operations of TAPS and other pipelines apparently would be taxable property. Any new pipelines or additions to existing ones would also be taxable property when completed. The work of Alyeska Pipeline Service Company in operating TAPS apparently would be taxable services to the pipeline companies that actually own TAPS.

  Even the tariffs which pipeline companies charge for transporting oil through their pipelines appear to be taxable services. Proposed AS 43.44.320 (on p. 12, lines 4-6) would require all carriers "engaged in the business of intrastate or interstate transportation"[[6]] to register as retailers and pay tax under AS 43.44.010, which apparently means the tax is on the transportation "services" they provide. However, this seems to conflict with proposed AS 43.44.220 (at p. 7, line 21 – p. 8, line 2), which says the transportation of property from one point to another within Alaska "is not taxable if the … property [is] being transported in interstate or foreign commerce under a single contract" (emphasis added). Even if the latter is the rule that applies, it is unclear how it will apply to North Slope oil in light of its "under a single contract" requirement. Except for oil produced from the Prudhoe Bay Unit production facilities (which deliver the oil directly into TAPS Pump Station No. 1), all North Slope oil passes through one or more pipelines on the Slope before being delivered into TAPS. Each pipeline is a different entity from the others, and so there is a separate contract with each pipeline company to transport oil through its pipeline. Will the "single contract" requirement remove the transportation of all non-Prudhoe oil from this exemption under AS 43.44.220? An aggressive rule-maker in the Department of Revenue or an auditor on audit could certainly assert this position.[7] In fact, even for Prudhoe Bay oil shipped out of state, s/he could assert that, because the contract with TAPS does not extend to

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[6] It is not clear why carriers engaged in transporting people or goods to another country ("foreign" commerce) are not included in this.

[7] In case it seems farfetched that someone in the Department could take this position and make it stick, it is worth recalling that proposed AS 43.44.030 (at p. 2, line 23 – p. 3, line 7) would create a presumption of taxability, and similarly in the context of audits and assessments of tax deficiencies, AS 43.05.225 already on the books creates a presumption the a claim raised by a state tax auditor on audit is correct and "sufficient for all legal purposes."

the movement of that oil by the tanker carrying it from Valdez, there is not a "single contract" for the transportation of that oil and hence the transportation of that oil falls outside this exemption under AS 43.44.220.

Equally unclear is how proposed AS 43.44.160 (at p. 6, lines 1-7) — which would exempt sales-for-resale from the tax — would apply to transfers of custody and/or legal title that occur with respect to North Slope oil on its way from the field to its destination. There is a transfer of custody[8] when the oil moves from the field into the pipeline serving that field, and again each time the oil is transferred from the facilities of one pipeline into another. There is a final transfer at Valdez when the oil is loaded onto a tanker. Legal title to the oil may be transferred from one affiliate to another in the same business, at one or more of these custody-transfer locations. Proposed AS 43.44.160 would exempt the oil if, in addition to a nontaxable transaction certificate from the buyer, the buyer resells it "and the property will be subject to the sales tax[.]" If that buyer then resells the property in another sale-for-resale, it is quite possible that the first sale-for-resale would not qualify as tax-exempt in the Department of Revenue's view, because the buyer in the first sale does not resell the property in sale that is "subject to the sales tax" as required in AS 43.44.160(2). Under this view of the scope of the sale-for-resale exemption, each in-state transfer of legal title to the oil except the last one — and quite possibly each in-state transfer of custody as well[9] — would be taxable with the tax being 3% of the oil's value at that point. This means the oil could be taxed as many as four times before it leaves the state,[10] In fact, if the Department were to take the position that a transfer of custody over the oil is a different taxable "sale" from a transfer of legal title to that oil even through they happen simultaneously,[11] the number of times the oil is taxed might end up even higher.

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[8] A transfer of custody means the physical control and temporary possession of the oil, but not the ownership of it, changes hands from one person or entity to another.

[9] A "sale" of property (as opposed to a sale of services) is defined in proposed AS 43.44.900(9) (at p. 16, lines 9-10) to be "the transfer of property for consideration[.]" Since this does not define a "sale" in terms of transferring ownership or legal title to the property, one cannot rule out the possibility that this definition could be construed by the Department of Revenue to include transfers of custody as "sales" for purposes of the tax.

[10] Oil from the Alpine field, for example, has a custody transfer from the field into the Alpine Pipeline, a second custody transfer from the Alpine Pipeline into the Kuparuk Pipeline, a third custody transfer from the Kuparuk Pipeline into TAPS, and a fourth custody transfer from the TAPS Marine Terminal at Valdez onto an oil tanker.

[11] The Department, to justify such a position, could point out that the transfer of custody is from one pipeline company to another (or from the producer to the pipeline serving the field, or from TAPS to the tanker owner/operator), whereas the transfer of legal title involves different parties (e.g., from the upstream entity that produces the oil to its mid-stream oil trading and logistics affiliate). Since the parties to the two transfers are not the same, the Department could argue the transactions cannot be the same even though they occur simultaneously.

- *Natural gas development*. The tax effects with respect to TAPS and other oil pipelines in Alaska appear also to apply to the Alaskan portion of any project to develop North Slope natural gas reserves and transport that gas to market, both during construction as well as once it is put into operation.

In addition to the fairness and tax policy issues already mentioned about taxing oil and gas operations two or three or more times through the proposed sales and use tax, taxing our operations again through this tax would also harm the State's own interests, directly and indirectly. For example, taxing pipeline tariffs would simply increase those costs of transporting Alaskan oil by three percent. That will reduce the netback value of the oil in the field, upon which the State's severance tax and royalties are based. It also harms the state indirectly because the lowered netback also hits the producers' pocketbooks and makes the economics for new oil and gas developments less competitive — this is in addition to the 3% increase in field operating costs that HB 293 would also cause. Weakened competitiveness means fewer opportunities here will succeed in the internal business competition for investment capital, making fewer investments means less development, and less development means less oil and gas in the long run, which is in neither our interest nor Alaska's. Taxing the pipeline tariffs would also increase the cost of crude oil for Alaska's in-state refiners, weakening their operating economics and perhaps threatening the jobs of Alaskans whom they employ.[12]

For all these reasons, the special taxes that the oil industry already pays to the State under the severance tax and the state property tax should be in place of any new sales and use tax on our property and operations. Accordingly, AOGA recommends adding the following Bill sections to HB 293 (to be numbered as appropriate):

* **Sec. _.** AS 43.55.017 is amended to read:

Sec. 43.55.017. Relation to other taxes. (a) Except as provided in this chapter**, AS 43.20, and AS 43.56**, the taxes imposed by this chapter are in place of all taxes [NOW IMPOSED] by the state or any of its municipalities **upon**

(1) oil and gas produced in the state, including the sale, use and transfer of oil and gas;

(2) property and services used or contractually committed for use in the course of, or to support, operations to explore for, develop, and/or produce oil and gas in the state, including the sale, use and transfer of such property and services.

(b) [, AND NEITHER] **Neither** the state nor a municipality may impose a tax upon

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[12] The possibility that an in-state refinery might cut back or close its operations is not just an abstract possibility. It is worth remembering that Alaska has already seen an in-state refinery close its doors due to poor economics. The refinery built at Nikiski on the Kenai Peninsula by Standard Oil Company of California (now ChevronTexaco) in 1963 was the first refinery in Alaska after Statehood. It was permanently shut down on June 17, 1991 after nearly 28 years of operation.

(1) producing oil or gas leases;

(2) [OIL OR GAS PRODUCED OR EXTRACTED IN THE STATE;

(3)] the value of intangible drilling and exploration expenses.

(c)[(b)] The taxes imposed by this chapter are in place of all taxes imposed by a municipality upon oil or gas in place or nonproducing oil or gas leases or properties.

(d)[(c)] The taxes imposed by this chapter are not in place of the tax imposed by income taxes, franchise taxes, or taxes upon the retail sale of [OIL OR] gas **or** products **from oil or gas**.

* **Sec. _.** AS 43.56.030 is amended to read:

Sec. 43.56.030. In place of other taxes. Except for those taxes imposed under **AS 43.20 and** AS 43.55, the taxes levied or authorized under AS 43.56.-010(b) are in place of

(1) all other ad valorem taxes or other taxes imposed by a municipality on property subject to tax under this chapter or exempted from taxation by AS 43.56.020; [AND]

(2) all other taxes imposed by a municipality on or with respect to the property subject to tax under this chapter or exempted from taxation by AS 43.56.020, including, but not limited to,

(A) tax on the retail sale or use of the property except for the retail sales tax on the first $1,000 of each sale;

(B) taxes on the sale or use of gas or unrefined oil;

(C) taxes on the sale or use of services used in or associated with the property or in its maintenance or operation except for the sales tax on the first $1,000 of each sale;

(D) taxes on or measured by gross or net income from the property, including income from the exploration for, production of, or pipeline transportation of gas or unrefined oil or property; and

(E) any license, excise, fee, charge or other tax on or pertaining to the property or services **used in or associated with the property or in its maintenance or operation; and**

(3) all other taxes imposed by the state on or with respect to the property subject to tax under this chapter or exempted from taxation by AS 43.56.020, including, but not limited to,

(A) tax on the sale, use or transfer of the property;

(B) tax on the sale or use of services used in or associated with the property or in its maintenance or operation;

(C) tax on the sale or use of services provided through the use of the property; and

(D) any license, excise, fee, charge or other tax on or pertaining to the property or services used in or associated with the property, used in or associated with its maintenance or operation, or provided through the use of the property.

This concludes AOGA's comments on the major substance of HB 293 as it impacts our industry. However, in the course of examining the Bill to understand how it would operate, we have come across a number of technical matters of substance, as well as some drafting problems, that should be corrected in the Bill. These are discussed in the following portion of these comments. AOGA has not attempted to find every single drafting or technical issue, and the following list should in no way be seen as being exhaustive or comprehensive.

4. Technical and drafting issues.

On p. 1, lines 1-2, amend the Bill title to read:

> **"An Act levying and collecting a state sales and use tax; exempting from the state sales and use tax certain property subject to tax under AS 43.55 and AS 43.56 and certain associated services and operations; providing for transition rules for implementing the state sales and use tax; and providing for an effective date."**

On p. 1, lines 9 and 10, insert the words "tangible personal" immediately before the word "property" both times where it appears. This is to make subsection (b) consistent with subsection (a), which uses the phrase "tangible personal property" to describe what property is subject to tax.

On p. 1, line 11, delete the entire line and renumber the remaining paragraph in AS 43.-44.010(b) accordingly. Suppose a person owns forested land and builds a cabin from the trees on that property. Should the cabin be subject to this new use tax? We don't think so. If a person manufactured the property that s/he is using, the use of that property should not be taxable until that property is eventually sold.

On p. 2, line 2, the word "buyers" should be "buyer's" with an apostrophe before the "s".

On p. 2, line 4, insert the word "rendered" between "services" and "in this state". This is to avoid serious difficulties in dealing with services (e.g., financial accounting) rendered outside Alaska to the corporate parent of an multistate or international business or to the business as a whole. Otherwise the amount of time and effort spent arguing of whether any such services are taxable by Alaska, and if so how much, promises to exceed the amount of tax that the State would stand to collect by attempting to tax them.

On p. 2, line 28, if our proposed transition rules (or something resembling them) are adopted, then the phrase "after December 31, 2003" should be inserted between "sold" and "by any person". Note that, if the effective date for the new sales and use tax is changed from January 1, 2004, then this December 31, 2003 date should be changed so that it is the day before the tax becomes effective.

On p. 3, line 22, replace the word "person" with "seller" so there can be no argument that the person in question is the "purchaser" referred to at the beginning of the line.

On p. 3, line 27, the word "occurs" is ambiguous. A nontaxable transaction could "occur" when the parties make the agreement or contract for the transaction, or it could "occur" when the property in question is delivered to the purchaser or the services are rendered. AOGA does not have a preference between one or the other, but "occurs" should be replaced by an appropriate verb reflecting the Legislature's choice about when a transaction should be deemed to occur.

On p. 3, lines 30-31: This says only someone "registered" with the Department of Revenue and holding a valid seller's permit may execute a nontaxable transaction certificate. The practice of the federal government in other states is not to register with them nor seek any permits from them, which may reflect a federal view that the national government, as the paramount sovereign under the Supremacy Clause of the United States Constitution, does not have to comply with any state requirements. In any case, there needs to be an accommodation here in the Bill so that people can get nontaxable transaction certificates from federal agencies and officials when the latter are not registered and don't have state buyer's permits. We suggest that the phrase ", or an agency or officer of the United States," be inserted between the words "valid" and "may execute" in line 31. Because of the large military presence in Alaska, we recommend using "officer" instead of "official" in this context because "officer" includes military officers as well as civilian officials, whereas "official" is not ordinarily used to describe military officers.

On p. 4, lines 6-9: In the 21st Century, there should be an explicit provision allowing the Department of Revenue to issue, and purchasers to hold, these nontaxable transaction certificates in electronic form instead of hard copy.

On p. 4, lines 10-17: In describing what information must be included in each nontaxable transaction certificate, there is no provision for including in the certificate the date when it is issued or becomes effective.

At p. 4, line 14, a new statutory section or a new subsection to proposed AS 43.44.080 should be added to provide for direct-pay permits, which will greatly facilitate the operation of this certificate program.

On p. 4, lines 29-30, there is a potential for this language to be misconstrued. Clearly it is intended that the phrase "natural gas, water, electricity, telephone communications services, refuse collection" is modifying "utility services". However, as it is written, one could argue that it is the actual natural gas, water, electricity etc. that is being referred to, instead of utility services involving these things. To prevent this, the words "utility services for" should be inserted between "of" and "natural gas" in line 29, and the word "utility" in line 30 should be deleted.

On p. 5, line 24, the word "and" should be "or". With "and" as the conjunction, that sentence is saying "occasional sales" only occur if they are truly intermittent and, in addition, they are for fundraising purposes by a nonprofit organization. Clearly, it makes much better sense to exempt as "occasional sales" those sales which meet either condition, and to do this requires "or" as the conjunction.

On p. 6, lines 5-7: These lines contain the provisions causing the problems in the sale-for-resale exemption for property. They say the sale is tax-exempt if:

> (2) the buyer resells the property either by itself or in combination with other property in the ordinary course of business and the property will be subject to the sales tax imposed by AS 43.44.010(a).

The problem with paragraph (2) is caused by the timing mismatch between "the buyer resells" (which is in the present tense) and "the property will be subject to the sales tax" (which is in the future tense). This mismatch makes it unclear whether the buyer has to resell the property in a taxable sale in order for the first sale to be tax-exempt, or whether the buyer resells the property with the knowledge that, if it isn't taxable then, it will eventually be resold again in a taxable sale. Either way you read it, there is a problem. If the resale has to be taxable in order for the first sale to be tax-exempt, then this ignores the possibility that the first sale was the first in a series of sales for resale before the property is finally sold to the end-user or sold at retail. On the other hand, if the resale doesn't have to be taxable so long as the person reselling the property knows that it will be resold again within the state in a taxable sale, then the provision is unrealistic because a reseller cannot know for sure that such a taxable resale will actually occur. And since the reseller cannot know this for a fact, the condition in (2) would be unfulfilled and the first sale would be taxable.

The simple way to fix paragraph (2) would be to make the first sale tax-exempt if either the resale is a taxable sale or if the reseller sells the property to a buyer who delivers a nontaxable transaction certificate to the reseller. This will allow for a series of linked sales-for-resale to remain untaxed until the end of the chain when there is finally a taxable sale. Paragraph (2) should be rewritten to read as follows:

> (2) the buyer resells the property either by itself or in combination with other property in the ordinary course of business, and
>
> (A) the property when it is resold is subject to the sales tax imposed by AS 43.44.010(a); or
>
> (B) the buyer resells the property and is delivered a nontaxable transaction certificate by the person buying it in that resale.

On p. 6, lines 14-15: Here is the same problem in the context of sales of services for resale that was just addressed with sales of property for resale: the statute fails to deal adequately with the possibility that there may be a linked chain of sales for resale, as from a sub-subcontractor to a subcontractor to a general contractor to the client. As in the context with property, the solution is to allow the exemption either if the resale is taxable or if the resale is to someone who provides a nontaxable transaction certificate for that resale. Paragraph (3) should read as follows:

> (3) the subsequent sale is in the ordinary course of business and

(A) is subject to the tax imposed by AS 43.44.010(a); or

(B) is made to a person who delivers a nontaxable transaction certificate for that subsequent sale.

On p. 7, lines 18-20, the entire text should be relocated as a new statutory section (e.g., a new AS 43.44.005) at the beginning of AS 43.44 setting out the Legislature's intent about how this tax is to be administered. That way, by saying that the Legislature's intent is for the tax to be imposed on interstate and foreign commerce to the fullest extend allowed by the U.S. Constitution, the Legislature would be providing instruction to the Department of Revenue about the philosophy and approach that it is to use in implementing and enforcing this tax. But, by having it here as a substantive provision of the tax law itself, the Legislature would be making this part of the actual tax itself. The Department of Revenue is not empowered to determine where the limits of the federal Commerce Clause are, and so the only way it could carry out such a substantive provision would be to claim that everything is taxable and leave it to the courts to tell it what isn't. Clearly that's not a feasible way to run a tax. Similarly, taxpayers are entitled to know what their tax obligations are so they can fulfill them. If this stays part of the substantive tax law, it would be impossible for businesses to know whether they have complied with the tax or not without going to court.

On p. 7, line 21 – p. 8, line 2: The provisions of proposed AS 43.44.220 would exempt intrastate transportation if it an integral part of a larger movement of the property in question from Alaska to another state or country. The technical problem here is that the statute uses the concept of a "single contract" to define when the Alaskan segment is part of the larger movement. Often the in-state portion of an interstate or international shipment will involve some mode of ground transportation, and then the goods are transferred into a ship or airplane for shipment from Alaska to its ultimate destination Outside. For any number of reasons,[13] a business moving goods from Alaska to Outside is likely to set up a separate subsidiary for the interstate or international leg of that shipment. In such a case there will most likely be two contracts, one between the shipper and the subsidiary doing the intrastate portion of the shipment and the other with the subsidiary handling the interstate or international portion. The concept of a "single contract" for interstate or international shipments from Alaska is unduly narrow in the real world. It should be expanded to include all situations where the in-state and out-of-state legs of the transportation are being handled by the same business, instead of being limited to cases where a carrier has only one legal entity handling both legs and thus is able make only one contract for the shipment.

On p. 8, line 3: Before the existing proposed statutory section exempting certain sales of services to out-of-state buyers, there should be a statutory section exempting similar sales of property to out-of-state buyers. Elsewhere there are parallel provisions exempting

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[13] Such considerations could include, for example, potential conflicts between the laws of Alaska and the United States on the one hand and the laws of the country where the goods are being delivered, specific provisions of aviation law or admiralty law, tax considerations, risk management, etc.

sales of property for resale (AS 43.44.160 at p. 6, lines 1-7) and sales of services for resale (AS 43.44.170 at p. 6, lines 8-15). There is no reason not to do the same for sales to out-of-state buyers.

On p. 8, lines 9-20: These statutory provisions set out the conditions under which sales of services to out-of-state buyers will be tax-exempt. Those conditions are impossible to meet, particularly in light of the presumption in proposed AS 43.44.030 (p. 2, lines 26-27) that all sales are taxable. How will an out-of-state buyer possibly be able to prove "a negative" — that is, prove that, besides him/herself, no employee and no person "in privity"[14] with the buyer either used the service in Alaska, or received the service in Alaska, or had any office or place of business in Alaska, or was in Alaska more than briefly[15] or occasionally,[16] or had any "communication in this state"[17] relating to the service, or did anything in Alaska "related to the subject matter of the service."

Apart from the ambiguity in the meaning of these various terms that has been footnoted, the real point is that all a state auditor would have to do in order to make an out-of-state sale taxable is merely to assert that the out-of-state buyer did not meet all the conditions for exemption. The burden would then be on the buyer to prove that they were met, but it's vastly more difficult to prove that something didn't happen than it is to prove that something did. It would be impossible in most cases for the out-of-state buyer to make the requisite showing that all of these potential events never occurred. And if the buyer can't show that all of them never occurred, s/he will have failed to meet her/his burden of proof to merit the tax exemption.[18]

If the intended effect of proposed AS 43.44.230(b) will be to prevent any out-of-state buyer in actual practice from ever having a tax-exempt purchase of services, why not

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[14] In what sense is "privity" being used in the statute? Does it mean someone with whom the buyer is personally intimate or familiar, such as a spouse, child, parent or sibling? What about a best friend, or a business partner? Or does "privity" mean someone who has a contract with the buyer and is said in the common law to have "privity of contract" with the buyer? If the latter, wouldn't the person performing the services in Alaska always disqualify an out-of-state buyer of those services because of this "privity" of contract?

[15] How brief does a stay in Alaska have to be in order to be "brief"?

[16] How often can a person visit Alaska ("briefly" each time, of course) and still only be here on only an "occasional" basis?

[17] What about a phone call to someone in state placed from Outside by someone "in privity" with the buyer?

[18] The really exquisite thing about proposed AS 43.44.230 is that not only does an out-of-state buyer have to prove all these "negatives" are true at the time the sale is made, but in order to keep the tax-exemption, s/he must prove that they continue to be met throughout the time when the service is being performed. Otherwise, under subsection (c), the exemption ceases the moment the services no longer qualify. In other words, even if the buyer successfully shows that on Day 1 the deal qualified for a tax exemption, it could be lost starting on Day 2 unless s/he can prove all the "negatives" still prevailed on Day 2 as well.

come right out and say so in the statute, instead of creating a false impression that somehow there could be an exemption?

On p. 8, at line 24: Services provided by one affiliated entity to another affiliate should not be taxed. In some cases such sales of services will be exempt under the sale-for-resale exemption for services. But sometimes one affiliate provides a service to another than is not sold in turn to a third party, but that service is instead used or consumed by the affiliate to which it is provided in the course of the latter affiliate's business operations. The sales from the latter's business operations, whether of services or property, will be taxable, so it would be just as inappropriate to tax the latter kind of inter-affiliate services as it would to tax a sale of services for resale. Thus, on line 24, immediately before proposed AS 43.44.240, the following new statutory section should be inserted:

> **Sec. 43.44.235. Nontaxability – Intercorporate Services.** (a) Sales of service transactions among affiliated entities, at least one of which is a corporation, that report their income to the Internal Revenue Service on a single consolidated return for the tax year in which the transaction occurs are not taxable.
>
> (b) For purposes of this section, "affiliated entity" includes an entity that would be classified as a member of an affiliated group under 26 U.S.C. Section 1504 but for the exclusions provided by that section.
>
> (c) Services that are exempt under this section may not be purchased for resale by the providing company.
>
> (d) Tangible personal property that is transferred as an integral part of a service exempted under this section may not be purchased for resale by the providing company.

On p. 9, lines 9-23: These are provisions for obtaining seller's permits. Again, there should be explicit authority for the Department of Revenue to issue, and for people to hold, these permits in an electronic form instead of having hard copies.

On p. 12, lines 10-11: There should be explicit authority for the Department of Revenue to issue, and for people to hold, this documentation in electronic form instead of hard copy.

On p. 12, line 16: There should be explicit authority for the Department of Revenue to authorize filing tax returns on an electronic basis without having to file hard copies. Either the statute, or the Department by regulation, should prescribe standards and electronic documentation (e.g., CD or DVD) required to preserve a record of what is filed.

On p. 16, line 3, immediately following the definition of "manufacturing" there should be inserted a definition of "mining". Proposed AS 43.44.180 (p. 6, lines 16-28) would exempt certain sales to "mining or manufacturing" businesses. Having just defined the one, it is appropriate for the Bill to define the other. This is especially so since the reference to "production of [a] mineral from a mine or wellhead" on p. 6, line 27 promises to create an issue about whether "mining" includes oil and gas production. If our proposed Bill sections to amend AS 43.55.017 and AS 43.56.030 are not adopted, then "mining" should be defined to include oil and gas production since it is a similar extractive industry involving a nonrenewable resource. Conversely, of AS 43.55.017 and AS 43.56.030 are amended as we suggest, then "mining" should be defined here in the sales and use tax law to exclude oil and gas production.[19]

On p. 21, line 25: Currently this line contains the effective-date clause of HB 293. If our transition rules (or something comparable to them) are added to the Bill, then it will be necessary to make those transitional provisions effective immediately while keeping January 1, 2004 as the effective date for the substantive tax law changes. On the assumption that our proposed Bill sections amending AS 43.55.017 and AS 43.56.030 are added to HB 293 as Bill sections 5 and 6, then the transition rules would be Bill section 7. Using this assumed numbering, then the present Bill section 5 should be renumbered and amended, and a new final Bill section added, to read as follows:

> * **Sec. 8.** Sections 1 – 6 of this Act take effect January 1, 2004.
>
> * **Sec. 9.** Sections 7 – 9 of this Act take effect immediately under AS 01.10.-070(a).

Conclusion. This concludes AOGA's comments on HB 293. On behalf of AOGA and its members, we thank you for this opportunity to offer these comments and for your consideration of them. We would be pleased to answer any questions you may have or to be of assistance in any other way that we can regarding this legislation.

[19] In the event oil and gas production is excluded from the definition of "mining", it would be a mistake to delete the reference to "wellhead" on p. 6, line 27 because some substances (particularly sulfur) may be recovered from the ground in molten form and thus would come from a "well" with a "wellhead."

aML Comment
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April 30, 2003

Representative Mike Hawker
Co-Chair, House Ways and Means Committee
State Capitol
Room 434
Juneau, AK 99801

Dear Representative Hawker,

Members of the Alaska Municipal League (AML) appreciate your efforts to address the State's growing fiscal gap.

However, the AML Policy Statement reads:

> The League supports municipal control over sales and property tax. These taxes are the principle sources of local government revenue and, therefore, require local control.

Please find attached, information on the impact that a statewide sales tax will have on Alaska's communities.

Feel free to contact me if you have questions or need further information.

With best regards,

Sarah A. Gilbertson

Sarah A. Gilbertson
Policy and Program Coordinator

An example of why Sales Tax is critical to small communities that do not have the ability to effectively raise property taxes

ISSUE: If the State implements a State sales tax,

- Many municipalities will have to reduce local sales tax rates to maintain local business competitiveness; and
- Because sales taxes do not keep pace with economic growth, the State will need to increase its Sales Tax over time. Municipalities will be further dependent on the State for basic local support.
- Further, State takeover of exemptions will cost millions in local revenue and lose exemptions that are responsive to local economies

EXAMPLE: Bethel

- Due to a very low percentage of taxable property in Bethel, a 1% sales tax is approximately equivalent to a 10-mill property tax. Therefore, **it would take a 50 mill property tax to equal the revenue from Bethel's current sales tax.**
- Also, a **property tax is inequitable because it only affects the residents who own taxable property**. Many residents would not contribute to the support of public services.

Per Capita Full Values from 2001 Alaska Taxable:
Anchorage is $69,849 per capita
Fairbanks NSB is$59,899 per capita
Bethel (5,449pop.) (Assessor actual estimate is $17,000 per capita)
Unalakleet (757 pop.) is $23,536 per capita
Emmonak (804 pop.) is $8,428 per capita

2001 Bethel SALES TAX Revenue (population 5,449)

General 5%	$4,194,997
Alcohol 5%	$65,686
Bed 3% (+ 5%)	$61,960
Fish 5%	$80,450
Motor Vehicle Flat	$62,251
Gaming	$406,711
Total	**$4,875,025**

PROPERTY TAX ESTIMATE for Bethel
"Full and true" Assessed Value estimated by Assessor in "Alaska Taxable) is $186,653,400 however, per the State Assessor, his stated gut feeling is that actual taxable property based on exemptions (e.g. exemption for federally constructed housing) in most municipalities would be about 40 to50% of that, or $93,500,000. Therefore, a 10 mill property tax would yield approximately $935,000, and **a 50 mill property tax would yield about $4,675,000.**

A <u>State</u> Sales Tax is Unfair to Alaskans

Why, for example, should a family in Kotzebue <u>pay more than twice as much as a family in an urban area to support state government</u> when a child drinks a glass of milk?

A **<u>state</u>** sales tax is unfair because it is based on a percentage of the cost of goods and services. The cost of goods and services vary widely across the state. This makes a state sales tax regionally regressive due to differences in basic cost of living purchases.

For example, a family buying a gallon of milk in Kotzebue for $8.00 pays more than twice as much sales tax to support state government than a family in an urban area buying a gallon of milk for $3.50.

On the other hand, the current **<u>municipal</u>** sales tax **<u>is fair</u>** (not regionally regressive) because everyone in the taxing area faces equal costs for goods and services.

3% State Sales Tax could cost municipalities over $64 million per year

(Data from "Alaska Taxable 2001" DCED, Office of the State Assessor)

Impact Narrative:

- 88 communities depend on a general sales tax to pay for local services. 106 have either a general or special sales tax (e.g. on hotels, fish, car rentals, etc), or both. With a 3% state general sales tax **62 communities would face total sales tax rates between 6% and 10%.**
- Assuming that municipalities have set their sales tax at the highest rate acceptable to the community, and because excessive sales taxes hurt local businesses, a 3% sales tax could force communities to reduce their local sales tax rates to offset state increases. **A 3% reduction in municipal sales taxes could equal over $64 million per year loss to communities and local taxpayers.**
- Some municipalities would be unable to offset sales tax losses with higher property taxes due to local tax caps, while many others in rural areas do not have enough private property ownership to levy a property tax.

Municipality	Current Rate	With State 3%	Local 3% Revenue
Wrangell	7%	10%	$807,000
Cordova	6%	9%	$1,174,000
Kodiak	6%	9%	$3,570,000
Kotzebue	6%	9%	$1,220,000
Petersburg	6%	9%	$1,152,000
Sitka	5%	8%	$3,826,000
Juneau	5%	8%	$17,271,000
Ketchikan City*	5.5%	8.5%	$5,951,000
Bethel	5%	8%	$2,516,000
Haines City*	5.5%	8.5%	$1,033,000
Homer*	5.5%	8.5%	$2,968,000
Seward*	5%	8%	$2,197,000
Soldotna*	5%	8%	$4,827,000
Kenai*	5%	8%	$3,809,000
Seldovia*	5%/6.5%	8%/9.5%	$73,000
*Includes total City and Borough General Sales Tax Rates			
Craig	5%	8%	$786,000
Dillingham	5%	8%	$1,030,000
Aleknagik	5%	8%	$22,000
Clarks Point	5%	8%	$18,000
Hoonah	5%	8%	$211,000
Kake	5%	8%	$100,000
Klawock	5.5%	8.5%	$258,000
Kwethluk	5%	8%	$56,000
Unalakleet	5%	8%	$146,000
Skagway	4%	7%	$2,331,000
Alakanuk	4%	7%	$84,000

Hooper Bay	4%	7%	$190,000
Hydaburg	4%	7%	$75,000
Nome	4%	7%	$1,917,000
Marshall	4%	7%	$47,000
Pelican	4%	7%	$43,000
Pilot Station	4%	7%	$35,000
Port Alexander	4%	7%	$6,000
St Michael	4%	7%	$54,000
Yakutat	4%	7%	$480,000
North Pole	3%	6%	$1,219,000
Palmer	3%	6%	$2,464,000
			$63,966,000

- 3% Ambler, Brevig Mission, Chevak, Deering, Diomede, Emmonak, Fort Yukon, Galena, King Cove, Kotlik, Larsen Bay, Nenana, Noorvik, Ouzinkie, Quinhagak, St Mary's, Saint Paul, Sand Point, Savoonga, Selawik, Stebbins, Thorne Bay, Unalaska, Wainwright, Whittier,
- 2% Aniak, Buckland, Chefornak, Eek, Elim, False Pass, Kenai Peninsula Borough, Ketchikan Gateway Borough, Kiana, Kivalina, Koyuk, Manokotak, Mekoruk, Newhalen, Nightmute, Nunapitchuk, Scammom Bay, Shaktoolik, Numan Iqua, Shungnak, Togiak, Toksook Bay, Wasilla
- 1.5% Haines Borough
- 1% Tenakee Springs

Note: List and figures do not include Special Sales Taxes on beds, fish, etc.

Whitaker

P.O. Box 189
NAKNEK, ALASKA 99633

www.theborough.com

TELEPHONE
(907) 246-4224
FAX
(907) 246-6633

Bristol Bay Borough

RESOLUTION NO. 2003-07

A RESOLUTION FROM BRISTOL BAY BOROUGH OPPOSING THE STATE'S PROPOSED 3% SALES TAX.

WHEREAS, it is unfair to rural Alaska due to the geographic differentials in the cost of goods, and

WHEREAS, the cost of living in rural Alaska is already very high, especially for utilities and food and,

WHEREAS, our economic conditions have deteriorated due to several years of poor fishing seasons and,

WHEREAS, the proposed sales tax would create a severe financial hardship on our communities in rural Alaska.

NOW THEREFORE BE IT RESOLVED, the Assembly of Bristol Bay Borough urges the Legislature to vote against a 3% Sales Tax for the State of Alaska.

Passed this 5th day of May, 2003.

Mayor

ATTEST:

Betty J. Bonin
Borough Clerk

CITY OF PALMER

231 West Evergreen Avenue • Palmer, Alaska 99645
PHONE (907) 745-3271
FAX (907) 745-0930

CELEBRATING FIFTY YEARS
1951 - 2001

April 30, 2003

Co-Chairman Representative Mike Hawker
Co-Chairman Representative Whitaker
House Special Committee on Ways and Means
State Capital Building
Juneau, AK 99801-1182

Dear Representatives Hawker and Whitaker:

If adopted, H.B. 293 will enact State sales and use taxes and remove from Alaskan municipalities their historic ability to administer local sales taxes. This is a matter of deep concern for the City of Palmer due to our reliance on local sales tax revenues for a significant portion of general fund revenues.

The City of Palmer asks the Legislature to consult municipalities when the Legislature considers such measures as H.B. 293. If adopted, this legislation will have profound and almost certainly negative effects on local sales tax revenues.

It is critical the Legislature understand the primary role municipal sales taxes play in providing local revenue to support the delivery of essential city services in many Alaskan communities. In Palmer's case, sales taxes provide 55% of Palmer's general fund revenues. Other cities rely on local sales tax revenues to an equal or greater extent.

For decades, Alaska Statute Title 29 has granted municipalities broad authority to establish sales taxes and to grant exemptions to local sales tax. H.B. 293 fundamentally changes this authority to the detriment of local governments. H.B. 293 removes *local* control over what has historically been a *local* issue. H.B 293 also has the real potential, through State-mandated exemptions to local sales tax, to significantly diminish local sales tax revenues.

We recognize the need for the State to seriously examine additional sources of State revenue. However, we strongly urge the Legislature to include Alaskan municipalities in its discussions of such issues as H.B. 293, which will have significant impacts on local governments.

Sincerely,

Jim Cooper

Jim Cooper
Mayor

cc: Senator Lyda Green
Representative Carl Gatto

KING COVE
P.O. Box 37
King Cove, Alaska 99612
(907) 274-7555

FOR IMMEDIATE RELEASE

KING COVE VOTERS APPROVE LOCAL SALES TAX HIKE

BUT WORRY ARISES ABOUT PROPOSED STATE SALES TAX

KING COVE, April 30, 2003—King Cove residents in a special election Tuesday voted to increase their local sales tax from 3 percent to 4 percent.

The increase comes as this small Aleut fishing village on the tip of the Alaska Peninsula struggles for its survival.

Fifty-eight percent of local voters favored the tax increase by a vote of 47 to 34.

"I'm pleased that the residents of King Cove are willing to do their part to support this community," said King Cove City Manager Gary Hennigh. "This is really good news."

The news is tempered, however, by word that the state is considering imposing a sales tax of its own.

"This is a fear in our community," said Hennigh. "Our residents have stepped up to the plate on a community level. But an additional state sales taxes on top of the local tax would cause an unbelievable burden on our residents."

The village of King Cove has been deeply affected by a dramatic drop in salmon prices in recent years along with increased salmon fishing restrictions and groundf ·h fisheries restrictions. King Cove's entire economy is fisheries-based.

King Cove has seen severe shortfalls in the past several years. This year the community faced a $200,000 deficit.

Residents here are also struggling. Officials estimate that per capita income among residents here has fallen by 15 to 20 percent in the last several years.

The sales tax hike will bring about $100,000 annually to city coffers. The city also implemented a new fisheries business impact tax in January as a way to get out of its fiscal crunch. The new tax means Peter Pan Seafoods, which operates a seafood processing plant in King Cove, will also contribute approximately $100,000 to the budget.

The community last voted to increase its sales tax from 2 percent to 3 percent in 1999 as salmon prices began to drop. The city fish tax remains unchanged at 2 percent.

###

Contact: Gary Hennigh, City of King Cove, (907) 274-7555

CITY OF UNALAKLEET

BOX 28
UNALAKLEET, ALASKA
99684
(907) 624-3531
FAX (907) 624-3130

May 5, 2003

The Honorable Jim Whitaker
Alaska State Legislature
State Capitol Building
Juneau, Alaska 99801-1182

RE: HB 293 Sales Tax

Dear Representative Whitaker,

As I have perused HB 293 from front to back and then again, there are many concerns I have as a City Administrator for a small rural community. The bottom line is the financial impact that it will create in our community and the City's continued ability to provide the basic services that impact the quality of life for our residents.

In reading the proposed HB 293, it would be advisable to include examples of items that are taxed such as food, pull-tabs, bingo, Internet services and banking services. Since pull-tabs are currently being discussed to raise the percentage, as I read the legislation or interpret the legislation, this operation would also be subject to sales tax.

Although the filing deadline is the 20th of the month, no where does it say when the local share will be reimbursed to the community. Since we are living month to month, this is an important issue to a community to a city such as Unalakleet. Throughout Alaska, many companies have branches in various communities. With the remittance of the sales tax collected to the municipality, the State should provide to the local authorities a listing of the amount collected from each business to assure that we are receiving our rightful share. Our data will enable us in a glance to tell whether or not we are receiving the proper credit.

The current proposed legislation contains no means for the State to conduct an audit on an individual business nor is there a penalty for understating. In fact there is no penalty and interest clause or provision for delinquent sales tax remittance, whether it is a day late or a month or a year. ALL local sales tax ordinances contain these provisions.

The City of Unalakleet is a "damp" community and the importation alcoholic beverages are permitted. However, we do impose a 5% sales tax on the importation of alcoholic beverages that is collected by the seller such as the Brown Jug Liquor Warehouse in Anchorage. There are other communities in the State that also levy a sales tax on the importation of alcoholic beverages. The collection of the tax where the purchase is made outside the corporate limits needs to be addressed.

With the cost of living already high I n comparison to Fairbanks, Juneau and Anchorage, the additional 3% may seem trivial to many. It may be trivial when we travel to the lower 48 and pay the sales tax without flinching. However, in rural Alaska, we are already paying between $7.00 and $8.00 per gallon for milk that has a short shelf life when we purchase it. To add another $0.21 to $0.24 to purchase price, makes the disparity grow even further.

If Alaska had a road system that connected every community, wayside and whistlestop as is the case in the lower 48, the price of goods and services would be fairly uniform and a sales tax easier implement and regulate and be more equitable.

The issue is not if we need a sales tax, the real issue is equity. The cost of living in rural Alaska is already wide in comparison to Anchorage, Fairbanks and Juneau. The sales tax as it is written presently only widens the gap in the cost of living in rural Alaska as compared to urban Alaska. The State has survived all these years without a sales tax and haste may prove to be waste as this legislation moves forward without any thought given to implementation, equity nor the social and economic impact on those who can least afford additional costs for survival.

One final thought is that the City of Unalakleet currently levies a 5% sales tax that generates approximately $275,000.00 per year including a 5% bed tax and 5% alcohol tax.

Should you have any questions, please feel free to contact me.

Yours truly,

David L. Soulak
City Administrator

WALRUS CAPITAL OF THE WORLD
SAVOONGA, ALASKA

CITY OF SAVOONGA
P.O. BOX 40
SAVOONGA, ALASKA 99769
PHONE 984-6614

TO: Representative Whitaker

FM Mayor, City of Savoonga

DATE: May 5, 2003

RE: HB 293 STATE SALES TAX

This memo is in opposition to the proposed 3% sales tax. Our community pays a local sales tax of 3% to help generate revenues, which is primarily used for public safety. This sales tax is controlled by the local voters.

There are few jobs available in our community and the ones that are do not pay large wages. To impose an additional 3% tax on businesses in our community, would jump the sales tax up to 6%.

Our primary sales tax revenue comes from the ANICA store. Due to the high cost of freight, our prices are already at an amount few can afford. Our sales tax is already at the highest rate acceptable to our community.

CITY OF
DILLINGHAM
ALASKA

May 6, 2003

Honorable Mike Hawker and Honorable Jim Whitaker
House Special Committee on Ways and Means
State Capital
Juneau, Alaska 99801-1182

Subject: House Bill 293

Dear Co-Chairs Hawker and Whitaker,

The City of Dillingham is vehemently opposed to House Bill 293. This is a regressive tax and it will cause residents of this community to pay a disproportional amount when compared to urban residents to support state government – at the expense of small business and local government services.

As a rural community, we have little choice or opportunity to fund city services other than using a local sales tax and real property tax. There are no other valid means of support left to us given the steady and predictable elimination of state funding support and service reductions over the past decade. Very little taxable property exists in rural areas. Consequently, we depend primarily on sales taxes to fund local government services and to help us fund our schools. Over time, we have implemented increases to the local sales tax to augment funding for the Dillingham School District. Currently, we impose a six percent levy on all sales under $2000.00 within the community. The addition of this proposed three percent statewide sales tax would be burdensome on an already depressed coastal economy. HB 293 will drive residents to buy goods from the Internet, catalogs, and Seattle – bypassing local and other state merchants to save money and time. This is not a threat; it is simply a reality of the bush.

This year we are again looking at further reductions in city services and the potential elimination of others to cover the increasing costs of education. This bill, if passed, will further reduce our ability to support local services and influence our contribution to the schools. At the local level we are held accountable by our constituents for policy actions. As such, all sales tax increases have been approved by local elections through the ballot process. The statewide sales tax issue warrants similar time and input from Alaska residents.

All resource extraction and all state wealth come from the bush – not the urban centers of the state. Please consider the facts when looking for ways to support state government. Is the intent to drive business and future development out of the state?

This issue requires further public process and careful consideration. A bill of this significance introduced on the 100th day of the session seems inappropriate for its gravity.

Sincerely,

John Fulton, City Manager

141 Main Street • P.O. Box 889 • Dillingham, Alaska 99576
City Hall (907) 842-5211 • Finance Department (907) 842-5225 • Public Works (907) 842-5148 Fax (907) 842-5691
Fire Department (907) 842-2288 • Library/Museum (907) 842-3610 • Police Department (907) 842-5354 • Senior Center (907) 842-1231

FROM CITY OF DILLINGHAM (TUE) 5 6 2003 17:16/ST. 17:15/NO. 5013023035 P 2

ADOPTED AUGUST 1972

CITY of WRANGELL, ALASKA

INCORPORATED JUNE 15, 1903

BOX 531, 99929 (907) 874-2381
FAX: (907) 874-3952

April 30, 2003

Senate/House Finance Committee & House Special Committee on Ways & Means:

The City of Wrangell currently has a sales tax rate of 7% and this produces approximately $1,825,000 annually.

Currently, the City of Wrangell has a school that has been laying off employees to meet budget shortfalls and drop in school enrollment. The local hospital is in the process of coming to the City of Wrangell for help to keep the Hospital operating. The local saw mill, once our largest employer is in a bankruptcy reorganization process and needs approval from the court to reopen. The City of Wrangell is assisting the local cannery with some equipment that hopefully will keep them afloat. At the same time, the City's budget requires a solution to shortfalls equal to 16% of the City's Budget. School enrollment and population is down about 25% and we are hit with declining state help and rising insurance costs. The Citizens cannot bear the burden of a 3% Sales Tax on top of a 7% local sales tax. Likewise, a 3% cut in local sales tax, so the state could institute a state sales tax would cripple our community. If you cut out $800,000 along with the $550,000 deficit we already have, this would be equal to a 40% reduction to our General Fund Budget. This would probably close our Library, Parks, Pool, Museum, and devastate our schools, police, jail, public works, fire and other departments funded from the General Fund.

As the City of Wrangell makes the effort to rebuild our economy from the declining timber and fishing industries, we can not absorb another blow. A 3% State sales tax would drive much of the existing business we have to Seattle or the Internet. We have been listed in a Vertex, Inc. study as having the highest city-level sales tax in the nation (copy attached). We currently get complaints about this issue with a 7% sales tax. We are using reserves to loan money to Silver Bay Logging to try and keep the mill operating and at the same time have used reserves to help Wrangell Seafoods stay competitive by diversifying their fish processing procedures. These reserve funds are nearing the end and then we have no other options when they are gone.

We *strongly oppose* any State Sales Tax as a method to balancing the State budget at the expense of crippling the rural communities like Wrangell where the people in this state live and dependent on these funds for basic services.

Sincerely,

Robert S. Prunella
City Manager

ADOPTED AUGUST 1972

CITY OF WRANGELL, ALASKA

INCORPORATED JUNE 15, 1903

BOX 531, 99929 (907) 874-2381 FAX: (907) 874-3952

May 6, 2003

Senate/House Finance Committee & House Special Committee on Ways & Means:

Proposed Amendment to the State 3% Proposed Sales Tax

1. Total Sales Tax Cap of 8%
2. Vehicle Sales cap of $5000.00
3. Self Help Grants that "May Grant" up to $50.00 per capita for those cities at 6% or above.

City of Wrangell
Testimony:

Limiting the overall sales tax rate to 8%, with 3% going to the state would cost the City of Wrangell between $500,000 and $535,000 per year or approximately 16% of our current General Fund budget. The provision that "May Grant" up to $50 per capita to communities that are currently at 6% or higher would not come close to compensating The City of Wrangell for the lost Revenue. $50 per capita would generate $107,200 ($50 X 2144). The State of Alaska's history with that kind of wording does not give our City a lot of confidence. Senior Exemptions are mandated and at one time the communities were reimbursed at 100%. Today we get nothing from the State and the program costs us about $150,000 per year or 15% of total property tax revenue. This will be no different. Promise of "community self-help matching grants" are currently offered to make it acceptable for passage, but several years down the road it will not be fully funded and it will take the same path as the Senior Exemptions did.

If this amendment remains as it is written, it will essentially take 2% of Wrangell's current sales tax revenue and transfer it to the state. In addition, it limits the municipality in its ability to use sales taxes as a means to support local services. The self-help would put back about 20% of this if it is fully funded, but even with it we are losing most of the 2%. Wrangell has had a 7% Sales Tax since 1990. We have relied on that revenue and have tried to maintain our services based on this revenue. This amendment would have a larger negative impact on Wrangell than any other community. We do not think this is a fair way to balance the state budget and strongly urge the State

CITY OF WRANGELL, ALASKA

Page 2 of 2
Senate/House Finance Committee & House Special Committee on Ways & Means
House Bill #293
May 6, 2003

to rethink this amendment. Our proposal would be to cap it at 8%, but grandfather in current local sales tax levels rather then administering the "community self-help matching grants". The State could take the difference between the existing sales tax and 8%. The cap of 8%, with 7 % coming to the City and 1% to the state would be more tolerable. Alaska only has a handful of communities that have a 6 or 7% sales tax rate. The state would get 1% from Wrangell, 2% from the handful of other communities, and the full 3% from other communities. This isn't going to cost the state that much money and it will keep whole those communities that rely on these tax dollars to support local services. You may get some inequity or legal questions, but you are going to get these concerns no matter what you do.

We respectfully requested you consider either the above alternative or others that will leave communities whole and does not force communities to give portions of current sales tax revenues to the state. The "Self Help Matching Grants" is not a solution to this problem. Making these communities whole is the only solution.

Sincerely,

Jeff Jabusch
Acting City Manager

cc: Mayor Bruce E. Harding
City Council
Robert S. Prunella, City Manager

WRANGELL
Chamber of Commerce

P.O. Box 49, Wrangell, Alaska 99929 (907) 874-3901

Mat 2,2003

Senate/House Finance Committee & House Special Committee on Ways & Means:

The City of Wrangell currently has a sales tax rate of 7%. We already have the highest city-level local sales tax in the nation. Raising this 3% for state sales tax would be devastating to the community.

For the past ten years Wrangell's population has declined from 3100 to 2100.This drop in population has been a direct detriment to our schools, hospital, police force, jail, and all other city entities. If our economy in Wrangell stays the way it currently is the health care services will be diminished.

We are in the process of doing all we can to help rebuild our economy, using the cities reserve funds, which will soon be deleted, and other resources.

We strongly oppose any State Sales Tax as a method of balancing the State budget at the expense of Wrangell. We are all choosing to live and stay in our communities, doing what we can to help but there is a limit to our personal resources.

Sincerely,

Mike Kirschner

Mike Kirschner
Wrangell Chamber of Commerce President

CITY OF PORT ALEXANDER

P.O. Box 8068 Port Alexander, AK 99836-8068 907/568-2211 Fax 907/568-2207

Resolution of the City of Port Alexander, Alaska
No. 03-05

A Resolution opposing House Bill # 293 that institutes a Statewide sales tax of 3%.

WHEREAS: The City of Port Alexander already levies a 4% sales tax to help pay for services,

WHEREAS: The community of Port Alexander voted to institute a sales tax and sales tax has always been controlled by local voters.

WHEREAS: The proposed HB 293 Statewide sales tax does not provide for this process.

WHEREAS: HB 293 would take the control of sales tax out of the hands of the local government and people,

WHEREAS: HB 293 would take the control of setting exemptions out of the hands of local government and people,

WHEREAS: The City of Port Alexander is a small Southeast Alaska fishing community who has seen a large portion of it's community members income drastically reduced due to low salmon prices.

WHEREAS: HB 293 would increase our sales tax from 4% to 7% placing an over burden on our already economically impacted community,

NOW THEREFORE BE IT RESOLVED THAT: The City Council of the City of Port Alexander
(governing body)
by this resolution hereby opposes House Bill 293, the instituting of a statewide 3% sales tax.

PASSED AND APPROVED by a duly constituted quorum of the Council of Port Alexander this 5th day of May, 2003.

SIGNED: Debra Rose Gifford
Debra Rose Gifford, Mayor Pro-Tem

ATTEST: Ptarmica Garnick
Ptarmica Garnick, City Clerk

CITY OF PETERSBURG
P.O. BOX 329 · PETERSBURG, ALASKA 99833
TELEPHONE (907) 772-4511
TELECOPIER (907) 772-3759

May 6, 2003

Representative Jim Whitaker
Room 501
Alaska State Legislature
State Capital (MS3100)
Juneau, Alaska 99801-1182

RE: HB 293 State Sales Tax

Dear Representative Whitaker,

I appreciate the opportunity to make written comments on House Bill 293. A Statewide Sales Tax of 3% would devastate the operations of the City of Petersburg. If the State were to impose a 3% sales tax the City of Petersburg would surely have to reduce its local sales tax of 6% by an equal amount of 3%. I do not believe that a 9% sales tax would appeal to the tax payers in Petersburg.

A sales tax cut of three percent is equal to a $1,145,000 reduction to the City's revenues. That is 16% of our projected revenues for FY04. Sixteen percent doesn't seem like much, but it is equal to 25 employees or one-half of our effective work force. Only a few of these employees, whose jobs would be cut from the budget, would qualify to fill the new sales tax collection positions this Bill would create. The rest of the out of work employees would be on unemployment.

There are over one hundred other communities around the State that depend on local sales taxes to pay for government services. These communities, like Petersburg, have been providing for their citizens through locally generated taxes and depend on those receipts. Please consider the dire consequences of this Bill before casting your vote.

If you have any questions concerning this matter, please feel free to contact me at your convenience.

Sincerely,

Bruce R. Jones

Bruce R. Jones
City Manager

CITY OF SELDOVIA
P.O. DRAWER B * SELDOVIA, ALASKA 99663
Phone: (907) 234-7643 Fax: (907) 234-7430 Email:seldcity@xyz.net

May 5, 2003

Honorable Michael Hawker, Co-Chair
House Ways and Means Committee
Room 434, State Capitol
Juneau, AK 99801

RE: HB 293 State Sales Tax

Dear Representative Hawker:

As you know, one of the most difficult problems for any public official is to gauge the impact of proposed legislation or regulation on both private and public entities. Therefore, I must inform you that the above-referenced bill, as it is currently proposed, could cause a great hardship upon the City of Seldovia.

Seldovia is a small community, accessible only by sea or air. We are located approximately fifteen miles from Homer across the Kachemak Bay. Because we have limited opportunity, as yet, to expand our base of real estate, we had to resort to the imposition of a sales tax to maintain even essential services such as Public Safety and preservation of essential public assets such as roads. The City also underwrites the local medical clinic, which is critical in a community with no land transport.

Our concern is, if the state sales tax is imposed, the tax rate for Seldovia would be 9.5% including city, borough and state taxes. Unlike the Kenai Borough and the State of Alaska, we have no expansion of our base to compensate for even the effects of inflation. If this tax rate were to take effect, Seldovia could face a critical decision of trying to decide to lower the sales tax rate and cut critical services or risk further deterioration of a declining commercial sector. Neither choice will be healthy for the citizens of this community who are striving so hard to maintain what little they have and begin the climb back to being a more productive element in the State of Alaska.

The other concerns center around what exemptions the state would choose to employ, as these could have an equally devastating effect upon the ability of the community to meet the needs of its residents. As for administration, I have all too often seen states employing a statewide sales tax not be the most cooperative or efficient partner in the process. For a City as small as Seldovia, timing of the collection and dissemination of tax proceeds can be critical in being able to afford even the most basic of services.

I fully understand the difficulties in trying to establish efficient and equitable procedures for the collection of revenue. I am sending this information to you so that you may know how this proposal could affect our community.

Thank you very much for your time and consideration and I wish you good fortune as you attempt to reach solutions for these revenue problems.

Sincerely,

John J. Frohrip

John J. Frohrip
City Manager

CITY OF PETERSBURG
P.O. BOX 329 • PETERSBURG, ALASKA 99833
TELEPHONE (907) 772-4511
TELECOPIER (907) 772-3759

May 6, 2003

Representative Jim Whitaker
Room 501
Alaska State Legislature
State Capital (MS3100)
Juneau, Alaska 99801-1182

RE: HB 293 State Sales Tax

Dear Representative Whitaker,

I appreciate the opportunity to make written comments on House Bill 293. A Statewide Sales Tax of 3% would devastate the operations of the City of Petersburg. If the State were to impose a 3% sales tax the City of Petersburg would surely have to reduce its local sales tax of 6% by an equal amount of 3%. I do not believe that a 9% sales tax would appeal to the tax payers in Petersburg.

A sales tax cut of three percent is equal to a $1,145,000 reduction to the City's revenues. That is 16% of our projected revenues for FY04. Sixteen percent doesn't seem like much, but it is equal to 25 employees or one-half of our effective work force. Only a few of these employees, whose jobs would be cut from the budget, would qualify to fill the new sales tax collection positions this Bill would create. The rest of the out of work employees would be on unemployment.

There are over one hundred other communities around the State that depend on local sales taxes to pay for government services. These communities, like Petersburg, have been providing for their citizens through locally generated taxes and depend on those receipts. Please consider the dire consequences of this Bill before casting your vote.

If you have any questions concerning this matter, please feel free to contact me at your convenience.

Sincerely,

Bruce R. Jones

Bruce R. Jones
City Manager

CITY OF KENAI

" Oil Capital of Alaska"

21. FIDALGO AVE., SUITE 200 KENAI, ALASKA 99611-7794
TELEPHONE 907-283-7535
FAX 907-283-3014

1992

May 6, 2003

Representative Jim Whitaker
State of Alaska
State Capital, Room 501
Juneau, AK 99811

RE: ***HB 293, PROPOSING A STATE SALES TAX***

Dear Representative Whitaker:

This letter is to express the City of Kenai's concerns with HB 293, a proposed state sales tax. As a city undergoing a budget crunch ourselves, we fully understand the revenue predicament the state is in. We know you are struggling to provide adequate funding for schools, senior services, roads and public safety. However, we have some concerns regarding the proposed state sales tax.

The City of Kenai currently has a three percent sales tax and the Kenai Peninsula Borough a two percent sales tax. Kenai's sales tax provides $3 million dollars or about 40% of our General Fund revenue. Currently, our sales tax code incorporates by reference the Kenai Peninsula Borough tax code. Increasingly, this has caused problems for us as the Borough (which has a revenue surplus) increases their exemptions causing our revenue to decline and further hurting our financial picture. Because of the downturn in the economy and the closure of K-Mart, we have had to cut $550,000 (seven percent) from our General Fund budget this year. Every department in the city has suffered from cuts.

Part of our concern is the effect of adding a three percent sales tax to the existing combined City/Borough five percent, which may have an impact on sales and causing a decline in revenue. The city would be required under HB 293 to follow the state's exemptions. Currently there are no exemptions under the bill. However, it seems inevitable that some exemptions will be proposed. One of the ones we expect to be proposed is an exemption on food. Such a proposal to exempt food on the Borough level was defeated by the voters this fall. If that exemption were mandated to the city, it would mean a loss of nearly $1 million in revenue per year. We can't absorb any further revenue reductions.

Here's another example of a local impact of the state sales tax: The City has a cap of $500 on the taxable amount of one transaction. This proposal would remove that cap. Let's say a car buyer goes to Kenai to buy a new truck for $30,000. The sales tax on that transaction would be $2,400 ($30,000 x .08= $2,400). In Anchorage the sales tax would be $900 ($24,000 x .03= $900), putting the Kenai business owner at a tremendous competitive disadvantage. This scenario would equate to $1,500 the local business would have to absorb to be competitive with an Anchorage dealer. Even a state cap of $1,000 would mitigate the effect on local businesses.

We ask that when you consider HB 293, the proposed state sales tax, you also consider the potential impacts such a tax and its exemptions will have on the municipalities of Alaska.

Sincerely,

CITY OF KENAI

John J. Williams, Mayor

Linda Swarner, Council Member

Pat Porter, Council Member

John Osborne, Council Member

James C. Bookey, III, Vice Mayor

Joe Moore, Council Member

Amy Jackman, Council Member

GREATER ★ FAIRBANKS
CHAMBER
OF COMMERCE

250 Cushman St., Suite 2D, Fairbanks, AK 99701-4665
phone: (907) 452-1105, fax: (907) 456-6968
e-mail: staff@fairbankschamber.org
website: www.fairbankschamber.org

May 5, 2003

Representative Jim Whitaker
State Capitol – Rm. 501
Juneau, AK 99801

Dear Representative Whitaker:

On behalf of the Greater Fairbanks Chamber of Commerce Board of Directors, I would like to extend our support for the Morris Thompson Cultural and Visitors Center.

Morris Thompson was a long-time Chamber supporter and active Board member. His leadership is sorely missed in Interior Alaska. The proposed cultural center, appropriately named after this visionary, will enhance our community and serve as a gateway for all to experience the region's greatness.

The federal government has committed $10 million for this center. On April 22, the Board of Directors voted unanimously to support additional funding from the State of Alaska, amounting to a $5 million request over a two year period. We recognize the tough choices you have in the final days of session, but we feel this is an appropriate capital budget request that will assist many aspects of our community.

If you have any questions regarding this request, please do not hesitate to contact me at 452-1105, ext. 30.

Sincerely,

Kara Moriarty

Kara Moriarty
President/CEO

Cc: Governor Frank Murkowski
Interior Delegation

CITY OF FAIRBANKS
Steve M. Thompson, Mayor
800 CUSHMAN STREET
FAIRBANKS, ALASKA 99701-4615
OFFICE: 907-459-6793
FAX: 907-459-6787
smthompson@ci.fairbanks.ak.us

May 6, 2003

Senator Gary Stevens
Chair, Senate Affairs Committee
State Capitol, Room 417
Juneau, AK 99801-1182
By Fax to: (907) 465-3517

RE: Support for CS for Senate Bill 183

Dear Senator Stevens:

The City of Fairbanks supports any amendment to state law that gives second class boroughs the ability to use borough revenue, regardless of the source, for economic development that benefits the borough.

Today we received a fax of the Committee Substitute for Senate Bill 183, which simply adds a sub-section (c) to AS 29.35.110 to state:

"(c) Use of borough revenue for economic development that benefits the borough is not subject to (a) of this section."

This wording will accomplish a mutual goal of the City of Fairbanks and the Fairbanks North Star Borough. I am glad the population requirement has been removed from the Bill.

Thank you for your efforts and please feel free to call me if I can help in any way.

Sincerely,

Steve M. Thompson
City Mayor

Cc: Interior Delegation Members
Honorable Rhonda Boyles, Borough Mayor
City Council Members

Introduced by: Council Member Kawasaki
Council Member Cleworth
Council Member Gilbert
Council Member Thies
Council Member Boko
Date: May 5, 2003

RESOLUTION NO. 4067

A RESOLUTION OPPOSING ANY STATE WIDE SALES TAX

WHEREAS, many municipalities in the Sate of Alaska depend on sales tax to fund essential city services; the City of Fairbanks levies a sales tax on tobacco and alcohol sales, and

WHEREAS, a statewide sales tax, imposed "on top" of existing local sales taxes, would negatively impact the City and local businesses.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FAIRBANKS ALASKA, as follows:

Section 1. The City of Fairbanks opposes any state wide Alaska sales tax.

Section 2. That the effective date of this Resolution shall be the 5th day of May, 2003.

Steve M. Thompson
Steve M. Thompson, Mayor

ATTEST:

Carol Colp
Carol Colp, City Clerk

APPROVED AS TO FORM:

H Kuss
Herb P. Kuss, City Attorney

CITY OF CORDOVA, ALASKA
RESOLUTION 05-03-54

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORDOVA, ALASKA, OPPOSING A STATEWIDE SALES TAX BECAUSE IT IS INEQUITABLE AND A HARDSHIP ON THE CITIZENS AND BUSINESSES OF CORDOVA.

WHEREAS, a statewide sales tax is unfair in that the cost of goods and services vary widely across the state; and,

WHEREAS, a statewide sales tax will have a higher impact on rural Alaskan communities such as Cordova whose merchandise is already more expensive than that of Anchorage or other urban communities; and,

WHEREAS, local sales tax is a major source of revenue for Cordova, and to impose a statewide sales tax on top of the local sales tax would reduce City of Cordova's ability to collect revenues in the future; and,

WHEREAS, Cordova has a 6% general sales tax and an additional 6% special tax on hotels, bed and breakfasts, fishing operators, and car rentals; and an additional 3% would be a hardship on the citizens and businesses; and,

WHEREAS, the state sales tax program does not provide for a lot of the exemptions that are currently allowed by the City of Cordova which would impose an additional hardship on local citizens and businesses.

WHEREAS, any reduction in municipal sales tax would equate to a significant loss of revenue to Cordova, and the City Council would have to raise property taxes to offset the loss of revenue from sales tax.

NOW, THEREFORE BE IT RESOLVED THAT the City Council of the City of Cordova, Alaska, hereby opposes a statewide sales tax because it is inequitable and a hardship on the citizens and businesses of Cordova.

PASSED AND APPROVED THIS 6TH DAY OF MAY, 2003.

Timothy L. Joyce
Timothy L. Joyce, Mayor

Lila J. Koplin
Lila J. Koplin, City Clerk

McKINLEY CAPITAL MANAGEMENT, INC.

May 8, 2003

Representative Jim Whitaker
Room 501
State Capitol
Juneau, AK 99801-1182

Re: Sales Tax is Best Remedy

Dear Representative Whitaker:

Extensive polling by McKinley Capital Management during the last general election strongly suggests that by an overwhelming majority Alaskan voters support a sales tax over an income tax, if needed to balance Alaska's budget. A small sales tax is needed now.

The enclosed Anchorage Daily News article clearly points out that failure to close the fiscal gap immediately in Alaska will have severe consequences for our national bond rating, and will result in millions of additional dollars in governmental costs as our credit worthiness is downgraded within the American financial community.

Arguments AGAINST a sales tax come largely from communities that currently tax its citizens via a sales tax. What those communities often fail to point out, however, is that the TOTAL TAX BURDEN on Alaskan citizens is a combination of both sales AND property taxes.

An investigation of the TOTAL TAX BURDEN by our staff (Fall 2002) indicates that communities with sales taxes levy far fewer property taxes than do either Anchorage or Fairbanks, communities with no sales taxes.

PROPERTY TAXES LEVIED (BASED ON A $100,000 HOME)

	PROPERTY TAX (may vary outside city boundaries)	SALES TAX
Sitka	$600	5.0%
Wrangell	$1000	7.0%
Juneau	$1150	5.0%
Ketchikan	$1320	5.5%
Kenai	$1100	5.0%
Anchorage	$1800	0%
Fairbanks	$2020	0%

Communities with sales taxes could raise property taxes to levels similar to those in Anchorage or Fairbanks and do with far fewer sales tax dollars.

We at McKinley Capital Management urge you, the voting legislature, to levy a small statewide sales tax now and preserve Alaska's financial standing in global markets.

Sincerely,

Robert B. Gillam
President and
Chief Investment Officer

3301 C Street, Suite 500 • Anchorage, AK 99503
(907) 563-4488 • Fax: (907) 561-7142
Registered Investment Advisers

50 cents

Anchorage Daily News

Final Edition

Wednesday, May 7, 2003 ALASKA'S NEWSPAPER www.adn.com

State's bonding rating at risk

■ BUDGET WOES: Adviser warns state; communities oppose sales tax.

By SEAN COCKERHAM
Anchorage Daily News

JUNEAU — Local government officials attacked the proposed statewide sales tax on Tuesday, arguing it could hurt local public services and damage small-town economies.

But a message from the state's New York-based financial adviser could aid the push to get a sales tax through the Legislature. Government Finance Associates said it believes the state's bond rating will be lowered in the next few months because legislators have not moved this session toward a long-term fix for the state's huge, recurring budget shortfall.

That would likely drive up interest rates Alaska has to pay when it uses bond debt to finance public projects, the firm said. It could also raise the interest rates that local governments have to pay, therefore "raising the costs of government for Alaska citizens."

At least some Alaska lawmakers are taking the memo

See Back Page, SALES TAX

Alaska Legislature

INSIDE

■ ON THE WEB For more about the Legislature, including easy ways to contact lawmakers and track bills, visit **www.adn.com/legislature**

■ GAMING: A Senate panel passed a bill to raise the tax on pull-tab gambling.

Page B-1

SALES TAX: *Local governments oppose measure*

Continued from A-1

seriously. Copies were circulated Tuesday at the House Special Committee on Ways and Means' public hearing on the proposed 3 percent sales tax.

"I think there is a growing acceptance of the urgency of the overall problem that we face and the necessity of taking action," said Anchorage Republican Rep. Mike Hawker, the committee co-chair, who is working on the sales tax plan.

But only two weeks remain before the Legislature adjourns for the year, and putting together the technical details of a sales tax is a complex task. Also, a sales tax could be blocked by an unusual alliance of conservative anti-tax Republicans, Democrats who argue it would be unfair to poorer Alaskans, and moderate Republicans who represent communities that have a sales tax.

Alaska's major cities, Anchorage and Fairbanks, do not have a local sales tax. But almost 100 other Alaska communities do. And Tuesday, local officials from Juneau, Kodiak, Ketchikan, Soldotna, Kenai, Craig and Skagway testified against the tax.

City officials predicted a 3 percent statewide sales tax, on top of their local sales taxes, would drive shoppers more to the Internet, catalogs and the Lower 48. "This would have a significant impact on businesses," said Rod Swope, manager of the City and Borough of Juneau, which has a 5 percent sales tax.

But if they had to reduce their local sales taxes, Swope and other officials said, local services would be devastated.

Communities have offered different reasons for not wanting to shift the local tax burden over to property taxes, which fund city services in Anchorage and Fairbanks.

Some officials in the Bush, where federal and Native land often dominates, say there is not enough private property to support a shift to property taxes. Swope questioned whether voters in his town would agree to raise the local property tax cap. Kodiak city manager Linda Freed said the city mostly leaves property taxes to the Kodiak Island Borough, to help fund schools.

Local officials also complained about the possibility of losing local sales tax exemptions on things like health care and utilities. Under the state proposal, House Bill 293, local sales taxes would have the same exemptions as the state tax. Lawmakers have not decided what would be exempt from the proposed state sales tax.

The Alaska Municipal League, which represents cities and boroughs, opposes the sales tax. Last year the league advocated an income tax as a solution to the budget shortfall. This year, the league's official position is that lawmakers should find solutions other than a sales tax.

Sales tax advocates like Hawker say they are looking for ways to make it easier on the local governments. One draft amendment would set up a "community self-help matching grant program" to offset the sales tax losses, especially in small towns.

Places with high prices, where a sales tax would take more of a bite, would be eligible for more relief under the grant program.

But Hawker also said that local governments, rather than acting as a "special interest lobby," need to consider the needs of the entire state, which faces operating deficits in the hundreds of millions a year and has dwindling reserves.

The House Special Committee on Ways and Means proposed the sales tax, which would bring in about $330 million a year, and a change in how the Permanent Fund works, which — if approved by voters — could bring in hundreds of millions more to the state treasury.

The committee will hold another public hearing on the sales tax today.

Not everyone who testified Tuesday was critical. Joe Griffith, president of the public policy group Commonwealth North, praised the committee's efforts to find a solution, though he did not offer an opinion on the sales tax.

"Hopefully we can get something in place to satisfy our own needs as well as the credit agencies," Griffith said.

Senate President Gene Therriault, R-North Pole, said Tuesday he is not sure whether there are enough votes in the Senate to pass a sales tax. But the House would need to vote to pass it soon for it to have a chance this year, he said.

Therriault also said a bite into the budget shortfall as big as the sales tax might not be needed this year to safeguard the state bond rating. Budget cuts or smaller taxes or fees could suffice for now, he said.

"I think (the credit agencies) just want to see forward movement," he said.

■ Reporter Sean Cockerham can be reached at scockerham@adn.com or 1-907-586-1531.

ALASKA MINERS ASSOCIATION, INC.
3105 Arctic Blvd., #202, Anchorage, Alaska 99503 • (907) 563-9229 • FAX (907) 563-9225 • www.alaskaminers.org

May 5, 2003

Honorable Jim Whitaker
Honorable Mike Hawker
Co-Chairman
House Ways and Means Committee
Capitol Building
Juneau, AK 99801

RE: HB-293, Sales and Use Tax

Dear Representatives Whitaker and Hawker,

We have just begun review of House Bill 293 so cannot not yet provide comprehensive comments on this proposed legislation. However, **we want you to know that a sales tax is the worst form of broad-based taxation for the mining industry**.

A sales tax will increase the cost of doing business and will place Alaska minerals projects at a relative disadvantage when compared with other parts of the world. The lack of infrastructure, especially the lack of power and roads, already makes it extremely expensive to operate in Alaska. The addition of a sales tax will make it incrementally more expensive to mine and process ore here as compared to locations that do not have such a tax.

A sales tax is also the most onerous on remote operations. The cost of operating in remote Alaska is already very high and a sales tax will make it higher still. The result would be that it would be even more difficult than it is now to operate and create jobs in remote areas of the state.

In other states, provinces and countries, the employees that work and benefit from the government services help pay for those services. That connection is missing here in Alaska.

We do support a statewide per employee head tax that would be levied against the income for each and every person working in the state. This form of tax would apply equally to persons living in Alaska as well as those who do not live here. Under a statewide sales tax, persons that work in the state but do not live here will pay little if anything. We also support taxes on activity that causes the problem, such as studded tires. That tax should be levied against those persons that are causing the damage to the roads.

Thank you for the opportunity to comment on this bill.

Sincerely,

Steven C. Borell, P.E.
Executive Director

cc: House Ways and Means Committee Members

Paul Richards

From: "Richard S. Thwaites" <rst@alaska.com>
To: <paulr@alaska.net>
Cc: "Steve Noey" <snoey@noeyassociates.com>; "Jonathan Blattmachr" <jblattma@milbank.com>; "Doug Blattmachr" <aktrust@alaskatrust.com>
Sent: Thursday, May 01, 2003 2:26 PM
Subject: sales tax (HB 293)

Dear Paul,

I just noticed the recent introduction of HB 293 regarding sale tax. A quick review of that bill poses the probability of eliminating the recently developed (and developing) trust business founded on the new Alaska Trust laws which began in 1997. As you know Alaska is competing with Delaware, Nevada, Rhode Island, Utah (enacted just recently) and to a limited extent South Dakota. All of these States have copied the Alaska Statutes to some extent.

Alaska has begun to realize some direct state revenue as well as the less direct new businesses, jobs and capital deposits to several Alaskan financial institutions. We have structured the statute to attract out of state client and their wealth to Alaska by the creation of an "Alaska Trust" under the new Alaska Trust laws. With out a clear exemption this business will go to any one of the other States. Several of those have either income or sales taxes which they have expressly exempted to attract out of state revenues to their respective jurisdictions. An unclear exemption would seriously tarnish Alaska's ability to attract that business.

One element that makes "it" work for Alaska is that the trust must have its situs in Alaska. Situs is a term one could describe as its "residence". The services being provide could easily be encompassed by someone drafting regulations for the sales tax to include trust services. Currently there are at least 5 to 6 businesses that have several employees that are providing trust services to these out of state clients in addition to many client within Alaska. Those business numbers do not include the lawyers, accountants and other professionals using the Alaska Trust law in their practices.

It is essential that any statute CLEARLY exempt that growing business. Not to exempt it would chase away revenue Alaska is now just beginning to receive.

I would be happy to discuss it further as necessary.

Dick Thwaites

Subject: **Tourism Marketing Fund-ATIA Amendment to HB293 Sales Tax**
Date: Mon, 12 May 2003 19:50:19 -0800
From: Linda Anderson <lindaa@gci.net>
To: Senator Gene Therriault <senator_gene_therriault@legis.state.ak.us>, Senator Gary Wilken <senator_gary_wilken@legis.state.ak.us>, Jim Whitaker <representative_jim_whitaker@legis.state.ak.us>
CC: laurie_backus@legis.state.ak.us, shelia_petersen@legis.state.ak.us, joe_balash@legis.state.ak.us

Based on the research ATIA provided last week, we are requesting your support for an amendment to HB293 to create and fund the desperately needed "Tourism Marketing Fund" account in the general fund.

The intent of the amendment is to identify those tax revenues raised from tourism businesses to restart the state's 2nd largest economic engine, the Tourism Industry. This is certainly consistent with the Governor's recent proposal for stimulation of the economy through tax credits in other industries, i.e. the oil and gas industry in addition to $18 million in federal funds to aid the fishing industry's seafood marketing program (DCED TO ASMI).

As you know, for years the Legislature has been asking the tourism industry to come up with a plan to fund increased marketing dollars through industry taxes. It was not easy, but we were finally able to come together to unanimously agree to identify and forward the research provided to you last week. We were the first industry/organization to come forward and support the proposal in HB293. The research provided is the framework for this vital ongoing revenue stream.

Gary & Gene, so far this year, bookings in the Interior and the railbelt are down by as much as 20%. Other states are buying our potential customers. Alaska's presence in the domestic market (lower 48) is slim to none when compared to the marketing efforts of other destinations.

We need your help. I'd appreciate a moment to discuss this with you ASAP. I know your days are crazy.
My cell is 907-460-6767.

ATIAlegisdraft2.doc	**Name:** ATIAlegisdraft2.doc **Type:** WINWORD File (application/msword) **Encoding:** base64 **Download Status:** Not downloaded with message

AARP Alaska

Honorable Bill Williams, Co-Chair
House Finance Committee
Alaska Capitol, Room 515
Juneau, AK 99801-1182

Honorable John Harris, Co-Chair
House Finance Committee
Alaska Capitol. Room 507
Juneau, AK 99801-1182

May 7, 2003 RE: SB 109 (Governor Murkowski)-Support

Dear Chairs Williams and Harris:

On behalf of the AARP members in Alaska, we encourage you and your colleagues on the House Finance Committee to support SB 109, authored by the Senate Rules Committee at the request of Governor Frank Murkowski.

Health care needs and services change quickly. New developments, new procedures, new health problems create challenges for patients, for health providers and for those entities that pay for health care, including the State of Alaska.

We believe that the Department of Health and Social Services should have the flexibility to exercise its good judgement in determining service changes that are in the best interest of the State and its citizens. Commissioner Gilbertson and his staff of professionals should have the responsibility for making program and service changes. If they abuse this responsibility, we know advocates will come forward to make a counter argument.

Medicaid priority services should not be based on the "disease of the month" or standards that may be out of date.

SB 109 will put authority for making these decisions where it ought to rest, with the Department of Health and Social Services Commissioner. We are confident that the oversight of the Legislature and review by advocacy organizations will assure that no improper decisions are made.

AARP recommends an "AYE" vote on SB 109.

3601 C Street, Suite 1420 | Anchorage, AK 99503 | 907-341-2277 | 907-341-2270 fax | 1-877-434-7598 TTY
James G. Parkel, President | William D. Novelli, Executive Director and CEO | www.aarp.org

Should you have any questions about our position, please feel free to contact Marie Darlin (907-586-3637), Coordinator of the AARP Capital City Task Force, Patrick Luby, Legislative Representative (907) 762-3314 or me (907-245-5259).

Thank you for your consideration.

Sincerely,

Marguerite Stetson

Marguerite Stetson
Executive Council Member for Advocacy

CC: Vice-Chair Kevin Meyer
Representative Richard Foster
Representative Mike Hawker
Representative Mike Chenault
Representative Bill Stoltze
Representative Jim Whitaker
Representative Eric Croft
Representative Reggie Joule
Representative Carl Moses
Marie Darlin
Patrick Luby

Alaska State Medical Association

4107 Laurel Street • Anchorage, Alaska 99508 • (907) 562-0304 • (907) 561-2063 (fax)

05/01/2003

Honorable Mike Hawker
Honorable Jim Whitaker
Co-Chairs, House Ways and Means
State Capitol
Juneau, AK 99801

Re: HB 293

Dear Representatives Hawker and Representative Whitaker:

The Alaska State Medical Association represents Alaska's patients and the physicians who care for them.

ASMA urges you to exempt from sales tax medical care services provided by physicians and other licensed health care providers to patients for the treatment of an illness, injury, or condition. The reasons for doing so are many. To state the most compelling and obvious reason, a sales tax on medical services would hit the sickest residents the hardest at a time when they are least likely to be able to afford any more out of pocket costs.

Not so obvious is that a sales tax applied to medical services could cause a fundamental change in how physicians collect for their services. The envisioned administrative complexity and added cost of accounting and collection could cause physicians to cease taking assignment of health insurance benefits.

ASMA also urges you to exempt from sales tax the financial activities (including dues and contributions) of not-for-profit organizations (501 (c)). The addition of a sales tax would adversely impact the operating costs for small not-for-profits like ASMA and can be expected to adversely impact our revenue sources as well.

Thank you for your efforts in seeking solutions to Alaska's budgetary challenges. However, care must be taken in doing so. Please keep in mind the essential cannon in the practice of medicine – "First, do no harm".

Sincerely,

James J. Jordan
Executive Director

Subject: **Budget Issues**
Date: Tue, 6 May 2003 11:47:04 -0800
From: "George R. Elliott Jr." <george@starconsultingcpa.com>
Organization: Star Consulting, LLC
To: <Senator_Gary_Wilken@legis.state.ak.us>, <Representative_Jim_Whitaker@legis.state.ak.us>

Dear Senator Wilken and Representative Whitaker,

As you are both working diligently to adopt a fiscal plan for our state, I want to share my thoughts and concerns with you. The importance of this budget cannot be overstated. I sincerely appreciate your efforts in this challenging task.

Sales tax vs. income tax:

I believe an income tax is better for Alaska than a sales tax, and for several reasons. Income taxes generate tax revenue when Alaskans are successful at earning income. Sales taxes, on the contrary, place yet another burden on businesses that are trying to be successful. For one thing, sales taxes inflate the price of goods and services sold in Alaska. This inflation might cause consumers to spend their money outside of Alaska, or it might discourage consumers from discretionary spending at all.

For example, consider what might be happening with locally-owned restaurants. Their source of income is largely discretionary spending. One thing they count on every year is tourism. If a sales tax discourages tourists from coming, there won't be any sales tax revenues from these restaurants.

Also, these restaurants have already had to contend with an increase in the minimum wage from $5.65 to $7.15 for every hour worked. (My observation has been that the only employees in such restaurants that were paid $5.65 an hour were the wait staffs who were also earning tip income, effectively earning a total hourly wage of between $10 and $22.)

When wages go up, other related costs go up, such as payroll taxes, workers compensation insurance, general liability insurance, and benefits. And then there was the state tax increase on alcoholic beverages. As a result, restaurant prices will have to go up, even without a sales tax. In a slow economy, discretionary spending slows if prices remain constant. If prices go up, discretionary spending might dry up entirely. And we are considering a sales tax on top of all this?

Anything we can do to keep prices lower will encourage residents and tourists to spend their money here in Fairbanks. If we have to tax, let's tax after Alaskans have made money here, not before. Plus, an income tax will capture revenue from out of state workers who earn money here but send it home to the lower 48..

Longevity Bonus:

Kill it now. It's unfair, if not unconstitutional, to have two classes of citizens, based solely on the date they turned 65 or moved to Alaska. If all our seniors are not eligible for it, then none should be. If we are concerned that these seniors are financially needy, we can replaced the Longevity Bonus with a needs-based program for seniors, open to all Alaskans regardless of when they turned 65 or when they moved to Alaska.

Funding for education:

There is a great deal of activity going on in our educational institutions that seems to be off-subject. Last year, while serving on jury duty, I listened to a UAF department head testify that he earned $90,000 a year for the fall and spring semesters. His department operated in the summer months only if they secured grant funding for research. Without grant funding for research, he'd have to take the summer months off, without any pay over the $90,000. So he had to solicit funding for research projects so that he had summer employment.

This raises several questions. How much of his time during the school year, time for which he's compensated by UAF, was spent writing and pitching grant proposals? Did any of this research provide any benefit to people other than those getting paid to do the research? How much state money, in grants and other forms, is spent on this kind of busy-work research?

On another education issue: any school entity (e.g., UAF or School District) that paid for the "slam poetry artists" that "performed" at UAF and within Fairbanks North Star Borough School District schools (within the last two weeks or so) should lose funding equal to the amount they spent on that activity. I know that UAF sold tickets for a concert, but I doubt ticket sales covered all the costs. The content was crude at best. There was no art value, other than perhaps to show students that anyone can get paid if they come up with a convincing approach.

Our education dollars can and should be spent addressing issues such as how to keep students from getting as far as high school without elementary skills. Some people refer to this as teaching to pass a test, but I disagree. A great number of students are not mastering the fundamentals. I have talked to several elementary school teachers. They say that school district policy prevents them from holding students back, so they pass them on to the next grade.

Capital projects:

Why do we need a Morris Thompson Center and a new scoreboard at the Carlson Center? I've heard of the Morris Thompson project. I have much respect for the late Morris Thompson, but I have yet to hear justification for this project in his name. As to the scoreboard at the Carlson Center, a million dollars would be better spent if we can find ways to better utilize the facility. It sits empty much of the time, and a new scoreboard is not going to fix that.

I apologize for the length of this letter. I realize your staffs and you are very busy working on a plan, and I appreciate all your efforts. I think it's time for all our publicly funded entities to take a hard look at their mission, and the tasks that directly support that mission. They should then reduce or eliminate activities that do not directly contribute to mission accomplishment.

Thank you for your hard work.

Sincerely,

George R. Elliott Jr., CPA

422 Glacier Avenue

Fairbanks, AK 99701-3723

(907) 456-6856

george@starconsultingcpa.com

www.starconsultingcpa.com

Subject: **HB 298, HJR 26, HB 293**
Date: Tue, 06 May 2003 09:12:55 -0900
From: Mary Griswold <mgrt@xyz.net>
To: Representative_Jim_Whitaker@legis.state.ak.us

HB 298, HB 293 and HJR 26 5/6/03

I am very pleased HJR 26 relating to a constitutional amendment establishing a 5 POMV payout limit is working its way through the committee process in both the House and Senate. I am also pleased you are addressing changes to the statutes to accommodate 5 POMV with HB 298.

I strongly encourage you to change two small numbers in this bill. On page 3, line 4, Section 3 amending AS 37.13 to add a new section, AS 37.13.143, please change the 60 percent to 20 percent and the 40 percent to 80 percent. As I commented at previous committee meetings, 80% for dividends would provide a pool of money comparable to what is currently available under the income-based distribution. This would also provide about $250 million for government without tapping the dividend program. Coupled with $300 million from a broad-based tax, we would have $550 toward bridging the fiscal gap. A full dividend check combined with state-wide taxes would favor Alaskans while spreading the burden across more people using our services, including tourists and out-of state workers. I prefer a state income tax based on a percentage of the federal tax because the sales tax is better left for local governments. Adding a statewide sales tax may make local goods uncompetitive with catalog purchases, and state exemptions may eliminate significant revenue that local governments now count on. However, we may need both taxes to balance the books.

My conversations with people of many political and fiscal persuasions convince me that a constitutional amendment establishing 5 POMV will not succeed if it threatens the dividend program. Perhaps you have a different impression. I urge you to find out from the voters now or during the interim, which of three POMV alternatives they would prefer: a smaller dividend with a state-wide sales tax, a smaller dividend with a state-wide income tax, or a full dividend with a larger tax bite, whether it be an income tax or sales tax or both.

It is important to find a workable fiscal plan before the 2004 general election.

Thank you.
Mary Griswold P.O. Box 1417 Homer 99603

ANCHORAGE CHAMBER
of COMMERCE

April 25, 2003

Dear Alaska Senator and/or Representative,

The Anchorage Chamber of Commerce Board of Directors recognizes the need for a sound State fiscal plan and also realizes the awesome responsibilities that elected officials have on behalf of constituents. The Board further recognizes that the development of a strong fiscal plan should not be delayed.

The Anchorage Chamber Board of Directors strongly encourages and supports you, as an elected official, using the elements outlined in the following resolution, in the order provided, and request that you work with the other elected officials to take action this year.

The Anchorage Chamber Board feels that failure to act this year will be a great disappointment to constituents and most importantly, will also severely jeopardize our state's well-being.

The people of Alaska depend on your timely action.

George Vakalis
2002-03 Anchorage Chamber of Commerce Board Chair

cc:
Members of the Anchorage Chamber of Commerce
Governor Murkowski
Lt. Governor Leman

Anchorage Mayor George Wuerch
Anchorage Assembly
Alaska State Chamber of Commerce
Local Alaska Chambers of Commerce
Statewide Media

Subject: **Alaska State Sales Tax**
Date: Mon, 5 May 2003 07:49:00 -0800
From: "Loren" <lmdougl@alaska.net>
To: <Senator_Scott_Ogan@legis.state.ak.us>
CC: <Representative_Mike_Hawker@legis.state.ak.us>, <Representative_Jim_Whitaker@legis.state.ak.us>, <pdobbyn@adn.com>

<?xml:namespace prefix = st1 ns = "urn:schemas-microsoft-com:office:smarttags" />May 4, 2003<?xml:namespace prefix = o ns = "urn:schemas-microsoft-com:office:office" />

Re: Sales Tax Legislation

Senator Scott Ogan,

Senator_Scott_Ogan@legis.state.ak.us

Dear Senator,

I have been a resident of Alaska for 35 years, and would like to be able to stay and finish my retirement.

This memo is in regard the proposed sales tax legislation.

If the State needs more income rather that less spending, I feel that the sales tax is the least objectionable. This way, all the residents of the State and all of the Tourists could participate in the attempt to correct the predicted short fail.

However, there should be some exceptions to the tax. Specifically, no taxes on food, medical services or prescriptions. Also there should be a cap on big ticket items like automobiles, and real estate.

Please advise your comments concerning the above items, and the action you intend to pursue.

Thank you for your response.

This memo is being copied to the following for their comments:

Representative_Mike_Hawker@legis.state.ak.us

Representative_Jim_Whitaker@legis.state.ak.us

pdobbyn@adn.com

Loren L. & Marian V. Douglas

P. O. Box 670149

Chugiak, AK 99567

Ph: 907-688-0151

Fax: 907-688-0156

E-mail: lmdougl@alaska.net

Subject: **YEAH!**
Date: Fri, 2 May 2003 09:02:57 -0800
From: "Coleen Turner" <cturner@rcpcfairbanks.org>
To: "Senator Ralph Seekins" <Senator_Ralph_Seekins@legis.state.ak.us>,
"John Coghill" <Representative_John_Coghill@legis.state.ak.us>,
"Rep. Bud Fate" <Representative_Hugh_Fate@legis.state.ak.us>,
"Represenative David Guttenberg" <Representative_David_Guttenberg@legis.state.ak.us>,
"Representative Carl Morgan" <Representative_Carl_Morgan@legis.state.ak.us>,
"Representative Jim Holm" <Representative_Jim_Holm@legis.state.ak.us>,
"Representative Jim Whitaker" <Representative_Jim_Whitaker@legis.state.ak.us>,
"Representative John Harris" <Representative_John_Harris@legis.state.ak.us>,
"Senator Gary Wilken" <Senator_Gary_Wilken@legis.state.ak.us>,
"Senator Gene Therriault" <Senator_Gene_Therriault@legis.state.ak.us>,
"Senator Georgianna Lincoln" <Senator_Georgianna_Lincoln@legis.state.ak.us>
CC: <Representative_Mike_Hawker@legis.state.ak.us>

I was very delighted to see that Rep. Hawker and Rep. Whitaker are leading the charge on some sort of revenue plan. I fully support their efforts to institute a sales tax. I am especially supportive of a tax shared by all whether you live here or are just visiting or are an itinerant worker. Good luck in your efforts to get this passed!

Resource Center for Parents and Children

Coleen Turner, ED

1401 Kellum Street

Fairbanks, AK 99701

(907) 456-2866 x107

(907) 451-8125 fax

www.rcpcfairbanks.org

Subject: Permanent fund, Budget cuts, Cremo plan, Sales tax
Date: 03 May 2003 21:05:57 -0800
From: Don Anderson <don.anderson@softwarenorth.com>
To: Jim Whitaker <Representative_Jim_Whitaker@legis.state.ak.us>

Representative Whitaker,

Using all the Permanent Fund earnings to fund state government may no longer be politically possible since the PFD has become such an entrenched entitlement. Under these circumstances I hope you will focus on:

1) Minimizing state operating expenses as much as possible. Funding the longevity bonus, power cost equalization schemes, the arts council, and low population schools I take as evidence that serious cost cutting has not taken place. Any program that was not in existence before 1968 should face a very high standard of proof that it must continue to exist. While the money was flowing we could afford a lot of non-essential programs, we now need to move back to a state that focuses on a few very basic programs. Taxing to keep the current programs operating will deprive the state of the incentives and growth it needs to have a prosperous future.

2) Oil income will probably continue to decline as well as fluctuate wildly. The picture this year is quite good but we cannot expect to have such good fortune every year. Roger Cremo has for many years proposed a well-developed plan that, if embedded in our constitution, will provide the state with a sustainable stream of revenue through periods of high and low oil prices. Since it provides for an annual percentage withdrawal as recommended by the Permanent Fund trustees (and many endowment funds) it has the capability of stabilizing the PFD and/or providing a predictable source to fund state government. Mr. Cremo has prepared well thought-out transition plans and has investigated a large number of natural resource price scenarios. His plan needs to be considered and placed on the 2004 ballot now so a thorough discussion can be carried out across the state..

3) Enact a low-rate broad-based retail sales tax to cover that portion of the state budget that cannot be covered by items 1 or 2.

Best wishes for a productive windup to the session!

Donald N. Anderson

don.anderson@SoftwareNorth.com
(907) 561-4412 / (800) 228-3846

Subject: **<<< State Sales Tax >>>**
Date: Sat, 26 Apr 2003 06:22:27 -0800 (Alaskan Daylight Time)
From: "Gary L. Mastolier" <glm@xyz.net>
To: <Representative_Jim_Whitaker@legis.state.ak.us>

Representative Whitaker

I urge you to support a year-round state sales tax.

1 -- It is the fairest tax in the land. Unlike an income tax which penalizes for earning a living it is a tax that is optional. One has the option to buy or not buy.

2 -- Make it a year-round tax to keep business on an even keel. As a seasonal tax it will cause confusion with businesses and will cause business to drop just before the tax ends at the end of the season as people will wait to purchase until the tax goes away.

3 -- As a past business man who saw the surprise on out-of-stater's faces when they learned there is no sales tax I know they will not stop buying in this state as they are used to it in their home states. I have even had many tourists express pleasure at no sales tax while saying "this is good for us but dumb for your state."

4 -- Keep our Permanent Fund Dividend in place. With a sales tax Alaskan's will still support the state by paying a sales tax on what they desire to purchase with that dividend money.

Gary L. Mastolier
Homer, Alaska
(907) 235-5134

Tim McKay
Fox General Store
2226 Old Steese Hwy.
Fairbanks, AK 99712

5/8/03

Honorable Legislator,

I am not against fair and reasonable taxes, but as a small business owner in Fox, I feel the legislature has not helped me. The State of Alaska forces me to be their tax collector. I collect cigarette tax, fuel and liquor tax for the state, and now you want to impose a sales tax. Do you realize that the insurance I pay on the store is based on the amount of money I have in the store? A good percentage of the money I handle is the government's.

The services that my taxes pay for include the police force. When the store gets a bad check, they tell me to take a flying leap. In other states, the police help the businesses collect on these bad checks. We were robbed at gunpoint twice within 4 months. The police had less than stellar results. Yet part of the taxes I pay, pay them. Don't tell me we are short handed on the police force, they just don't give a poop!

I am tired of being a tax collector with no recourse. In the old days, a tax collector could carry a big ax, now I can barely ask the people who bounce checks to make them good without risking a lawsuit.

My property taxes are plenty high enough now. There has to be some fiscal responsibility by the state. Cut some of the out of control spending by the University and schools. There are way too many administrators and counselors.

I strongly urge you to make some sensible budget cuts and do more to encourage economic growth before adding more taxes.

I am a proud citizen and I vote in every election.

Tim McKay

Tim McKay
Fox General Store

May 5, 2003

To: Representative Jim Whitaker, Co-Chair
House Ways and Means Committee
Alaska State Legislature
FAX: 465-2070

From: John Holmquist, Dealer
Evergreen Ford Lincoln Mercury Volkswagen
8895 Mallard Street
Juneau, Alaska 99801
Phone: 790-1301
FAX: 789-4692

Re: My concern over the negative fiscal effects of HB 293.

Dear Representative Whitaker:

As a life-long Juneauite, a local businessman and a long time taxpayer, I want to express my concern over the negative effects that I believe would result from the passing of HB 293.

1. My wife and I own Evergreen Motors, Inc., a multi-franchised automobile dealership in Juneau. The City & Borough of Juneau currently imposes a 5% sales tax on retail merchandise. However, the CBJ has placed a ceiling of $7,500.00 when calculating sales tax on large single item purchases such as automobiles. The net effect is a maximum sales tax of $375.00 per new vehicle sold in the City & Borough of Juneau..

   As a result this has allowed the local Juneau automobile dealers to be competitive when dealing with customers who might otherwise choose to purchase their new vehicle in Washington State, which has chosen to waive their state sales tax to entice Alaskans to purchase from them. The cost for transportation of a new vehicle from Seattle to Juneau is appx. $600.00.

   If the state imposes an additional 3% sales tax, a new car customer purchasing a $30,000.00 vehicle would be required to pay a total of $1,275.00 in state and local taxes and we will have lost our competitive edge with out of state automobile dealers eager to sell to Alaskans.

2. I strongly believe that this is an unfair tax that is being proposed. I am aware that both Anchorage and Fairbanks have not chosen to subsidize their local government revenue through the imposition of a local sales tax, however they are our two largest cities with a substantially larger property tax base to offset their expenses. Smaller cities just don't have as many options to offset local costs and local sales tax has for many years provided a source of revenue to fund local projects such as schools, sports facilities and other needed municipal improvements. If this bill is passed, Juneau will be facing a combined sales tax of 8%, with little possibility for the future funding needed to maintain our community and quality of life.

I urge you not to pass this bill from committee. There has to be better ways to fund the state's deficit than by reducing our ability to maintain and improve our communities. The bill if passed will, I believe, have a negative affect on our local businesses, thereby providing less sales tax income to the municipality.

Thank you for your consideration, I am

Sincerely,

John Holmquist

Copy: Representative Hawker,/Representative Weyhrauch

May 5, 2003

Representative Peggy Wilson: Fax 907 465 3175
Representative Jim Whittiker: Fax 907 465 2070
Alaska Municipal League: Fax 907 463 5480

House Ways and Means Committee members:

I do not believe any knowledgeable economist would agree that a statewide sales tax is a uniform or equitable taxation policy for the State of Alaska.

Surely, you have heard the arguments about regressitivity, and how a statewide tax with variation in transportation costs and average income levels places greater burden on citizens based more on latitude than ability to pay. This is what my demonstration about a quart of milk was all about. Physical and economic diversity of Alaska causes an element of severe regressitivity in the statewide sales tax application.

Having spent 25 years, wither as a municipal or elected official concerned with local government taxation and revenue policy, I cannot over emphasize the importance of sales tax control at the local level. Following are some examples of how local policy has been used:

1. Cordova: early nineties, failure of the Prince William Sound pink run after the oil spill. Solution: local economic relief by adopting a seasonal sales tax to aid winter residents.

2. Wrangell: mid nineties mill closure and loss of about 300 jobs. Solution: suspension of sales tax on food to aid a displaced workforce.

3. Others use local sales tax policy to aid the elderly either by exempting Senior Citizens entirely or by exempting medical and pharmaceutical care entirely.

4. Many communities have used surcharge sales tax increments to finance local capital projects.

These actions are not without cost to the local revenue stream, but when used to alleviate specific economic events as in the first two examples it provides economic relief that the state has not been willing to provide. Local flexibility in administration of sales tax is something that should be maintained.

The importance of sales tax to local communities should be apparent. Piggy backing a state general sales tax which is neither uniform nor equitable among citizens of the state is not the answer, however, there is a sales/excise tax that is not taxed locally, and occurs at a level of trade at which money is available for payment of the tax. This is a real estate transfer tax or "revenue stamp tax" as it is known in other states. It is an ad-valorem tax thus recognizing various community economic conditions. It is a "closing cost" at sale and can be IRS deductible, it is on high value transactions that to date are untaxed, it can be strictly administered through the district recorders system, and it will likely be opposed only by realtors and some bankers rather than the voters of 96 Alaskan municipalities that depend on sales tax.

If any have questions, I will be happy to discuss them. I'm at 907 874-2914 in Wrangell.

Thank You.

Gary A. Lewis
Vice Mayor, City of Wrangell
Retired Assessor, MSB, NSB

465-2070

Alaska State Legislature

Please enter into the record my testimony to the House Ways & Means
Committee Name

Committee on HB 293, dated May 4, 2003
Bill/Subject

I oppose a state sales tax. This burdens the poorest of our people. I cannot support any tax increase unless we can be assured the communities with the most need - i.e. water & sewer, get a fair share of the funding.

Signed Roberta Moto
Testifier

Representing (Optional)

PO Box 89 Deering AK 99736
Address

(907) 363-2138
Phone Number

May 5, 2003

Representative Jim Whitaker, Co-Chair
Representative Mike Hawker, Co-Chair
And Members of
The House Ways and Means Committee

Re: HB 293 State Sales Tax

Dear Representative Whitaker, Representative Hawker and Committee Members,

First, I commend you for the courage to bring this bill forward as a substantial funding mechanism for the State of Alaska. I believe a thorough discussion will be appropriate.

And there in lies my great concern. I believe the bill is moving much too fast, has too much implications statewide to endeavor to vote in a sales tax in two weeks time, let alone implement in January of 2004.

There are many, many questions to be answered and discussed. Among them:

> What will the timeline be for cash flow for municipalities who already have a sales tax in place?
> What is the true cost to the state for this new program?
> What is the impact to those municipalities who have a tax in place, with exemptions that would be lost?
> How much revenue will they lose?

As a member of the Kenai Peninsula Borough Assembly, representing District 9, the southern Peninsula sans City of Homer, I am acutely aware of how the bill in its current form would impact my communities and the borough.

At this time the Kenai Peninsula Borough has a cap of $500.00 maximum per purchase to be taxed. That has protected particularly large ticket items. If that cap is removed I could envision that the public would happily motor a couple hours to Anchorage to save $2000.00 on a vehicle purchase, for instance.

That is only one of the exemptions we extend on the Kenai Peninsula that would be lost. The Peninsula has spent many, many years developing the exemptions that best suit us and our needs. Exemptions alone need careful consideration and review for impacts to communities and the state.

This bill needs long term discussion and molding. There is no reason it has to be implemented next January. In reality we have one more year. Please, slow down this process and craft a bill that will honorably serve our state.

Thank you.

Very sincerely,

Milli Martin

Milli Martin
P.O. Box 2652
Homer, Alaska 99603
907-235-6652
cell: 907-399-7752
email: millimom@xyz.net

BY FAX TO:

APRIL 8, 2003

HB 293 AND IT'S ILK

FAX TO: Representative
Jim Whitaker 465 2070

DEAR LEGISLATORS:

YOUR INDUSTRY, INTEGRITY, AND HONEST EFFORTS TO SEEK A SOLUTION TO THE FISCAL PERIL THAT HAS BEEN CONFRONTING ALASKANS AND THEIR WELL-LOVED STATE FOR YEARS DURING THE PRESENT SESSIONHAS BEEN OUTSTANDING SO FAR--BUT:

ITIS PAST TIME TO FIND THE INDIVIDUAL AND PARTY COURAGE TO SPEAK UP AS THE COURAGEOUS LITTLE BOY DID IN THE OLD FABLE AND SAY "THE EMPORER HAS NO CLOTHES!"

DISESTABLISHING THE DIVERSE, DIFFUSE, AND SELF SUSTAINING ECONOMIC LIFE OF VAST PARTS OF OUR STATE IN FAVOR CREATING SUCH A PARADISE FOR AN ARMY OF NEW BUREAUCRATS THAT JUNEAU MIGHT HAVE TO FILL IN IT'S WATERFRONT TO GAIN THE LAND TO OFFICE AND HOUSE THE INVESTIGATORS, AUDITORS, COLLECTORS, ENFORCERS, ADMINISTRATORS, AND ANCILLARY TECHNICIANS, CLERKS, AND OTHER STAFF TO TAKE OVER AND CENTRALIZE THE MANY, MANY FUNCTIONS LONG PERFORMED BY MUNICIPALITIES AND BOROUGHS IN SUPPORT OF THEIR ESSENTIAL LOCAL SERVICES-SOUNDS LIKE THE ANTITHESIS OF REPUBLICAN POLITICAL PHILOSOPHY OF LESS GOVERNMENT!

FROM STATEHOOD AND THE RATIFICATION OF OUR TREASURED STATE CONSTITUTION, THE STATE OF ALASKA HAS--TO NOW--LEFT TO LOCAL GOVERNMENT THOSE POWERS TO RAISE LOCAL REVENUE AND TO MAKE LOCAL DECISIONS TO FIT THEIR CIRCUMSTANCES AS TO EXEMPTIONS, RATES, AND CAPS. COLLECTION AND ENFORCEMENT AT THE LOCAL LEVEL WITH INTIMATE KNOWLEDGE OF LOCAL BUSINESS AND DIVERSE CIRCUMSTANCES HAS BEEN AND REMAINS AN INTEGRAL PART OF THE DECISIONS MADE BY THE CITIZENS OF THE COMMUNITIES AND THEIR ELECTED LOCAL REPRESENTATIVE BODIES.

FROM 1948 TO THE 1980's STATE GOVERNMENT IN ALASKA USED A REASONABLE GRADUATED INCOME TAX TO SUSTAIN STATE SERVICES. IT IS PAST TIME FOR THE VERY HARD-WORKING SPECIAL COMMITTEE OF THE HOUSE ON WAYS AND MEANS TO PUT IT'S TIME AND POWER TO MAKE AN HONEST EFFORT TO GATHER GOOD DATA ON THE TIMETABLE TO PUT SUCH A TAX INTO EFFECT, THE COST TO THE STATE OF DOING JUST THAT EFFECTIVE JANUARY 1, 2004, AND THE BENEFIT TO THE STATE OF SUCH A MEANS OF STABLIZING THE FISCAL POLICIES AND REVENUE STREAM WHICH PAY FOR APPROPRIATIONS FROM THE GENERAL FUND. LEGISLATORS HAVE SHOWN THEY CAN AND DO RESIST SPENDING WILDLY BY ALL THE MANY CUTS MADE OVER SEVERAL SESSINS. LET'S NOT LOOSE THAT BY CREATING A VAST NEW ADJUNCT TO STATE GOVERNMENT.

cc: Governor Frank Murkowski
Alaska Municipal League
AARP & Alaska Pioneers
Elders Council & AFN
Correspondents

from: E.M. Casey, an Old Voter
8480 Jewel Lake, Anch. 99502
(907)243 8530

May 7, 2003

To: Ways and Means Committee

Regarding HB 293

On HB 293 State Sales Tax Bill means you are forcing people to leave Alaska.
No one can afford to stay here as long as we have DOUBLE taxation in some cities in AK. If you have a state sales tax you MUST adopt a bill to not allow a city tax in the cities that have one like us. We have a 6% city sales tax. Also the states that have a state tax do NOT tax food. Have you thought of that? I would like to be kept up to date on this.

Sincerely,
Lorna-Lee Arndt
P.O. Box 2069
Kodiak, AK 99615
(907) 487-5320 X210 Days

Subject: **Taxes**
Date: Fri, 02 May 2003 08:14:48 -0800
From: Fredrick Morrison <fsm222@hotmail.com>
To: <Representative_Jim_Whitaker@legis.state.ak.us>

Why cant we cut more than 30 million from a 2+ BILLION state budget instead of taxing the hell out of the people that can least afford it. If your going to represent the people, you need to stand for smaller government, less taxes and more growth. The only thing that is going to happen with more taxes is government will get bigger and less efficient. If you are going to insist on raising revenues, why don't you cut two dollars from the budget for every one in new revenue that you bring in. Why should the burden be placed on the people of Alaska when companies like Kenross take millions of dollars in gold out of our land and the profit goes to Toronto. Why cant we collect a cut from the gold taken out of the ground instead of profit the company says it makes. Why give their accountants a chance to work the books over on us?

Mr. Whitaker the democrats are supposed to be tax and spend, not the republicans. Be a man and do what is needed. Be a leader and make the cuts to the budget, don't continue to feed that fire that is our out of control state government. Represent your party and the people that elected you. Make good on the message of the republican party, cut the fat from the budget. It won't be the most popular thing, but it will be the best thing for Alaska.

Again, like I wrote previously. To show you that I put my money where my mouth is...
I am one of the 191 people that the school district used to stir up all this outcry about the cuts to the education budget. The fact is that there is a great deal of waste in the schools. Cutting the schools funding may put me out of a job. But I say do it, and do it now. I say cut more than the governor proposed because we need something to knock us back to reality. We cant continue to spend money the way we have in this state. I say cut the budget, I might loose my job, but I'm willing to risk that possibility for the future of my state.

Respectfully,
Fredrick Morrison

Fairbanks, AK
907-456-7816

Subject: **sales tax legislation**
Date: Fri, 2 May 2003 16:16:15 -0800
From: "Daniel W. Swift" <dswift@acsalaska.net>
To: <Representative_Mike_Hawker@legis.state.ak.us>,
<Representative_Jim_Whitaker@legis.state.ak.us>,
<Representative_Cheryll_Heinze@legis.state.ak.us>,
<Representative_Vic_Kohring@legis.state.ak.us>,
<Representative_Norman_Rokeberg@legis.state.ak.us>,
<Representative_Bruce_Weyhrauch@legis.state.ak.us>,
<Representative_Peggy_Wilson@legis.state.ak.us>,
<Representative_Max_Gruenberg@legis.state.ak.us>,
<Representative_Carl_Moses@legis.state.ak.us>,
<Representative_David_Guttenberg@legis.state.ak.us>

I am very pleased that the Legislature is considering some taxation. I think it is very important that we continue, and even improve, vital services. This cannot be done if all the Legislature does is cut. However, I would really like to see an income tax instead of a sales tax.

The mantra of "not taxing hardworking Alaskans" is used by many legislators as an excuse not to use the income tax. But what does a sale tax do? It taxes hardworking Alaskans as much if not more than an income tax. With an income tax the poorest people would pay little or nothing. With a sales tax the poorest people get no more breaks than the wealthiest. Also, the income tax would hit non-resident workers harder than a sales tax, especially pipeline workers, who spend next to nothing in the state.

The biggest advantage of an income tax right now, though, is its simplicity. It could be enacted, as a percentage of the federal tax, right away. According to news reports, with all the details of a sales tax that are under discussion, it may be impossible to pass it this year. WE NEED TAXES NOW. Please consider an income tax.

Thank you,
Ann Swift
3181 Anella Ave.
Fairbanks, AK 99709

Subject: **Sales Tax or Income Tax**
Date: Sun, 27 Apr 2003 19:45:08 -0800
From: Mike Dynes <dynes@gci.net>
To: Representative_Jim_Whitaker@legis.state.ak.us

I agree with cutting spending, but after that---

I would agree with a state-wide sales tax, year round--up to 2% in winter & up to 5% in the tourist season. That would cover the expenses also of campers who do not pay bed tax or camping fees. Include tax on food, if necessary, but not on services.

I oppose income tax. For those of us who are self-emplayed, who pay the self-emplayment taxes, another estimated tax payment would be over-powering! We spend more, if we have the money & choose to spend. If our personal emplayment & mortgage & living expenses are high compared to our income, then we must spend less. Income tax takes away that freedom.

Marsha Dynes
Nationally Certified Piano Teacher
North Pole Keys & Song
President of Interior Alaska Keyboard Teachers
And Mike Dynes
President of Alaska Wilderness Youth Camps
Dynes Construction

Subject: **<<< Support on Sales Tax >>>**
Date: Mon, 5 May 2003 06:19:07 -0800 (Alaskan Daylight Time)
From: "Gary L. Mastolier" <glm@xyz.net>
To: <Representative_Jim_Whitaker@legis.state.ak.us>

Dear Reprasentative Whitaker:

I support you 100% on an across the board saies tax for the state. I feel it is the fairest of the tax alternatives.

Gary L. Mastolier
Homer, Alaska
(907) 235-5134

Subject: **I support a 2-3% sales tax**
Date: Mon, 28 Apr 2003 21:43:54 -0800
From: Wiley Brooks <wbrooks@gci.net>
To: <Undisclosed-Recipient:;>

I'm not fond of taxes of any type.But, if I must pay one or the other, I favor a sales tax. Reasons:
1. It's a tax on consumption rather than earnings, hard work & entreprenurialship.
2. Visitors to state pay for services just as we do when we go outside
3. A sales tax requires less bureaucracy, fairer, harder to evade than an income tax
4. Not tied to the rotten, convoluted system administered by the IRS

A national sales tax (known as FairTax) to replace the federal income tax is gaining interest in Congress. In fact Don Young has sign on as a co-sponser of H. CON. R. 141, a resolution to the floor for Congress to agree that it is time to renew the charge to bring the issue of tax replacement into the forefront.
If you are interested in learning more about the FairTax, you can click below. There are a lot arguments in the site for a sales tax over an income tax. I would especially urge you to read the "Research".
http://www.fairtax.org/

Wiley Brooks, RPA District 28 Chair

Subject: **support for sales tax**
Date: Sat, 26 Apr 2003 10:24:34 -0800
From: Robin Hill <willynilly@alaska.com>
To: Senator_Robin_Taylor <Senator_Robin_Taylor@legis.state.ak.us>, Senator_Ralph_Seekins <Senator_Ralph_Seekins@legis.state.ak.us>, Senator_Lyman_Hoffman <Senator_Lyman_Hoffman@legis.state.ak.us>, Senator_Lyda_Green <Senator_Lyda_Green@legis.state.ak.us>, Senator_Hollis_French <Senator_Hollis_French@legis.state.ak.us>, Senator_Gary_Wilken <Senator_Gary_Wilken@legis.state.ak.us>, Senator_Donny_Olson <Senator_Donny_Olson@legis.state.ak.us>, Senator_Con_Bunde <Senator_Con_Bunde@legis.state.ak.us>, Senator_Ben_Stevens <Senator_Ben_Stevens@legis.state.ak.us>, Representative_Vic_Kohring <Representative_Vic_Kohring@legis.state.ak.us>, Representative_Pete_Kott <Representative_Pete_Kott@legis.state.ak.us>, Representative_Jim_Whitaker <Representative_Jim_Whitaker@legis.state.ak.us>, Senator_Gene_Therriault <Senator_Gene_Therriault@legis.state.ak.us>

As a parent of a child with multiple disabilities I support a year round sales tax to increase revenues. We cannot balance the budget by cuts alone, and to cut services for those individuals who need it most is cruel and puts the individual at risk.

I ask that you restore the $2.2 million to developmental disabilities community services grants. This money provides a safety net and offers crisis support to families and individuals with developmental disabilities. Also, please restore the $250,000 that was cut from the Infant Learning Services budget.

Thank you.

May 1, 2003

Representatives of the House Ways & Means Committee

Ref: State wide sales tax:

Though we are fiscal conservatives, the 3 voters in our house-hold are against a state wide sales tax. Our community already has a 6 % tax to pay for services that have been cut from revenue sharing. Increasing it would shift more buying out of our communities. Why don't the cities like Anchorage have a sales tax

We support a graduated State income tax. A significant portion would be deductible from our federal income tax. It would also tap those workers who make their living here use our service and go home to Oklahoma and Texas or Seattle.

We also endorse increasing the oil royalties paid to the State.

Sincerely:
Patrick, Patricia and Aaron Holmes
Box 2651
Kodiak, AK 99615

Cc
Senator Gary Stevens

REEDER'S INC., D/B/A

BRENNER'S
Fine Clothing & Gifts
124 Lincoln Street
Sitka, Alaska 99835

907-747-3468 907-747-3622 (Fax)

FAX TRANSMITTAL SHEET

DATE: ______________ TIME: ______

PLEASE DELIVER TO: MARIE

FAX NO: 747-5807 TOTAL PAGES (w/ Cover Sheet) 2

MESSAGE: Mailed: ____ Not Mailed: ____

I THINK A 3% STATE SALES TAX WOULD HURT SOUTHEAST COMMUNITIES WHO ALREADY HAVE A CITY SALES TAX — AS A BUSINESS OWNER IT WOULD HAVE A HUGE IMPACT ON OUR SALES — MANY PEOPLE WHO SHOP LOCALLY WOULD NO LONGER SPEND AN EXTRA 8% + — ALSO ALASKA BUSINESS'S HAVE A DISADVANTAGE OVER OTHERS IN THE LOWER 48 DUE TO HIGHER FREIGHT COSTS — THE COMMUNITIES THAT ALREADY COLLECT SALES TAX SHOULD MAYBE COLLECT AN EXTRA 1% FOR THE STATE AND THOSE WHO DO NOT HAVE A SALES TAX SHOULD HAVE TO COLLECT UP TO 5% - 6% TO EVEN OUT ~~THE~~ PLAYING FIELD —

Bonnie Bren Steph... E Bren

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FAX TRANSMITTAL SHEET

DATE: ______ TIME: ______

PLEASE DELIVER TO: ______

FAX NO: ______ TOTAL PAGES (w/ Cover Sheet) ______

MESSAGE: Mailed: ______ Not Mailed: ______

THE STATE SHOULD NOT PUT SOUTHEAST COMMUNITIES AT A DISADVANTAGE BY HAVING A HIGHER % OF SALES TAX WHAT should SHOULD HAPPEN IF TOWNS ALREADY HAVE A SALES TAX THEY SHOULD HAVE TO ADD WHATEVER % TO EQUAL 6% SO IN SITKA WE WOULD ADD 1% IN ANCHORAGE AND OTHER TOWNS UP NORTH THEY WOULD ADD 6% SO ALL TOWNS STATEWIDE WOULD PAY 6% SOME WOULD GO ALL TO THE STATE — OTHERS THEIR TOWNS

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PLEASE CALL US AS SOON AS POSSIBLE IF TRANSMISSION IS NOT COMPLETE! (907) 747-3468.

TO: HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS
STATE CAPITOL, JUNEAU, ALASKA

PLEASE DON'T PUT A SALES TAX ON RENT. IT ALREADY TAKES HALF OF MY SMALL FIXED INCOME AND I AM YEARS DOWN ON ANY WAITING LIST TO EVEN BE ELIGIBLE FOR SUBSIDUZED HOUSING.

PLEASE DON'T TAX THE MEDICAL SUPPLIES I USE TO STAY ALIVE, NUTRITIONAL SUPPLEMENTS THAT CONTROL PAIN AND LOSS OF MOBILITY, ESSENTIAL VITAMINS, INCONTINENT SUPPLIES, PRESCRIPTIONS, AND FOOD. I'VE LONG GIVEN UP FRILLS LIKE COFFEE, JUICE, OR AN OCCASIONAL INEXPENSIVE MEAL OUT.

IT TAKES THE LONGEVITY BONUS PAYMENT IN ADDITION TO MY LITTLE SOCIAL SECURITY JUST TO SCRAPE BY--AND I AM NOT ALONE. HOW THOSE WHO DO NOT LIVE IN A CITY MANAGE IS A MIRACLE BECAUSE EVERYTHING COSTS MORE, BEYOND THE USUAL ALASKA UPTICK FOR FREIGHT COSTS. THAT ALONE ACTS AS A FORM OF SALES TAX.

NO ON SB 117/HB 158
YES ON FUNDING LONGEVITY
LIMITS ON SALES TAX

FOR A SMALL % INCOME TAX
GRADUATED FOR FAIRNESS

E. M. CASEY, AN OLD VOTER

8480 Jewel Lake Rd
Anchorage, AK 99502
tel 243 8530

APRIL 26, 2003

Subject: **Sales Tax**
Date: Sat, 26 Apr 2003 21:38:21 -0700 (PDT)
From: Michael McKinnon <excalibursports@yahoo.com>
To: Representative_Jim_Whitaker@legis.state.ak.us

Rep. Whitaker, I own a small business in Fairbanks. I am very upset that the legislature is planning on solving the states fiscal problems on the back of the small business man. If the state institutes a sales tax it will cost me time and money to collect and keep track of tax monies. If I am forced to do this, I will have to stop giving the men and woman who serve in our military, and my more loyal customers the 10% discount that we now offer. I will have to post a notice in my business stating why I can no longer give this discount. I will also list the names of everyone who voted to institute this 3% sales tax, which will actually end up costing them a total of 13%. These are your constituents Rep. Whitaker, and I would hope that you would look out for their best interests. There are other ways of raising revenues that would be fairer to the small business man. Thanks for your consideration on this matter.

Sincerely,
Mike McKinnon
Excalibur
Sports

Do you Yahoo!?
The New Yahoo! Search - Faster. Easier. Bingo.
http://search.yahoo.com

Subject: **Sales tax**
Date: Wed, 07 May 2003 11:30:15 -0800
From: "J.P.\"Jake\"Jacobson" <huntfish@ak.net>
To: "Sen. Gary Stevens" <Senator_Gary_Stevens@legis.state.ak.us>,
"Ogg, Dan" <Representative_Dan_Ogg@legis.state.ak.us>,
"Rep.Kelly Wolf" <Rep._Kelly_Wolf@legis.state.ak.us>,
"Rep.Mike Hawker" <Rep_Mike_Hawker@legis.state.ak.us>,
"Rep. Jim Whitaker" <Representative_Jim_Whitaker@legis.state.ak.us>,
"Rep.Cheryl Heinze" <Rep_Cheryll_Heinze@legis.state.ak.us>,
"Rep. Vic Kohring" <Representative_Vic_Kohring@legis.state.ak.us>,
"Rep. Norman Rokeberg" <Representative_Norman_Rokeberg@legis.state.ak.us>,
"Rep.Bruce B. Weyhrauch" <Rep_Bruce_Weyhrauch@legis.state.ak.us>,
"Rep. Peggy Wilson" <Representative_Peggy_Wilson@legis.state.ak.us>,
"Rep.Max Gruenberg,Jr." <Rep_Max_Gruenberg@legis.state.ak.us>,
"Rep. Carl Moses" <Rep_Carl_Moses@legis.state.ak.us>,
"Rep. Scott Ogan" <Senator_Scott_Ogan@legis.state.ak.us>,
"Sen.Gary Wilken" <Senator_Gary_Wilken@legis.state.ak.us>,
Senator John Cowdery <Sen_John_Cowdery@legis.state.ak.us>,
"Sen. Robin Taylor" <Senator_Robin_Taylor@legis.state.ak.us>,
"Rep. John Coghill" <Representative_John_Coghill@legis.state.ak.us>,
"Rep. Hugh Fate" <Representative_Hugh_Fate@legis.state.ak.us>,
"Rep. Carl Gatto" <Representative_Carl.Gatto@legis.state.ak.us>,
"Rep. Pete Kott" <Representative_Pete_Kott@legis.state.ak.us>,
"Rep. Beverly Masek" <Representative_Beverly_Masek@legis.state.ak.us>,
"Rep. Lesil L. McGuire" <Rep_Lesil_McGuire@legis.state.ak.us>

Dear Legislators, 5-7-03

The government seems to deny it, but we are in a very inflationary period, nationally. 3% increase in the cost of supplies, equipment, etc. is absorbed without much protest or recourse by everyone. Surely a 3% sales tax is not too onerous a burden to pay for government.

I gave testimony this morning at the Kodiak LIO & here is what I had to say.......

Testimony for Alaska State Hearing scheduled for 7am May 7,2003

The question is not whether to tax, but how to tax most equitably. The precept of equal rights & responsibilities should be followed here, as elsewhere in government.

Clearly, the most popular taxes are those that are paid by others. I read recently that 45% of the US population pays no income tax. In 2000, of the 630,000 Alaskans, only 242,000 paid income taxes on incomes above $10,000. That¹s a paltry 38% paying, with 62% not paying. When a large section of the citizenry pays no tax, bureaucratic manipulation (tax increases, exemptions, subsidies, etc.) of that tax can be done with minimal public outcry & input - after all, the other guys are paying. When a tax is levied on a clear majority of the population or better yet, seems to fall equally on everyone, increases in that tax, for whatever reason, will be subject to greater scrutiny & investigation by more people & the level of public participation in government should increase dramatically.

In stead of an income tax, I strongly favor a sales tax as no other form of taxation in use currently falls so equally on such a high percentage (100%) of the population. Consider the situation with this as the only tax, i.e. no personal or real property tax (which are the most unfair taxes of all), no special fuel or telephone taxes, surcharges, etc. -no other taxes whatsoever.

We¹d have an up front, easy to understand tax.

Exemptions will be considered & I favor exempting all prescription drugs, most medical & dental care, basic foodstuffs such as fresh fruits, vegetables, dairy products, meat & fish. I would tax the bejeebers out of soda pop, candy, precooked chicken, pizzas & all types of booze, to name a few. We have a method of constructive social engineering here.

Everyone from residents to outsider workers to tourists using public facilities from roads & airports to our clean air, would help shoulder the cost burden of these things which are so often taken for granted.

Citizens receiving public financial assistance would see an increase in their receipts consistent with the sales tax increase.

The cost of collecting this tax would be minimal, as would be the bureaucracy needed to administrate it.

Public participation in government and scrutiny of government spending, should increase with more cost/benefit analysis of public programs & hopefully less pork barreling.

Of course, our liberal politicians would resist this change in taxation even more than accountants, attorneys & lobbyists. Most liberal politicians prefer a quiescent populace serving as their cash cow. Imagine the public outcry if increases in the general sales tax were tied to controversial projects like so many lobied-for & granted boondoggles.

I favor a state lottery tied in with multi-state programs like PowerBall. I favor a once per annum entry(by land, air & sea) fee for every person who cannot show proof of Alaska residency. This fee should be $49 or $100. Let each individual who comes up help pay for maintaining all that Alaska is, including the scenery. This is better than Disneyland !

I hear complaints against a sales tax. I am reminded of my young children who made eloquent arguments against having to clean their room or wash the dishes. In rural communities, like mine, the cost of living is higher, but we exercise freedom of choice in where we live & must take the bad along with the good. It will always cost more to live in rural Alaska.

Todays Anc Daily News reports that Alaska's bond rating may go down without this sales tax measure, which will have a negative effect on the entire state.

Nels Anderson from Dillingham suggested that commnitites with no sales tax be mandated to levy one to make sales taxes uniform throughout the state. I favor this. You might consider setting an 8% tax statewide, returning 5% to individual communities from which it was collected. As this would result in a maximum of 5% instead of 6% for some communities already with a 6% sales tax, I believe downsizing local governments must be done, also. We still see pork barrel, boondoggles in Kodiak which we can well live without.

As I said before, we should encourage equal rights & responsibilities, let all participate in government & financial stewardship of our wonderful state. I hope you are successful in imposing this 3% statewide sales tax.
Jake Jacobson, Kodiak

Subject: **HB293**
Date: Tue, 6 May 2003 07:27:12 -0800
From: "Linda Swarner" <lswarner@ci.kenai.ak.us>
To: <Representative_Jim_Whitaker@legis.state.ak.us>

Representative Whitaker,

As a local, elected official, I urge you to slow down the process of this bill due to the numerous ramifications of implementing a statewide sales tax effectively January 1, 2004. I do understand the State of Alaska's financial situation as we in the City of Kenai suffer from the loss of our major sales tax generator-Kmart-as we attempt to balance a budget.

I urge you, fellow legislators, and the Governor's office to work with the Alaska Municipal League on a financial plan for the state in a joint partnership. I, as a member of the AML Legislative Committee, am willing to work on such a plan and be your partner. An Alaskan since 1957, I have attended and participated in many meetings discussing the State's fiscal plan. As a former resident of Fairbanks, I do remember paying the sales tax when making purchases there.

We as local communities lose control and the ability to allow exemptions as the bill is currently written. In the City of Kenai, we have a 3% sales tax which we use to fund our operating budget. With these funds we maintain road miles which we willingly accepted from the State of Alaska.

Residents already turn to the Internet for purchases and a statewide sales tax would increase those sales as people look for bargains and to meet their personal budgets.

Thank you,
Linda Swarner

Subject: **CUT HERE**
Date: Tue, 6 May 2003 09:38:30 -0800
From: "NPGraphics" <npgraphics@mosquitonet.com>
To: <Undisclosed-Recipient:;>

Dear Alaska Legislators.....

CUT HERE....

Welfare - the state's general fund portion exceeds one half billion dollars. Cut welfare payments by 400 million, and the spending deficit disappears.

Why do you think it is better to levy more taxes on the working people - to subsidize welfare. It can only hurt our economy, and further damage our state.

State Employees -

A study performed for the Legislative Budget and Audit Committee concluded that the average state employee compensation package was about 15% above the upper range of benchmarked jobs. You can find the study at:

The FY 02 State of Alaska Certified Annual Financial Report, indicates that there is about $5 billion in reserves available for appropriation, if the legislature had the political will to access the funds, in addition to the $4 billion available from the Constitutional Budget Reserve, for a total available to the legislature of about $9 billion.

There is room for fiscal restraint - taxation of the people Is ***Not Needed or Warranted***.

Both of these reports are available from the State of Alaska web site.

Linda Russell
POB 56711
North Pole, AK 99705
PH: 907-488-4301

Subject: **Statement in support of a Sales Tax**
Date: 06 May 2003 06:47:57 -0800
From: Don Anderson <don.anderson@softwarenorth.com>
To: Mike Hawker <Representative_Mike_Hawker@legis.state.ak.us>, Jim Whitaker <Representative_Jim_Whitaker@legis.state.ak.us>, Cheryll Heinze <Representative_Cheryll_Heinze@legis.state.ak.us>, Vic Kohring <Representative_Vic_Kohring@legis.state.ak.us>, Norman Rokeberg <Representative_Norman_Rokeberg@legis.state.ak.us>, Bruce Weyhrauch <Representative_Bruce_Weyhrauch@legis.state.ak.us>, Peggy Wilson <Representative_Peggy_Wilson@legis.state.ak.us>, Max Gruenberg <Representative_Max_Gruenberg@legis.state.ak.us>, Carl Moses <Representative_Carl_Moses@legis.state.ak.us>
CC: Dana Anderson <dana.anderson@softwarenorth.com>

Tuesday, May 6, 2003, 7 a.m.

Members of the House Committee on Ways & Means,

Attached is my statement giving some reasons I can claim a state sales tax does less damage to our economy than a state income tax.

Since I cannot attend the teleconference my statement will be read by Dana G. Anderson at your Anchorage office.

Please feel free to direct your questions to the e-mail address below.

best wishes,

Donald N. Anderson, Ph.D.
don.anderson@SoftwareNorth.com
Anchorage, Alaska
(907) 561-4412 / (800) 228-3846

030506; Sales tax statement.doc	**Name:** 030506; Sales tax statement.doc **Type:** WINWORD File (application/msword) **Encoding:** base64 **Download Status:** Not downloaded with message

To: House Ways & Means
Representatives Hawker & Whitaker, co-chairs

From: Donald N. Anderson
Fax: 563-5002
Voice: 561-4412

Date: 5/6/03

Re: Statement in support of a state sales tax in preference to a state income tax

The headline in Monday's Anchorage Daily News proclaimed "Sales Tax would fall hardest on poor, experts say."

This is false.

But to see why, we need to examine where these "expert" analysts with their simple minded calculations go wrong.

First. They confuse the incidence of a tax with its impact. For example in the ADN article they claim the higher percentage of income paid by the poor represents the impact of this tax. It does not! This is only the initial incidence of the tax and does not begin to trace it's impact on all the players in our highly complex economy. (In fact the poor pay taxes on 123% of their income in the ADN example).

Any change in the form or rate of taxation sets off a complex series of adjustments in the economy that are too elaborate to model. In short, unless we know how each person's situation changes with respect to job, work time, income, and retirement as well as taxation, we cannot claim that a sales tax impacts the poor more than an income tax. Only long term empirical studies can provide any guidance.

In fact empirical evidence suggests just the opposite.

Second. Income tax proponents ignore the effects on the economy. Taxation does not occur in isolation. Federal and state income and sales taxes affect where people live, where they set up businesses, who and how many they employ, when they work, when they retire and a host of other economy affecting decisions.

A strong economy can employ a very high percentage of the available workers. As an economy weakens as a result of increased inappropriate taxation, the marginal workers are often laid off first. Losing 100% of your income is a pretty high rate and it is visited not as the incidence of taxation – for none is paid by the victim. Rather it is the ugly impact of perverse incentives fostered by high or inappropriate taxation.

A grim example of ignoring the effects of taxation is the federal government's continued use of "static scoring" to predict revenue changes when they change the tax rates. They continue to use this model in spite of the fact it has been wrong every time it was applied to tax rates. For example it has predicted a revenue loss when the capital gains rate is lowered. They are now wrong 8 for 8 since 1913 and still failing. By comparison the Alaska legislature looks like the descendents of Einstein.

A little thought might show income tax proponents that their incentives schedule is all wrong. They are discouraging productive behavior!

Long experience has shown that removing incentives for productive behavior make us all poorer, rich and poor alike. In their eagerness to flatten apparent income they end up driving a steam-roller over the poor.

Now let's examine the empirical results of comparisons between the growth in sales tax states and income tax states. There is a wealth of evidence from other states to demonstrate that growth is suppressed by any income tax. Evidence also demonstrates that an income tax reduces per capita incomes.

Income (inflation adjusted, per capita) has increased 89% since 1970 across the U.S. However, the 8 states <u>without</u> an income tax (Alaska excluded) had increases averaging 96% compared to 81% in the 8 highest tax states.

Over a longer period (since 1948) income in zero-income tax states grew faster than high tax states by 29%.

High income tax states as a group have seen their per capita wage decline to 91% of the national average. Meanwhile non-income tax states have increased incomes from well below to the national average.

Nine states that recently implemented an income tax showed slower growth than other states.

A pair-wise comparison of states that are demographically similar shows that in each case an income tax state has less personal income growth than a <u>no</u> income tax state:

Tennessee beats Kentucky,
Texas beats Oklahoma,
Florida beats California,
New Hampshire beats Vermont, and
South Dakota beats North Dakota.

Forget the usual catch phrases of "regressive" or "progressive". These are mere advertising slogans dreamed up by income tax proponents to demonize other taxes. Look at the underlying reality. They have defined:

"Regressive" to mean taxing people according to what they consume – what they take out of the economy for their own benefit.

"Progressive" means taxing people according to the value of what they produce – what they do for other people.

I'll take "regressive" tax any day. I want to encourage people to work, save, invest, and create wealth - not punish them for this socially beneficial activity.

Proponents of an income tax complain that the rich don't pay enough under a sales tax. Is a tax system to be built to assuage someone's feelings of envy? I would prefer a solid plan to obtain revenue with the least expense, time waste, and economic damage. Someone who will accept an inferior tax because it punishes the "rich" must also accept my contempt.

Remember, some people are looking at the incidence of the income tax rather than it's impact. If modeled on the Federal law the incidence of the income tax is primarily on the upper half of the income earners with this group paying about 95% of this tax. However, the impact of this tax is felt most strongly at lower incomes where it leads to higher unemployment. This and other attempts at shifting wealth from more economically capable to less economically capable hands fail because the resulting damage hurts both groups. Jobs disappear when the "wealthy" are unable to invest, and they often take their talents and depart to more tax hospitable climes. I have never been offered a job by a "poor" person.

Alaskan legislators have done a fine job over the last decade in resisting the usual pressures to expand government to destructive levels. Their job would be more difficult with an income tax. The experience of other states shows that the 8 highest income tax states spent 40% more per capita than the non-income tax states.

An Ohio University economist has calculated that personal income increases 3.6% for every 1% reduction in state tax burden. I suspect the converse is also true.

An economical government is the best hope of most citizens as all taxes damage the economy and particularly the least capable.

The empirical evidence from other states shows that this damage is accentuated by using an income tax rather than a retail sales tax.

Thank you for your attention.

Since I am reading this on behalf of Dr. Anderson who could not be here today, I will ask you to direct any questions to him via e-mail at:
don.anderson@SoftwareNorth.com

Dr. Anderson is an Anchorage business manager who wishes to give credit to Dr. Daniel J. Mitchell of The Heritage Foundation for the comparisons taken from his report discussing the repeal of the Oklahoma income tax entitled "A Competitive Oklahoma for the 21st Century".

Subject: Yes to new revenues; no to cuts
Date: Mon, 05 May 2003 21:34:36 -0800
From: Ginny McDowell <gmcdowell@alaska.com>
To: Representative_Jim_Whitaker@legis.state.ak.us

Rep. Whitaker,
I would like to register one vote in favor of taxes! I wish Alaska would reinstate an income tax to pay for our state-provided services, none of which seem adequately funded as it is. The legislature has been cutting the budget for years. The cuts are hurting us! Let's not cut off our proverbial nose to save our proverbial face! Time for Alaskans to pay for their services. Whatever you think may pass--go for it! Please! Damage repair is expensive.

Ginny McDowell, your neighbor from District 7D

Subject: **Broad Based Tax/Future Growth**
Date: Mon, 5 May 2003 10:46:58 -0800
From: "Jim Yarmon" <jim@yarmon.com>
To: <representative_jim_whitaker@legis.state.ak.us>, <representative_mike_hawker@legis.state.ak.us>
CC: <frank_murkowski@gov.state.ak.us>

To Jim Whitaker and Mike Hawker

Jim and Mike

Thanks for taking the time to visit with the Commonwealth North board this morning after the forum with Secretary of Education Rod Paige. Secretary Paige began his remarks by referring to several Texas rules of conduct, which he tries to follow. 1. Never squat with spurs on. 2. Never kick a cowchip on a hot day. 3. Never forego an opportunity to keep your mouth shut.

I have a feeling I'm about to violate rule 3, but I think the State is about to kick that cowchip, so perhaps I'll be excused.

It is clear that the fiscal crisis is upon us. If we ever hope to grow the economy and make Alaska a better place for our kids, we need to balance the budget and plan for future growth without assuming oil will bail us out. We need the broad based tax, either sales or income, so that those of us who benefit from living and working in Alaska pay our fair share. In the long run, a stronger economy and better quality of life will more than justify the cost of such taxes. Unfortunately, it may require using up the constitutional reserve funds and a real crisis before the solution can pass muster politically. I do hope the Governor will keep you in session until a tax is enacted and the budget balanced this year with some plans for the future.

As I indicated on the phone this morning, many other states are providing incentives for small business. I have been involved in venture capital, and so the examples attached and below reflect that bias. I absolutely believe that the State must have a plan to encourage small business, and as Governor Hickel repeats often, Alaska's resources are owned by the State, and it is the State that has the obligation to make the appropriate investments.

Good luck solving the problem this session. That cowchip is going to be really messy.

Jim Yarmon

New Utah Law Would Create $100 Million Venture Capital Fund PEsource 2003-04-26 Ogden, Utah Utah Taxpayers Association this week unequivocally gave its backing to a controversial new law will that will create a safety net for venture capitalists. At a conference the group hosted this week at the Little America Hotel, former Salt Lake Organizing Committee CEO Fraser Bullock said House Bill 240, the Utah Venture Capitalist Enhancement Act, would create a path toward greater economic opportunities in Utah. HB 240 creates a $100 million venture capital fund that will be held by the state but will consist of private money. The fund would be used to encourage the formation of technology companies but would also require those participating venture capitalists to set up a base in Utah. Those who invest in the fund are guaranteed a return of up to 6 percent on their investment. If that return is not possible through the fund's performance, a state reserve would kick in to ensure investors received that payment. When the reserve is exhausted, investors can then rely on a credit on their corporate franchise tax, but the state's liability would not exceed $20 million. The new law, which takes effect in July, 2003.

Select Limited Partner with In-State Allocations

Limited Partner/Assets	Approximate Allocation
California Public Employees' Retirement System	
$133 billion	$485 million*
California State Teachers' Retirement System	
$90 billion	$250 million
New Mexico State Investment Council	
$11 billion	$166 million
New York State Common Retirement Fund	
$104 billion	$250 million
Public Employees' Retirement System of Ohio	
$55 billion	[illegible] million

*California Initiative LLC, a captive fund of funds created in 2000

Subject: RE: STATE BUDGET
Date: Wed, 07 May 2003 11:15:07 -0800
From: DA and Frank McGilvary <grammy@gci.net>
To: "Gov. Frank Murkowski" <Frank_Murkowski@state.ak.us>

DEAR GOVERNOR FRANK,

IT IS A FACT THAT OUR POPULATION HAS NOT INCREASED TO THE EXTENT THAT OUR STATE GOVERNMENT HAS INCREASED.

NOTE:
STATE EMPLOYEES NOW MAKING $50,000 (salary and benefits) PER YEAR AUTOMATICALLY GET INCREASES (STEP RAISES) ANNUALLY FROM THEN ON. OUTGO annually INCREASES ...

FOR EVERY $50,000 STATE JOB REDUCED THE STATE SAVES $50,000 "PLUS ..." ANNUALLY FROM THEN ON.

IF 5% OF STATE EMPLOYEE JOBS WERE ELIMINATED THE STATE WOULD SAVE MORE THAN $50,000,000.00 ANNUALLY, "PLUS+" FROM THEN ON .... WHICH IS MORE THAN THE PRESENT ANNUAL LONGEVITY BONUS.

OUR MIDDLE AND HIGHER STATE POSITIONS ARE TOP HEAVY, EXCESSIVE, AND MUST BE REDUCED. THINK ABOUT IT: 5% IS WHERE CUTS NEED TO START. (and NOT at the worker bee level)

WHILE THE LONGEVITY BONUS TO OUR SENIORS WHO HAVE LIVED HERE AND UNSELFISHLY CONTRIBUTED TO OUR STATE THRU THICK AND THIN FOR YEARS AND YEARS ...

DECLINES EACH DAY ... THE RECIPIENTS ARE DYING OFF DAILY.

THIS YEAR = $47,000,000.00 ... DECLINING DAILY !! (PROBABLY EXTINCT IN 20 TO 25 YEARS)
HOW MANY OTHER GOVERNMENT PROGRAMS WILL BECOME EXTINCT?

This expenditure declines while the state employee costs increase. A PROMISE (contract) IS A PROMISE.

A SEASONAL SALES TAX, AS VISITORS WILL HELP FUND OUR STATE GOVERNMENT, IS ONE IDEA.

AN EARNED INCOME TAX WILL COLLECT REVENUE FROM OUT OF STATE WORKERS AND WILL NOT TAX SENIORS RETIREMENT INCOME.

I AM OPPOSED TO INCREASED GAS TAX AND SOME OF THE OTHER USER FEES BECAUSE THEY WILL INCREASE THE COST OF LIVING FOR ALASKANS AND NOT GENERATE THAT MUCH REVENUE.

Sincerely, Frank McGilvary
112 FAREWELL AVE.
Fairbanks, AK 99701-3624
907 452-6929
<grammy@gci.net>

Subject: <<< re State Sales Tax >>>
Date: Wed, 7 May 2003 06:49:29 -0800 (Alaskan Daylight Time)
From: "Gary L. Mastolier" <glm@xyz.net>
To: <Representative_Jim_Whitaker@legis.state.ak.us>

Some points I'd like to make regarding a state sales tax:

1 -- It is the fairest tax in the land. Unlike an income tax which penalizes for earning a living , or a higher property tax which penalizes for working hard to have a decent home, it is a tax that is optional. One has the option to buy or not buy. Yeah, even the "poor" spend money on non-essentials.

2 -- Make it a year-round tax to keep business on an even keel. As a seasonal tax it will cause confusion with businesses and will cause business to drop just before the tax ends at the end of the season as people will wait to purchase until the tax goes away.

3 -- As a past business man who saw the surprise on out-of-stater's faces when they learned there is no sales tax I know they will not stop buying in this state as they are used to it in their home states. I have even had many tourists express pleasure at no sales tax while saying "this is good for us but dumb for your state."

4 -- Keep our Permanent Fund Dividend in place. With a sales tax Alaskan's will still support the state by paying a sales tax on what they desire to purchase with that dividend money. It allows private citizens to still support the state coffers but by doing so through their choices on how they spend their money.

5 -- Again referring to tourists it brings outside money to the state. An income tax gathers money from money that is already in the state.

6 -- As a family we travel regularly to Anchorage from Homer to shop taking advantage of not having to pay a sales tax. If there were a sales tax in Anchorage we'd be more inclined to stay home to support local businesses.

7 -- Internet purchase can and will be taxed nation-wide eventually. Already I have had purchases taxed when they discover Homer does have a sales tax. The confusion with them is they want to charge a full 5.5% which is Homer's rate. They do not realize there is a $27.50 cap on sales tax for Homer. It causes great confusion for buying over the Internet.

8 -- I am retired with a very modest fixed income which is low enough that I rarely pay federal taxes and therefore would not pay much into state coffers if we go the income tax route. Yet, even though it will cost me more if a state sales tax is enacted I still believe it is the fairest of the taxes. I have lived in three states without sales tax: Oregon, Montana, Alaska. I have lived in one state with a relatively high sales tax: California. I did not suffer economically from that state's sales tax.

Good luck on getting this through.

Gary L. Mastolier
Homer, Alaska

Subject: Sales Tax
Date: Wed, 07 May 2003 11:44:20 -0400
From: "William Bodle" <wlbodle@gci.net>
To: "The Honorable Jim Whitaker" <Representative_Jim_Whitaker@legis.state.ak.us>

William Bodle
328 Shannon Drive
Fairbanks, AK 99701

May 7, 2003

The Honorable Jim Whitaker
House of Representatives
Juneau, AK 99801-1182

Dear Representative Whitaker:

Dear Mr. Whitaker,

I am writing to express my concerns about instituting a sales tax as this time. I realize that we Alaskans must search for creative ways to help overcome our budget deficits but I feel the talk about a proposed sales tax is being rushed. As described in the papers and on television there will be no exceptions to the tax and I believe this will exacerbate many of the hardships Alaskans have to deal with in everyday life.

My particular concern is the possibility of a sales tax on medical care and perscriptions. My wife has been battling breast cancer for six years now and is currently receiving chemo therapy for her second reoccurance. Some of the medication she is required to use to maintain red blood cell counts amounts to several thousand dollars a month. This is necessary to simply maintain life. I believe to tax someone who is simply pursuing the ability to stay alive is wrong both morally and ethically.

I therefore at this time must ask that the issue of a sales tax be postponed until given the deserved amount of study on potential impacts as well as conflicts can be determined and an equitable plan of action developed. Even with the dire state of our budget, I believe we can ill afford to rush into a solution that may well create more headaches than it will solve.

Thank you for your time and consideration

Sincerely,

William L. Bodle

Subject: Sales Tax Plan
Date: Wed, 7 May 2003 09:20:39 -0800
From: "Bill Madsen - Spenard Hostel International" <Stay@AlaskaHostel.Org>
To: <Representative_Jim_Whitaker@legis.state.ak.us>

Dear Representative Whitaker;

<? .ml:namespace prefix = o ns = "urn:schemas-microsoft-com:office:office" />

I'm writing to you regarding the sales tax proposition. I'm neither pro nor con on this being the way out of the financial problems we have, however, I do have a request. If a sales tax is passed, and if this tax would include overnight accommodations, I ask that you please include an exemption for youth hostels in its collection.

My request is based on two reasons. First, the people utilizing this type of accommodation are primarily youth who are trying to see as much of their planet as they can on a very limited budget. They should barely even be considered consumers. The purpose and goal of a hostel is to provide the lowest possible price for shelter primarily for traveling youth. To this end, we only charge $16 per day and all the hostellers help clean the building each day to keep prices as low as possible. I would hope that we, as a state, can be philanthropic enough to help this very small group see Alaska without trying to get a few extra nickels from them. Collectively they do not amount to a drop in the bucket to the state, but to them, every dime counts. They are trying to save all they can in order to see as much as possible.

Secondly, from a business standpoint, some of the hostels in the state are non-profits and some are not. The main Anchorage hostel is non-profit 503-c, and therefore exempt from collecting this tax (I assume). The other hostels in Anchorage are all for-profit. It creates a serious disadvantage to the 'profits' if we have to charge a tax that the non-profit doesn't. The Alaska Supreme court ruled a while back that just being a hostel is enough to warrant being non-profit tax-exempt, but that is not the way I prefer to operate my business unless taxes force me to in order to compete. I lobbied for, and received, an exemption to the bed tax from the Anchorage Assembly based on this same premise. To keep the playing field equal, to give something back to the youth, and to keep as many properties on the tax role as possible, they agreed to the exemption.

I am hoping that you agree and will make this case to your colleagues and include an exemption in the sales tax for hostels if such a tax is passed. If I am mistaken in my belief that the non-profit hostels in the state would be exempt from collecting this tax, please consider my request for an exemption on behalf of all hostels. We should help young people visit our state now, and they will return to spend real tourism money when they get older.

Thank you for your help or consideration.

Sincerely,

Bill A. Madsen, owner

Spenard Hostel International

Subject: **sales tax**
Date: Thu, 8 May 2003 07:45:34 -0800
From: "Basler" <baslerbb@mtaonline.net>
To: <Representative_Jim_Whitaker@legis.state.ak.us>

Dear Rep. Whitaker;

I don't think a tax of any kind is in order for the citizens of Alaska until we cut state spending, particularly state salaries.

I am a Land Surveyor. Just last Tuesday I received in the mail an approval from the State DNR an as-built survey of a 350 foot water line I did for a client in 2000. This survey was lost in the files of the Division of Mining , Land and Water for 3 years. What ever we pay these people it is way to much.

I sent Rep. Vic Kohring a copy of it and a letter that accompanied it to hang on his wall.

I propose we tax the first paycheck of every state employee $5000. We can call it a trough tax.

As far as I am concerned you can eliminate all state departments except the one that maintains roads. This would not effect me or my family at all.
Sincerely,
Robert W. Basler

Subject:
Date: Thu, 8 May 2003 07:52:32 -0800 (AKDT)
From: "MAIER JULIE A. K." <ftjak@aurora.uaf.edu>
To: <Representative_Jim_Whitaker@legis.state.ak.us>

Dear Representative Whitaker,

First of all, let me say that I admire your foresight and courage in attempting to develop a fiscal plan for the state of Alaska. I'd like to work for you on your reelection campaign in 2004! I'm ok with the idea of a sales tax, although I think there is merit in the notion that sales tax should be left to municipalities and boroughs as a local form of taxation. Perhaps an income tax, which can be written off of federal taxes, would be better. Also, I do believe that necessities (food, pharmaceuticals, etc.) should not be taxed. I'd rather see an increase in the tax rate (e.g. 4% rather than 3%) and no tax on necessities, realizing that some foods could and should be taxed (e.g., candy, McDonalds, and so on). There truly are people in Fairbanks who are already barely making ends meet. We don't spend alot of money on extras but obviously have to eat! If you did choose an income tax rather than a sales tax, I'd like to see the first $10,000 or $15,000 of income be exempt. Further, I am against the so-called user fees being discussed by the administration and legislature. The reason is that they disproportionately affect poor people. In other words, $8 (the total fee on studded tires) is a lot more money for a person barely making ends meet than it is for an affluent person. Going up from a $25/year business license to a $100/year is outrageous for a business that still hasn't found its wings, though the change probably won't affect someone who owns a car dealership. Finally, I am very willing to pay my way through life. I accept it as a responsibility to support my state and country and I am teaching that to my kids but I do believe its important to not push folks who are having a hard time even further into the dumps. We have to be creative, think outside the box. I will vote to allow you to have a portion of my permanent fund (actually I'd give the whole darn thing up) if it is dedicated to education and not thrown willy nilly into the general fund. I do not support spending an annual million plus lobbying to open the Arctic Refuge - it isn't working so its good money after bad. I do not support spending $10 million on investigating the efficacy of roads out in the middle of nowhere. I agree with Senator Bunde that most of the roads proposed by the governor are not feasible and will cost us millions rather than bringing in revenue. I heard that straight from the mouth of a DOT engineer who said the only feasible road being discussed is the road to Nuiqsut. So, if the state is going to continue to waste money on things like those mentioned - I will vote against taking part of the permanent fund to throw into the general fund. If you inflation proof schools and use the permanent fund money to ensure quality education in perpetuity - I'll lobby and vote for it.

I apologize for the length of my letter but I appreciate your attention to it.

Respectfully,

Julie Maier
Fairbanks, AK 99709

Subject: **Sales Tax Cap at 8%**
Date: Fri, 09 May 2003 13:27:21 -0500
From: "Val Rader" <te222@hotmail.com>
To: Representative_Jim_Whitaker@legis.state.ak.us

Hi Rep. Whitaker,

A more cynical fellow than I pointed out to me, that based on the ADN article wherein the total sales tax rate is capped at 8% for the local government, it was not possible to tell if there was a mechanism that would prevent every local government from raising their sales tax to 8% and thereby eliminate state reciepts. I'm sure the reporter left out the implementation details, but I thought I'd pass this concern along to you, just in case.

-Val Rader

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May 9, 2003

Representative Jim Whitaker, Co-Chair
Representative Mike Hawker, Co-Chair
And Members of The House Way and Means Committee

Re: CSHB 293 State Sales Tax

Dear Representative Whitaker, Representative Hawker and Committee Members,

In the past 5 days the committee has spent a huge amount of work and energy on the above bill. I commend you all for that, and support many of the changes. However, I believe there is still a great deal more to do.

The last 13 days of the Legislative session leaves insufficient time to do the analysis and public outreach that a bill of this magnitude requires. The exemptions are of particular concern to me as a member of the Kenai Peninsula Borough Assembly. Over the past 20 or more years the Kenai Peninsula Borough has crafted exemptions to the sales tax codes to sustain our local business while generating local revenue. That sales tax revenue is fully dedicated to education in the Kenai Peninsula Borough. Somehow I feel we need to ensure that the combination of state and local revenue doesn't hurt Alaskans or our economy.

Additionally, by moving too quickly, the public is left out. They too need to be brought along in order to buy in. Reviewing some of the current proposals, I truly fear a public backlash.

Again, I have to ask, why this rush? We do have one more year, and I believe it would be in the best interest of the state to develop this program carefully. Nowhere have I seen addressed the issue of the regulations to govern this bill. Those too will need time to write and implement.

Therefore I strongly urge the Committee to:

1. Table HB 293 for more study.
2. Create a state-municipal dialogue and partnership.
3. Schedule a special session in the fall to deal only with HB 293.

I fully recognize the need for funding, and a sales tax is certainly a viable option. I commend the Governor for most of his proposals and support those. I commend the committee work and actions taken to date and would like to fully support that too.

Again, I ask, please, slow down the process and take the time to craft a bill worthy of this state and her people.

Thank you,

Very sincerely,

Milli Martin
P.O. Box 2652
Homer, AK 99603
907-235-6652
email: millimom@xyz.net

cc: Governor Frank H. Murkowski
Senator Gary Stevens
Representative Paul Seaton
Senator Tom Wagoner
Representative Mike Chenault
Representative Kelly Wolf

May 8, 2003

Kodiak Island Liquor License Holder's Association
518 W. Marine Way
Kodiak, Alaska 99615

State of Alaska
House Ways and Means Committee
Juneau. Alaska

Gentlemen,

RE: HB 293

This letter is in opposition to the proposed 3% state wide sales tax.

We feel that it would severely impact the economies of towns like Kodiak which already burden their residents with a significant sales tax.

If this tax does look like it might pass, we ask you, in the name of basic fairness, to exempt the alcohol industry from taxation under this tax scheme.

Just eight short months ago, you imposed a staggering 300% increase in alcohol excise taxes on us to "help solve the fiscal crisis." We have already made our sacrifice. This tax would make us pay twice.

At some point, income taxes and capping the dividend are the only alternatives that spread the burden to everybody and generate the kind of revenues that are required to fix the problem.

Respectfully,

Andy Lundquist

Andy Lundquist
Treasurer
K.I.L.L.H.A.

Subject: **State Sales Tax**
Date: Wed, 30 Apr 2003 18:58:04 -0800
From: Stu Clark <stuclark@seward.net>
To: Representative_Mike_Hawker@legis.state.ak.us, Representative_Jim_Whitaker@legis.state.ak.us, Representative_Cheryll_Heinze@legis.state.ak.us, Representative_Vic_Kohring@legis.state.ak.us, Representative_Norman_Rokeberg@legis.state.ak.us, Representative_Bruce_Weyhrauch@legis.state.ak.us, Representative_Peggy_Wilson@legis.state.ak.us, Representative_Max_Gruenberg@legis.state.ak.us, Representative_Carl_Moses@legis.state.ak.us

In addition to the information contained in the attached document, I would like to address the issue of a sales tax as it applies to the City of Seward.

First of all, after a bitterly fought battle, the local tax rate is 4% beginning on 7/1/2003. In the last three years, Sales Tax Revenue has comprised about 71% of our General Tax Revenue to the General Fund. The reason for an increase this year was that we saw a big jump in insurance costs of all types, and a need to address the dangerously poor condition of our streets and other infrastructure. This latter condition was brought about by deferring maintenance (particularly street maintenance, but also machinery and other equipment) in the face of declining revenues and rising costs over at least the last five years. I might also point out that 33% of that sales tax revenue (1%) has been dedicated to hospital support: initially to retire bonds that built the hospital, then to replace and maintain the facility. That 1% dedication continues until the hospital disappears.

Since the state has a far wider range of tax revenue bases to draw upon than local governments, I suggest that you view usage of a portion of Permanent Fund earnings along with an Income Tax (based on a percentage of Federal Income Tax obligation) as sources of revenue to balance the State budget and close the "fiscal gap." Such a move would be responsible, fair, constitutional, and indicative of strong leadership in the halls of the State Capitol.

One last comment: my constituents have stood up in public meetings and stated that they would pay an income tax to support education.

Thank you,

Stu Clark, Mayor of Seward

SalesTax.pdf	**Name:** SalesTax.pdf **Type:** Acrobat (application/pdf) **Encoding:** base64 **Download Status:** Not downloaded with message

NEA-ALASKA

Affiliated with the National Education Association

TO: Representative John Harris
Co-Chair House Finance Committee
Representative Bill Williams,
Co-Chair House Finance Committee
Representative Mike Hawker
Co-Chair House Ways and Means Committee
Representative Jim Whitaker
Co-Chair House Ways and Means Committee

FROM: Rich Kronberg
President NEA-Alaska

RE: Adequate Funding for Education and New Revenue Streams

DATE: May 14, 2003

Each year over 400 NEA-Alaska members are elected to represent our 12, 700 members and set policy for our organization in January. They do this largely in the form of New Business Items. New Business Item 99-84 states in part:

99-84: Adequate Funding for Alaskans: NEA-Alaska shall lobby the legislature to seek ways to ensure adequate funding for education, which may include, but are not limited to a state sales tax, or a state income tax.

Based on this New Business Item, NEA-Alaska wishes to voice its support for the work being done by the House Ways and Means Committee to create a new revenue stream that can be used to support public schools in our state. As you are aware, NEA-Alaska has been urging the legislature to increase the Base Student Allocation (BSA) by $270 per student to allow all Alaska students an opportunity to meet state standards and all Alaska schools the opportunity to begin meeting the requirements of the federal No Child Left Behind Act.

During the course of this legislative session, our members have met with you and other legislators to ask for support for providing Alaska's students with this opportunity. We have heard virtually unanimous support for that level of funding, provided it could be achieved within the parameter set by Governor Murkowski: not withdrawing more than $400 million from the Constitutional Budget Reserve. It is clear that the creation of a new revenue stream, such as the statewide sales tax that is being discussed, will provide the legislature with the opportunity to meet our goal of a $4,280 BSA.

We wish to urge your support for this new, broad-based revenue stream as a first step towards a complete fiscal plan that will allow you to provide the resources our dedicated educators need to develop our most important resource, our children. Alaska's children *are* Alaska's future.

ANCHORAGE REGIONAL OFFICE • 1840 S. Bragaw Street, Suite 100 • Anchorage, Alaska 99508 • (907) 274-0536 • FAX: (907) 274-0551
JUNEAU OFFICE • 114 Second Street • Juneau, Alaska 99801 • (907) 586-3090 • FAX: (907) 586-2744
FAIRBANKS REGIONAL OFFICE • 2118 S. Cushman Street • Fairbanks, Alaska 99701 • (907) 456-4435 • FAX: (907) 456-2159

MEMBERS OF: HOUSE SPECIAL COMMITTEE ON
WAYS AND MEANS
HOUSE FINANCE COMMITTEE
SENATE FINANCE COMMITTEE

Amendments to HB 293 are needed in the following areas whether or not the transactions occur in communities and boroughs with or without local taxes and exemptions:

(1) MEDICAL CARE, SERVICES, SUPPLIES AND EQUIPMENT

IN ADDITION TO PRESCRIPTION DRUGS

Note: These expenditures are often matters of life and death, may be very costly, and can be complicated by various forms of insurance or the lack thereof.

(2) GROCERIES SHOULD BE NON-TAX ITEMS

Note: The price of food is already caused to vary widely by transportation costs, especially in villages outside transportation hubs.

(3) SENIORS--ALASKA RESIDENTS OVER THE AGE OF SIXTY-FIVE

SHOULD BE EXEMPT FROM SALES AND USE TAXES FOR

ITEMS PURCHASED FOR PERSONAL USE AND CONSUMPTION

Note: Provision should be made for the senior's exemption to apply to purchases and bill payments made on behalf of the seniors by care givers. This exemption allows payment of care givers and other helpers without creating a tax liability for people that may be housebound by disability or illness and hard pressed to heat their homes and pay for utilities, often on low fixed incomes.

cc: Leadership of the House and Senate

Eva Lyn Casey

Eva Lyn M. Casey
8480 Jewel Lake Rd.
Anchorage, AK 99502
243 8530 tel

Subject: **HB 293-spiritual healing**
Date: Sun, 11 May 2003 21:45:48 -0800
From: Richard Block <akcompub@sinbad.net>
Organization: Committee on Publication
To: "'Representative_Mike_Hawker@legis.state.ak.us'" <Representative_Mike_Hawker@legis
"'representative_Jim_Whitaker@legis.state.ak.us'" <representative_Jim_Whitaker@legis.st
CC: "'Representative_Norm_Rokeberg@legis.state.ak.us'" <Representative_Norm_Rokeberg@
"'Representative_Bruce_Weyhrauch@legis.state.ak.us'" <Representative_Bruce_Weyhrauc
"'representative_Peggy_Wilson@legis.state.ak.us'" <representative_Peggy_Wilson@legis.s
"'Representative_Max_Gruenberg@legis.state.ak.us'" <Representative_Max_Gruenberg@l
"'Representative_Cheryll_Heinze@legis.state.ak.us'" <Representative_Cheryll_Heinze@le
"'Representative_Vic_Koring@Legis.state.ak.us'" <Representative_Vic_Koring@Legis.sta
"'Representative_Carl_Moses@legis.state.ak.us'" <Representative_Carl_Moses@legis.state

It has come to my attention that the latest version (23-LS1064\Q) of the Sales Tax proposal (HB 293) includes an exemption for the provision of health care (proposed section 43.44.220).

We believe that such an exemption is appropriate, however, in fairness, the exemption should include Christian Science Practitioners. We ask that you introduce and support an amendment to reflect that accommodation.

I am the Christian Science Committee on Publication for Alaska and, as such, am interested in any legislation that would affect those who seek healing of illness solely through spiritual means, through prayer. There is a growing number of people, not just Christian Scientists, who are finding that sole reliance on scientific prayer is efficacious in healing all manner of sickness and examples of those healings are becoming more widely known and publicized.

Practicing Christian Scientists have been healing through prayer for many years and there are tens of thousands of documented healings recorded in the monthly and weekly periodicals of the Christian Science Church.

Often times Christian Scientists, but also many who are not Christian Scientists, find it helpful to have the assistance in their prayer of a Christian Science Practitioner, one who dedicates their whole life to being available to offer healing solely through prayer. Christian Science Practitioners do charge for their healing work.

It seems only fair that, if those who are listed under proposed AS 43.44.220, including physicians, nurses, midwives, naturopaths, psychologists and many other health care providers are exempt, certainly Christian Science Practitioners should be exempt. The methods of healing used are, of course, vastly different, but the purpose is the same; to heal sickness. It would be inequitable for a person who seeks the care of one of the licensed health care professions would be free of sales tax, but the person seeking healing through prayer must pay the tax.

We suggest that the following language be included:

Amend sec. 43.44.220 (p 14 l. 12 of the bill) by adding a new subsection, as follows:

"(3) those who provide healing services solely through spiritual means."

We very much appreciate your consideration.

Yours cordially,

Richard L. Block
Christian Science Committee on Publication
For the State of Alaska

Richard L. Block
(t) 907 562 5183
Christian Science Committee on Publication (Ak.t.f.) 877 330 5183
for the State of Alaska (f)
907 562 5187
360 W. Benson Blvd., Suite 301 (e)
akcompub@sinbad.net
Anchorage, Alaska 99503

Subject: A Sales Tax Provision a Business Owner Could Love!
Date: Tue, 13 May 2003 10:42:22 -0800
From: Boyer & Reyes <river@acsalaska.net>
To: Representative_Jim_Whitaker@legis.state.ak.us

D ear Representative Whitaker,

I am for the 3% year round sales tax with limited exemptions. It is a key revenue source necessary to balance the state's budget. But one feature I would ABSOLUTELY ADD to the sales tax is a provision or amendment allowing for a limited number of SALES TAX HOLIDAYS.

Let me explain why. Last summer, on a visit to Texas, I found all my relatives were in a fervor to shop on a regular summer day. In fact, so was the whole city. The stores were packed. I asked why the hullabaloo?

And they said the Governor had just announced a sales tax holiday. Then I noticed the commercials for cars, boats, RVs, clothes, hardware, and everything imaginable announcing the big tax free sales event. Consumers got very excited. .

Such sales tax holidays would work in Alaska and cushion the blow of the sales tax for residents. The dates would be determined by the governor (e.g., PFD time, Christmas, non-tourist season). And the number of sales tax holidays would be few enough so that people would continue buying as they normally do. We ought not upset normal consumer behavior.

But the sales tax holiday would give residents, rural or urban, a chance to stock up or make a big purchase tax free! This may reduce the revenue minimally, but it would make the sales tax more acceptable to all. Local economies and businesses would get a boost from the excitement and incentive created by the sales tax holiday. Rural residents could make bulk orders and thus not pay disproportionately, as some argue.

Also the dates of the sales tax holiday must be random and confidential. Here is how I'd write the provision:

"The Governor shall announce annually three dates upon which this sales tax shall not apply. All sales otherwise subject to sales tax are exempt from state sales tax on these three dates. Each date shall be announced in a public press release, at least 14 but not more than 21 days before the tax free date."

I wish you the best in your efforts to solve Alaska's looming fiscal crisis before it is too late.

Sincerely,

Mike Boyer

Juneau

Subject: **Additional Comments to Ways and Means Committee**
Date: Tue, 29 Apr 2003 09:06:06 -0800
From: Carl Gatto <Representative_Carl_Gatto@Legis.state.ak.us>
Organization: Alaska State Legislature
To: Lori Backes <Lori_Backes@legis.state.ak.us>

Lori,

I wanted to pass on a comment I received on the phone today while Ways and Means was meeting.

An Anchorage resident wants to add "real estate" to the list of revenue generators for the state beside "construction". There has been a real increase in fees to the state due to the refinancing of mortgages and real estate transactions and she wants us to look at the contributions of real estate and include them.

JoAnn Lesh, for Rep Gatto

Subject: **Proposed sales tax**
Date: Mon, 28 Apr 2003 21:53:38 -0800
From: Michele Czajkowski <michelecz@gci.net>
To: Representative_Peggy_Wilson@legis.state.ak.us, Representative_Vic_Kohring@legis.state.ak.us, Representative_Max_Gruenberg@legis.state.ak.us, Representative_Norman_Rokeberg@legis.state.ak.us, Representative_Bruce_Weyhrauch@legis.state.ak.us, Representative_Cheryll_Heinze@legis.state.ak.us, Representative_Jim_Whitaker@legis.state.ak.us, Representative_Mike_Hawker@legis.state.ak.us, Representative_Carl_Moses@legis.state.ak.us
CC: Representative_Kevin_Meyer@legis.state.ak.us

Dear Mr. Chairman and Members of the House Ways and Means Committee,

I applaud you for taking a broader look at potential sources of revenue to help fill the budget gap, but I have some concerns/questions about a statewide sales tax:

1. Many communities in Alaska already have local sales taxes. Will a statewide sales tax have a negative economic impact on these communities (i.e., will consumers reduce their consumption because they are paying a sales tax on top of an existing sales tax)?
2. Will a statewide sales tax encourage remote sales (e.g., the sale of goods via mail-order or over the Internet), thereby hurting local businesses?
3. Will food and prescription medicine be exempt, to make the tax less regressive?
4. If you are contemplating a seasonal sales tax, do you foresee any negative economic impacts? For instance, would consumers hold off on purchasing big-ticket items until "off-season" (i.e., when the tax is not in effect)?

Thank you for your time and consideration.

Respectfully,
Michele Czajkowski

May 2, 2003

House Ways & Means Committee,

I oppose a state-wide sales tax. Sales tax is a regressive tax that puts the largest burden on the lowest income groups. For our locality it would mean a 9% sales tax--certainly a good argument for shopping on the Internet and not buying locally, negatively impacting the community and the state's economy. The argument put forward for it is that it will tax those who visit the state; yet the municipalities of Anchorage and Fairbanks, which receive most of the visitors to the state, have found it preferable not to have a sales tax.

For those of us in areas that depend on a local sales tax, it would be a step backwards. With the State collecting the tax, we doubt that enforcement of delinquent payments would be able to be pursued as diligently as it is by our local government nor that the State would be as aware of new businesses or existing businesses that were not collecting the tax. We would lose our ability to have our own local sales tax structure that exempts from taxation certain items of importance locally. A new and expensive State bureaucracy would have to be created to administer the sales tax.

Monthly payment and/or reporting would be an extremely heavy burden on those of us who collect the tax.

I am not opposed to increased State taxation. We have a budget problem, and I am pleased that the Legislature is talking responsibly about the need to raise revenue and not just continue slashing State spending. Sales tax is not, however, the best answer. I hope you will turn your sights to income tax or another form of taxation less problem-prone than the sales tax.

Pat Szabo
Szabo Office Services
PO Box 1949
486-6161
pszabo@ptialaska.net

Ben Ballenger

From: Ben Ballenger <b.k.ballenger@worldnet.att.net>
To: Kodiak Lio <Kodiak_LIO@legis.state.ak.us>
Cc: <Governor@gov.state.ak.us>; Gary Stevens <Senator_Gary_Stevens@legis.state.ak.us>; Dan Ogg <danogg@ptialaska.net>; John Manly <John_Manly@gov.state.ak.us>; James Clark <James_Clark@gov.state.ak.us>; John Sweeney <JohnSweeneyInsurance@gci.net>; Linda Shafer <linda_shafer@gov.state.ak.us>
Sent: Thursday, May 01, 2003 9:33 PM
Subject: State Wide Sales Tax

Lorna - I doubt that I will get to your office tomorrow morning to testify to the House Ways and Means Comittee regarding the implementation of a State Wide Sales Tax - so have put down some ideas and would like you to share them with the Committee.

TESTIMONY TO BE GIVEN TO THE HOUSE WAYS AND MEANS COMMITTEE ON 05/02/03----

My husband, Ben Ballenger, and I are 35 + year residents of the State of Alaska. We realize that the State is in a financial crisis and certainly supported Frank Murkowski to be the Governor of our fine State. We believed then and still believe that he is fiscally astute and will lead us out of the financial crisis we are in. It is obvious that many individuals are going to scream "foul" at the thought of losing what they think they are entitled to - such as the Longevity Bonus, Charitable Gaming monies, the Alaska Science and Technology Foundation, etc., etc., etc. Taking away anything is like building the home for the homeless. Everyone is for it - but no one wants it in their backyard. We need to make cuts and in some cases people will have to make adjustments to their lifestyles. Ben currently receives the Longevity Bonus of $250 a month and certainly we find somewhere to spend it - but we could and would 'survive' without it. It appears, however, that this is turning into one very contentious issue - thus you are now talking about a State Sales Tax. I am assuming you are giving up on all the other programs that the Governor had offered and are instead looking for the "easier solution."

I have no idea if this is intended to be the cure all for the State or not - but surely we have talked enough about the fact that we no longer can pay for what we all want with the current revenue we have coming in. If the State Sales Tax will take care of our fiscal gap and in addition the Legislature can then stay within their budget and we can begin to live within our means as most of us have to do - then Ben and I are in favor of the tax.

It seems that all of you are trying to pass the buck and not stick by your leader but rather than keep up the diatribe for goodness sakes, do something. If it means a State Sales Tax then so be it - but let's get on with the business of running the Government and not just passing the buck between the House and the Senate. Please, we elected each and every one of you to represent us - start shouldering your responsibilities and get this State back on the right path.

Kathleen (Kate) Ballenger
Ben G. Ballenger
P. O. Box 126
Kodiak, AK 99615
(907) 486-3384
b.k.ballenger@att.net

Subject:
Date: Thu, 1 May 2003 07:29:07 -0800
From: "McBride, Malcolm" <MMcBride@borough.kenai.ak.us>
To: "'Representative_Jim_Whitaker@legis.state.ak.us'" <Representative_Jim_Whitaker@legis.state.a

What happened to those Election Day promises?

A balanced budget, protecting the permanent fund, full funding for education, roads and law enforcement?

The State-operating budget is set to pass at about $2.3 BILLION. Alaska has the money to cover a budget of that size. The problem will come in the next few weeks as miscellaneous spending bills (the PORK) start going through the legislature. Capital projects, grants, and other give-a-ways will push the total budget well over the $2.3 Billion level. This discretionary spending will push the budget into a deficit or over spending situation

There have been 16 pieces of legislation introduced, 15 of which want to use the Permanent Fund for state government or change the eligibility requirements. Is the public demanding these raids on the Permanent Fund? Did the public demand that PFD's not be given to poor people that can't afford automobile insurance? Did the public demand additional loopholes to qualify in absence? The answer is NO! These changes have been proposed for political reasons only, NOT to benefit the public. After being elected on a platform vowing to protect the Permanent Fund, it seems the majority of legislation introduced raid the Permanent fund without a vote of the people. Only HJR 3 will save the fund for future Alaskans, by putting Permanent Fund earnings in the constitution. HJR 3 is being held hostage in committee, and only public pressure will force it out.

For years the K through 12 education formula has been stagnant. This formula never did really work. On the other hand, the U of A has requested and been granted millions more than their fair share. The U of A is one of the largest landowners in the state. They have not used their land bank to finance the university, because it's easier to get money from the legislature. K - 12 schools do not have that resource, and must rely on the legislature and local municipalities for funding. The legislature must shift their limited resources into K - 12 funding, and let the U of A raise their own money.

THE REPUBLICAN HALL OF SHAME:
1. Reducing the minimum wage on teens.
2. Allowing remote camp workers to be charged for room and board even if it means being paid less than minimum wage.
3. Multiple new fees and taxes with no increase in service, without a balanced budget or long-range fiscal plan.
4. Raids on the Permanent Fund and earnings reserve account (why reduce payments to the earnings reserve account with new resources coming on line: NPR, ANWR, natural gas and untold mineral deposits).
5. Attempts to close or change the Alaska Public Offices Commission, when the public demands keeping the regulations in place.
6. Changes to the already difficult petition process.
7. The private prison bill (we build it and pay someone from out of state to run it for us) every community where it was considered voted it down. Because of powerful, well-financed lobbyists, it keeps coming back.

Subject: Budget Proposals, Taxes
Date: Thu, 01 May 2003 08:29:12 -0800
From: Fredrick Morrison <fsm222@hotmail.com>
To: <Senator_Gary_Wilken@legis.state.ak.us>, <Senator_Ralph_Seekins@legis.state.ak.us>, <Representative_Jim_Holm@legis.state.ak.us>, <Representative_Jim_Whitaker@legis.state.ak.us>, <Representative_Hugh_Fate@legis.state.ak.us>

To the members of the Fairbanks Delegation and the Legislature in general:

Last year, when the republican party gained control of the govenorship, as well as the house and senate, I was, as many Alaskans were, overcome by intense feelings of hope and optimism for a brighter future for the state of Alaska. Since that time I have been alternating between shock and horror in terms of my reaction to news out of Juneau.

To put it simply, the republicans came to power with the promise of cutting government, reducing waste and developing our resources. As of today, I've seen little progress in any of these three areas. Here are some of the things that I have noticed:

- Nearly every idea that has come out of Juneau has been to increase revenue, not to reduce costs.
- The state spends over $500 million a year on "social services" = WELFARE
- Nearly every cut that has been proposed to reduce the budget have since had the funds reinstated.
-The 200 jobs the governor says were eliminated weren't even filled, so really we have the same number of employees.
- All of the increased costs of new tax programs will impact lower income families the most.

- We don¹t have money to maintain our existing roads, but Mr. Wilken proposes a useless road to connect our hot springs

- The governor has proposed a $100 dollar income tax, and now the legislature is proposing a sales tax, and there is the proposed gas tax, and hikes in fees everywhere else. If these things go through, my family will pay at least $2000 as a result of these increases.

I could keep going on forever. The bottom line is that you guys need to reduce the budget, reduce the waste and avoid taxes at all cost. It is a proven fact that states that tax their populous more have less growth, and states that lower taxes have better growth. Stand up and tell the people of this state that its time to toughen up and tighten the belt up a bit. It wont be easy, or popular, but leaders would do what is best for the state, not for their re-election campaign.

To put this all in perspective, let me say this: I have lived here nearly my entire life. I went outside to go to school but returned to start my career and my family. I wanted to get away from the craziness and waste that is found in many other states. I get home only to find that Alaska has fallen to many of the same problems that other states have, but it's not too late to change our path.
I am a first year teacher, one of the 191 that may be laid off this year. But I see the waste in the schools, and if I need to loose my job to get the state and the schools under control, then I will go work elsewhere. Cut the money! Don't fall prey to the school districts and their well executed spin campaign. The solution to our problems wont be easy, but the wont be found in taxes. Because as it is, if all these proposals go through, my wife and I, along with our yet to be born son, may not be able to afford to live in Alaska. That would truly be a tragedy. If we leave Alaska, which will happen if all these taxes pass, I can guarantee that others will follow.

Bottom line= cut waste, cut government but don't make us pay for waste and special interest politics. We need to turn this session around before the Alaskan public loose trust and faith in the republican party. With ol' nepotism Frank and his lies our party is already in pretty hot water, but you can work to improve this situation.

Thank you for your time,

Fredrick Morrison
Fairbanks, AK
(907) 456-7816

Subject: **Sales Tax**
Date: Fri, 02 May 2003 09:52:48 -0800
From: Peter Rob <peterrob@nook.net>
To: Representative_Jim_Whitaker@legis.state.ak.us

Dear Representative Whitaker,

I am totally opposed to a 3% Statewide Sales Tax because it would be much more onerous in the remote corners of Alaska. Market basket surveys consistently show that regional hubs such as Nome, Bethel, Kotzebue, Barrow etc. have prices more than 70% greater than those in Anchorage. The same surveys show that communities like Kaktovik, Pt. Lay, Adak, Metlakatla and others have even higher prices - at least double those in Anchorage. This means that people in these communities will pay significantly more in a sales tax than people in Anchorage will pay for the same item. If a sales tax also is applied to freight, then rural people will be hit even harder.

If a sales tax has to be implemented, then I ask you to consider some form of value added tax at the wholesale level. Such a tax would recognize the extreme disparities in price across the State and would tax everyone the same amount for the same item.

Sincerely

Peter J. Rob

Subject: **State Sales Tax - A Bad Idea!**
Date: Sun, 4 May 2003 10:14:55 -0700
From: "Robert D. Warner" <akrdw@kpunet.net>
To: <Representative_Jim_Whitaker@legis.state.ak.us>
CC: <Representative_Bill_Williams@legis.state.ak.us>

Dear Representative Whitaker:

I have been reading the newspaper accounts of this State Sales Tax proposal and feel that it is a VERY BAD idea. Have you folks given any consideration of bringing back the old School Tax idea that was also suggested by the Governor?

Here are a few of my comments related to this subject:

1. The proposed State Sales Tax is very unfair to communities that have a local sales tax. It would force citizens in these communities to "buy more and more outside." Here in Ketchikan, many folks would plan annual or semi annual buying trips to Oregon, because the local sales tax rates would be way too high. I believe that a State Sales Tax would cause serious damage to our weak economy here in Ketchikan.

2. The proposed sales tax on almost everything is very unfair!! Would we be taxed for prescription drugs, doctor's visits, haircuts, food, utility bills, fuel bills, etc. etc? This will really increase citizen anger towards government.

3. Consider more cuts in state aid to communities rather than force a state sales tax. In this way local communities can decide if they wish to increase taxes to cover the cuts.

4. We need to see a more forcefull approach to budget cutting by both the Legislature and the Governor.

5. Let's make some significant cuts in the University of Alaska budget to force that institution to make some long overdue reforms. The University needs to make sharp reductions in administration and they never will as long as they continue to receive annual budget increases from the Legislature. Also, let's roll back administrative salaries at the University!

6. After significant cuts have been made, consider bringing back the old School Tax at the $100 rate suggested by the Governor. I remember paying this tax years ago and I think it was a fair tax. Every employee paid it and it reached the out-of-state workers as well. It was a one time a year tax and I don't think too many folks were troubled by it.

7. If we continue to receive a Permanent Fund Dividend from the State and then pay much of that money back in State Sales Taxes, something doesn't make good sense.

The State Sales Tax proposal is a bad idea and should be dropped!!!

Sincerely,

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

cc: Representative Williams

Subject: **Cut State Spending!**
Date: Sat, 03 May 2003 08:13:15 -0800
From: M Byers <aileron@alaska.com>
To: Representative_Tom_Anderson@legis.state.ak.us,
Representative_Ethan_Berkowitz@legis.state.ak.us,
Representative_Mike_Chenault@legis.state.ak.us,
Representative_Sharon_Cissna@legis.state.ak.us,
Representative_John_Coghill@legis.state.ak.us,
Representative_Harry_Crawford@legis.state.ak.us,
Representative_Eric_Croft@legis.state.ak.us,
Representative_Nancy_Dahlstrom@legis.state.ak.us,
Representative_Hugh_Fate@legis.state.ak.us,
Representative_Richard_Foster@legis.state.ak.us, Representative_Les_Gara@legis.state.ak.us,
Representative_Carl_Gatto@legis.state.ak.us,
Representative_Max_Gruenberg@legis.state.ak.us,
Representative_David_Guttenberg@legis.state.ak.us,
Representative_John_Harris@legis.state.ak.us,
Representative_Mike_Hawker@legis.state.ak.us,
Representative_Cheryll_Heinze@legis.state.ak.us,
Representative_Jim_Holm@legis.state.ak.us, Representative_Reggie_Joule@legis.state.ak.us,
Representative_Mary_Kapsner@legis.state.ak.us,
Representative_Beth_Kerttula@legis.state.ak.us,
Representative_Vic_Kohring@legis.state.ak.us,
Representative_Albert_Kookesh@legis.state.ak.us,
Representative_Pete_Kott@legis.state.ak.us, Representative_Bob_Lynn@legis.state.ak.us,
Representative_Beverly_Masek@legis.state.ak.us,
Representative_Lesil_McGuire@legis.state.ak.us,
Representative_Kevin_Meyer@legis.state.ak.us,
Representative_Carl_Morgan@legis.state.ak.us, Representative_Carl_Moses@legis.state.ak.us,
Representative_Norman_Rokeberg@legis.state.ak.us,
Representative_Ralph_Samuels@legis.state.ak.us,
Representative_Paul_Seaton@legis.state.ak.us, Representative_Bill_Stoltze@legis.state.ak.us,
Representative_Bruce_Weyhrauch@legis.state.ak.us,
Representative_Jim_Whitaker@legis.state.ak.us,
Representative_Bill_Williams@legis.state.ak.us,
Representative_Peggy_Wilson@legis.state.ak.us, Representative_Kelly_Wolf@legis.state.ak.us

Dear Representative,

I along with thousands of other Alaskan Voters sent you to Juneau to do one job. Cut State Spending! From what I can tell only 200 state jobs have been eliminated, likely through attrition. Bombardment with commercials by public employees unions on television continues unabated. I can only imagine their intense lobbying efforts. All I keep hearing is how you need to tax me or steal my family's PFD to keep this bloated government afloat. But I still don't see ridiculous programs like Denali (Boon for Doctors) Kid Care, the Longevity (Seniors Already Have Enough Perks) Bonus, Ridiculous (Political Rewards) rents for state facilities, Public Employee (Way Better Than Most Private Sector) Salaries and Retirements, shall I go on?

Reports from Juneau indicate many of you have lost touch with the overwhelming majority of Alaskans who sent you there. You have come "under the spell" of the lobbyists and special interest groups skulking around Juneau trying to keep their hands in our state coffers. Is it now "Out of sight, out of mind" for the voters who put you in office? This situation is untenable! If you want to earn some credibility do the following:

- PASS HB 19 so we can earmark funds for education without all the "smoke and mirrors".
- NEVER again use "helping children" or "making Alaska's children safer, healthier, or happier" as a justification for passing laws. I'm the father of six, coach, and community volunteer and I can't see anything the Alaska Legislature has done that helps children as much as all the TALK emanating from Juneau would indicate.
- PASS HJR 3 so you'll be more inclined to do your duty and less tempted to steal the PFD.
- PASS SJR 6. As far as I'm concerned it amounts to less time each of you is under the influence of the lobbyists and special interest groups who are pillaging OUR state coffers.
- INCREASE eligibility for the PFD to 5 years residency.
- QUIT passing "feel good" laws that end up making more criminals of more Alaskans. Read: Clogging our courts and prisons. (E.g. the recent lowering of the blood-alcohol level to .08. Chronic drunk drivers are the problem, not the person who had a couple beers after work!)
- CUT state spending across the board by 25%. Task every department head to do this or dismiss them and find someone who will.
- DO NOT PASS HB 157! In the future I hope there won't be a need for APOC but right now you folks are out of control! The public needs someone who can keep tabs as most of us have to devote all our time to work and raising families. This goes hand in hand with arrogant legislation such as HJR 5. It's appalling that elected "representatives" could even entertain these items. Personally, I'd be embarrassed to have my name associated with this legislation.
- REMEMBER that growing the economy by creating more state jobs is an illusion. Socialism is not the answer.
- LISTEN to your constituents ☺

I and many other hard-working Alaskans are looking for some **substantive** reductions in the costs of running Alaska's government. Until we see those reductions, please know we are absolutely opposed to any attempt to generate more revenue by taking away more our hard-earned money.

Respectfully,

Maurice Byers

P.O. Box 671206

Chugiak, AK 99567-1206

(907) 688-6943

Subject: **Senators and Represenatives about the Budget this year.**
Date: Fri, 02 May 2003 23:35:03 -0800
From: "Thomas C. Walton" <ursaphoto@ak.net>
To: ursaphoto@ak.net

Good day,
I am writing today to ask you to take a minute and really consider four Points from my Alaskan family's point of view. The obvious fact is that the State budget has real problems. I ask you to considering the following in attempting to fix it.

1. Cut Social programs. Too many people are riding the social programs and making no effort to stand on their own. We were outraged to learn that we were eligible for many of these programs when we never needed them. We can go to any state run program, and unless you are blinded by some guilt, see the waste, fraud, and people not willing to do for themselves there. Yesterday while driving in Alaska Housing areas I could not count all the New cars(Lexus, BMW, Audi)and suv's there. If they can afford the payments and insurance on those vehicles they can afford to pay real rent and to live like the rest of us. Poor budgeting is not an excuse to steal from some to pay others. This enabling behavior or socialism must stop. I know that some will call this mean hearted. Paul said it best "If a man does not work, surely he shall not eat." Hunger is a powerful motivator. I of course am not targeting the truly handicap in our state. Just the freeloaders. Oh and we can not afford the longevity Bonus so cut it.
2. Return the size of government to pre Knowles size. Cut all funding programs to "ALL" local state governments they need to sink or swim on their own. Get out of the snow removal and maintained state roads in the cities they need to handle it. Delete equalization on all things Electric, water, and anything else there is an easy model, just pick any other state. Freeze all salaries in the state government or reduce them. Including your own.
3. Sell off some state land. There is too much in the hands of governments (Fed, State, local). Allow us to build in Alaska the tax base will help the Cities pay for their new responsibilities.
4. Until you have done all of the above Do not give your self a raise or pass any tax. People should be paid based on their job performance. Earn your Money, do the right thing for the Long term Future of Alaska.

I know that many of your colleagues did not make it this far. Thank you for your time all that did. I never want to hear you say no one is contacting you to ask you to cut spending and not pass new taxes. I just did.

Thank you
Thomas Walton
Hyon Walton and family
4840 Ridge Top Circle
Anchorage AK 99508
907-278-0319

Outgoing mail is certified Virus Free.
Checked by AVG anti-virus system (http://www.grisoft.com).
Version: 6.0.476 / Virus Database: 273 - Release Date: 4/24/2003

Subject: **Taxes**
Date: Fri, 02 May 2003 21:58:39 -0500
From: Randy Frank <randyfrank@gci.net>
To: Ralph Seekins <Senator_Ralph_Seekins@legis.state.ak.us>,
John Coghill <Representative_John_Coghill@legis.state.ak.us>,
Jim Whitaker <Representative_Jim_Whitaker@legis.state.ak.us>,
Hugh Fate <Representative_Hugh_Fate@legis.state.ak.us>,
Georgianna Lincoln <Senator_Georgianna_Lincoln@legis.state.ak.us>,
Gene Therriault <Senator_Gene_Therriault@legis.state.ak.us>,
Gary Wilken <Senator_Gary_Wilken@legis.state.ak.us>,
David Guttenberg <Representative_David_Guttenberg@legis.state.ak.us>,
Carl Morgan <Representative_Carl_Morgan@legis.state.ak.us>,
John Harris <Representative_John_Harris@legis.state.ak.us>

Dear Legislators,

I am not in favor of a state wide sales tax because I think that sales taxes should be reserved for the individual municipalities throughout the state. I really don't want to see any new taxes. I would even place giving up my permanent fund dividend ahead, priority wise, of new broad based taxes. I don't have a problem with "user fees" (some say taxes) because we as "users" are paying a small portion of the cost to administer those services. Snow tires cause much more damage to our roads than non studded tires. I would gladly pay an extra $10.00 per studded snow tire to help defray maintenance costs.

A good majority of you were elected last November by opposing an income tax, and telling the people that we can cut the "excess" out of state government and grow the economy to get Alaska back into good fiscal shape. I hope that we are headed in the right direction now.

Randy Frank
P.O. Box 81109
Fairbanks, Ak 99708-1109
District 7

Subject: **Your duty as legislators**
Date: Fri, 2 May 2003 23:39:16 -0700 (PDT)
From: Daniel Miles <milesdan@yahoo.com>
To: Bill Hudson <Representative_Bill_Hudson@legis.state.ak.us>, Jeannette James <Representative_Jeannette_James@legis.state.ak.us>, Reggie Joule <Representative_Reggie_Joule@legis.state.ak.us>, Ben Stevens <Senator_Ben_Stevens@legis.state.ak.us>, Gary Stevens <Representative_Gary_Stevens@legis.state.ak.us>, Robin Taylor <Senator_Robin_Taylor@legis.state.ak.us>, Gene Therriault <Senator_Gene_Therriault@legis.state.ak.us>, John Torgenson <Senator_John_Torgerson@legis.state.ak.us>, Jerry Ward <Senator_Jerry_Ward@legis.state.ak.us>, Jim Whitaker <Representative_Jim_Whitaker@legis.state.ak.us>, Gary Wilken <Senator_Gary_Wilken@legis.state.ak.us>, Bill Williams <Representative_Bill_Williams@legis.state.ak.us>, Peggy Wilson <Representative_Peggy_Wilson@legis.state.ak.us>

Anyone who votes for any kind of a tax without first cutting spending down to size will not get my vote next election. Alaskans demand that you get your spending problems under control before we even look at a tax. If you as a legislature have your way you will increase state spending again and pass a tax. This is not acceptable. Scale back all none essential programs (ie. welfare, special handouts, etc). Push to increase resource development. Lets see if we cannot eliminate the budget gap by cutting and increasing development before we look at a tax or tapping the permanent fund. Have the guts to cut programs. You will always have a small vocal group of people, who have been benefiting from the handout, complain and say how badly they need it. If you listen to each of these groups we will never get anywhere. Your choices are either have the guts to stand up to these small vocal groups or you will be voted out of office next election by the hard working people of Alaska who sweat to earn what we have and are too busy working to go to down there and lobby. You will be held accountable for your actions. Look at how close the elections were for those people supporting taxes last year. I think that you were all sent a message. You need to act on that message.

Daniel Miles

Do you Yahoo!?
The New Yahoo! Search - Faster. Easier. Bingo.
http://search.yahoo.com

Subject: **NO Sales Tax. Cut Spending. You are way off target!**
Date: Fri, 02 May 2003 06:14:22 -0800
From: Lee Standiford <leestan@gci.net>
To: Senator_Con_Bunde@legis.state.ak.us, Senator_Gary_Stevens@legis.state.ak.us, Senator_John_Cowdery@legis.state.ak.us, Senator_Scott_Ogan@legis.state.ak.us, Senator_Robin_Taylor@legis.state.ak.us, Senator_Lyda_Green@legis.state.ak.us, Senator_Gene_Therriault@legis.state.ak.us, Senator_Fred_Dyson@legis.state.ak.us, Senator_Ralph_Seekins@legis.state.ak.us, Senator_Thomas_Wagoner@legis.state.ak.us, Senator_Ben_Stevens@legis.state.ak.us, Senator_Gary_Wilken@legis.state.ak.us
CC: Representative_Tom_Anderson@legis.state.ak.us, Representative_Mike_Hawker@legis.state.ak.us, Representative_Beverly_Masek@legis.state.ak.us, Representative_Norman_Rokeberg@legis.state.ak.us, Representative_Jim_Whitaker@legis.state.ak.us, Representative_Carl_Gatto@legis.state.ak.us, Representative_Cheryll_Heinze@legis.state.ak.us, Representative_Vic_Kohring@legis.state.ak.us, Representative_Lesil_McGuire@legis.state.ak.us, Representative_Ralph_Samuels@legis.state.ak.us, Representative_Bill_Williams@legis.state.ak.us, Representative_Mike_Chenault@legis.state.ak.us, Representative_Nancy_Dahlstrom@legis.state.ak.us, Representative_Jim_Holm@legis.state.ak.us, Representative_Kevin_Meyer@legis.state.ak.us, Representative_Paul_Seaton@legis.state.ak.us, Representative_Peggy_Wilson@legis.state.ak.us, Representative_Hugh_Fate@legis.state.ak.us, Representative_Pete_Kott@legis.state.ak.us, Representative_Carl_Morgan@legis.state.ak.us, Representative_Bill_Stoltze@legis.state.ak.us, Representative_Kelly_Wolf@legis.state.ak.us, Representative_John_Coghill@legis.state.ak.us, Representative_John_Harris@legis.state.ak.us, Representative_Bob_Lynn@legis.state.ak.us, Representative_Bruce_Weyhrauch@legis.state.ak us

I am disappointed in that I am continuing to hear of your efforts to resolve the budget crisis by finding ways to tax instead of cutting the obscene level of spending due to subsidies and give away programs. Come on folks, you were given a leadership example to follow in the proposed budget of Governor Murkowski. Last session you blamed your failures on Governor Knowles and the democrats. You have no such excuse this year. I fully expect this kind of liberal socialism from the democrats, but you claim to be Republicans! My own representatives are tax and spend democrats. I tell them to cut spending and they don't listen to me (no surprise). This is why I never VOTE for them. Republicans are supposed to be for smaller government, less taxes, balanced budgets etc. So why is it that you want to find ways to get more money in the form of taxes instead of doing what you were elected to do, and that is CUT SPENDING!

I heard an interesting email read on the airwaves on KENI radio, which asked the question "what has 120 legs and no spine" and the answer was....The Alaska Legislature! Now don't go getting offended by this, I am just repeating what I heard on a talk radio program here in Anchorage. The fellow who sent that comment to his senator got a "terse" thin skinned response, which was also read on the air. What you need to get out of this is we know what you are up to and we don't like it one bit. Get on with your job and cut spending. Here is a suggestion, see if you can meet or exceed the Governors target to minimize the draw on the CBR instead of giving in to the special interest groups and lobbyists who march before you crying and demanding more spending.

Do not give in the democrats demands regarding a "guaranteed dividend". This is garbage. Last year they were salivating over ways to get their hands on it for more socialist spending.

The session is coming to and end and I am getting a little frustrated by what I am reading and hearing about what is going on there. I urge you to get back on track and make meaningful and substantial spending cuts.

NO Sales Tax. Cut Spending. You are way off target!

Lee Standiford
332 North Park Street
Anchorage AK 99508-1519

Subject: **Fw: State Sales Tax**
Date: Thu, 01 May 2003 16:44:59 -0800
From: "Dr. Bob Johnson" <drbob@keaconnect.net>
To: Representative_Jim_Whitaker@legis.state.ak.us, Representative_Mike_Hawker@legis-state-ak-us.gci.net

----- Original Message -----
From: Dr. Bob Johnson
To: Ogg, Dan ; Stevens, Gary
Sent: Thursday, May 01, 2003 9:56 AM
Subject: State Sales Tax

Gentlemen:

Now this is interesting. No one is interested in an income tax, which taxes each according to their ability to earn, but now the idea of a sales tax rears its ugly head. This is definitely a discriminatroy tax, in addition to impairing the ability of local governments to supplement their own income. Discriminatory, in the sense that those whose income barely enables them to pay their grocery bill will be less able to feed themselves and their families.

I would hope both of you will oppose any legislation designed to impose a state sales tax.

Dr. Bob

Subject: **Proposed State Sales Tax**
Date: Mon, 28 Apr 2003 18:53:56 -0800
From: Andrew Eker <AEker@TheAlaskaClub.com>
To: "'Representative_Jim_Whitaker@legis.state.ak.us'" <Representative_Jim_Whitaker@legis.state.a

Representative Whitaker: In preparing the draft of a statewide sales tax, I would appreciate your consideration of the email that I sent to you last year. A copy follows for your review:

The Alaska Club provides health and fitness club services to Alaskans in Anchorage, Eagle River/Chugiak, Fairbanks, Juneau, and the Matanuska Valley. With a great deal of interest, we have been following the House committee activity on the above-captioned bill. As you are aware, this bill was whisked through the assigned House committees and a floor vote is expected shortly. The bill proposes to tax, among other services, health and fitness club services. We oppose such taxation. The taxation of health and fitness club services is a disincentive for Alaskans to maintain healthy lifestyles and is thus poor public policy.

Research has demonstrated that most states are attempting to do everything in their power to encourage rather than discourage exercise. All across our country, efforts are underway to lower the barriers that prevent people from becoming physically active. Obesity rates are at epidemic proportions. Almost 2/3 of all adults are seriously overweight or obese. Sadly, the percentage of obese children doubled in the last two decades. The U.S. Department of Health and Human Services reports that unhealthy eating and physical inactivity cause 310,000 to 580,000 deaths every year - that's five times more than are killed by guns, HIV, and drug use combined.

Recently, two RAND researchers examined the comparative effects of obesity, smoking, heavy drinking, and poverty on chronic health conditions and health expenditures. The study revealed that obesity is by far the most serious and costly problem. Obesity has been linked to significantly higher health care expenditures and higher rates of chronic illnesses--higher than poverty, and much higher than smoking or drinking.

If nothing else, the bill makes poor fiscal sense. The Centers for Disease Control and Prevention recently documented that the potential savings in direct medical care costs if all inactive American adults became physically active could be $76.6 billion. The estimated economic cost of obesity is $99 billion each year. Public health experts are unanimous that active and fit lifestyles will result in decreased health care costs, reduced governmental spending, fewer illnesses, increased productivity, and improved quality of life.

For these reasons, and to help facilitate the better health and lives of the people of Alaska, we would respectfully request that health and fitness club services, like health care services and prescription drugs, devices and supplies [AS 43.44.020(5) and (6); lines 22-25 of CS for HB 303(STA)], be exempt from taxation. We would suggest that "health and fitness club services" be included in AS 43.44.020 as an exemption.

Thank you for your concern for the health and fitness of Alaskans. Please do not hesitate to contact me with any questions or concerns. I am available at (907) 223-7355.

Andrew H. Eker
March 27, 2002

We propose the same exemption for any statewide sales tax proposed during this session. Thank you for your consideration.

Andrew H. Eker
President
The Alaska Club
(907) 330-0139

Subject: State Tax
Date: Mon, 28 Apr 2003 17:51:20 -0400
From: Mary Ann Nickles <manickles@compuserve.com>
To: WhitakerJim <Representative_Jim_Whitaker@legis.state.ak.us>

Now is your chance to reinstitute income taxes here in the State. While there are cuts in our Federal Taxes we won't even notice the added payment.

I think that collecting money for running government services is government's affair. It seems to me that collecting a sales tax is delegated to every business in the state. They don't need that extra burden.

If the sales tax is not to be regressive you must exempt the necessities of life. An income tax is less regressive because those who could least afford it are probably below the Federal taxation level on their income. You should try to prepare taxes using the current code for a married couple with two children in this state. It would be an eye-opener.

Mary Ann Nickles
Fairbanks, AK