

SCOMM

142:21

Sponsor Statement

HB 263

HB 263 would impose a tax of \$10 per year on each employed individual age 19 or older, including the self-employed. Under this bill, the employer would deduct \$10 from each employee's salary on his or her first regular payroll after January 1, 2006. A provision has been added to prevent this tax from being deducted more than once when the employee provides proof to their new employer that the tax has already been satisfied. The tax will not apply to individuals not required to file a federal income tax return under 26 U.S.C. (Internal Revenue Service Code).

The tax collected under AS 43.45.021 would be deposited into the state's general fund, but accounted for separately. In turn, the legislature may then appropriate the amounts collected under this section for education.

This authorization is not intended to create a dedication of funds in violation of art. IX, 7, of the Constitution of the State of Alaska.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: **HB263-DOLWD-UI-04-12-05**
() Publish Date: _____

Revision Date/Time (Note if correction): _____
Title: **Employment Tax**

Department: **Labor and Workforce Development**
RDU: **Employment Security**
Component: **Unemployment Insurance**

Sponsor: **House Ways & Means**
Requester: **House Ways & Means**

Component Number: **2276**

Expenditures/Revenues

(Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other Training and Building Fund)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: None

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

There is no anticipated fiscal impact to this department resulting from this legislation as the Alaska Department of Revenue will collect the tax.

Prepared by: **Thomas W. Nelson, Director**
Division: **Employment Security Division**
Approved by: **Greg O'Claray, Commissioner**
Agency: **Department of Labor and Workforce Development**

Phone: **465-5933**
Date/Time: **4/12/05 10:33 AM**
Date: **4/12/2005**

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 263
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue 04
 Title Employment Tax RDU Tax and Treasury
 Component Tax
 Sponsor Ways & Means
 Requester (H) W& M Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	3,439.6	3,769.2	3,769.2	3,769.2	3,769.2	3,769.2
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2005) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

*See Page 2

Prepared by: Micheal Williams & Brett Fried Phone 269-6620
 Division Tax Division Date/Time 4/13/05 8:31 AM
 Approved by: Tom Boutin, Deputy Commissioner Date 4/13/2005
 Agency Revenue

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. HB 263

ANALYSIS CONTINUATION

Discussion:

A tax of \$10 a year is imposed on each individual 19 years of age or older who, during the entire calendar year, receives compensation greater than \$1,000 in the state. We estimate that there are about 432,704 workers in the state. We used the Alaska Department of Labor 2004 average monthly federal employment data for the number of federal workers (17,100), IRS tax year 2001 return data to estimate the number of self-employed workers (37,831) and the Department of Labor's "Nonresidents Working in Alaska 2003" to estimate the remaining workers (377,773). We then adjusted this data using the estimated ratio of workers who are both 19 years of age or older and earn over \$1,000 a year to total workers in the state (about 87 percent based on Department of Labor data). The tax base is then an estimated 376,916 individuals or approximately \$3.8 million at \$10 a person. It is a little less in the first year because we won't receive returns from self-employed individuals until FY 2007. Based on Department of Labor data, we estimate that about 16 percent of the individuals who will be subject to this tax are nonresidents.

Based on previous cost projections for an education (head) tax we project \$1.1 million in annual operating costs and \$750,000 in capital expenditure. These estimates assume that it is the legislature's intent to pursue enforcement efforts and employ processing capability that enables the department to monitor refund claims and provide taxpayer service under our existing standards. The estimated and performance objectives are consistent with a \$100 education tax and may not be appropriate for a \$10 education tax.