

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

3076 SCOMM 14.2: HOUSE SPECIAL COMMITTEE ON WAYS & MEANS 2005-2006

The Adverse Consequences of a High Rate

“As operating costs rise during the life of the field, the profit margin shrinks. At some point the total production costs overtake the value of the oil or gas produced, and production can then be continued only by operating at a loss. As one of the costs of doing business, the production tax contributes to the total costs and tends to hasten the time when this break-even point (called the economic limit) is reached.”

DOR, Alaska's Oil and Gas Tax Structure: A Study with Recommendations for Improvement (Feb. 1977), p. V-21 (emphasis added)

The Adverse Consequences of a High Rate



Stage 1



Stage 2



Stage 3



Stage 4

March 18, 2005

Producers' Responses to the "Squeeze"

- **"Do nothing" stage**
- **"Drive for efficiency" stage**
- **"Harvest" stage**
- **"Running in the red" stage**

“[T]he Department of Revenue recommends an Economic Limit Factor (ELF), based on the ratio of the rate at the true economic limit to the current production, as a mechanism for scaling down the tax rate as the production declines toward the economic limit.”

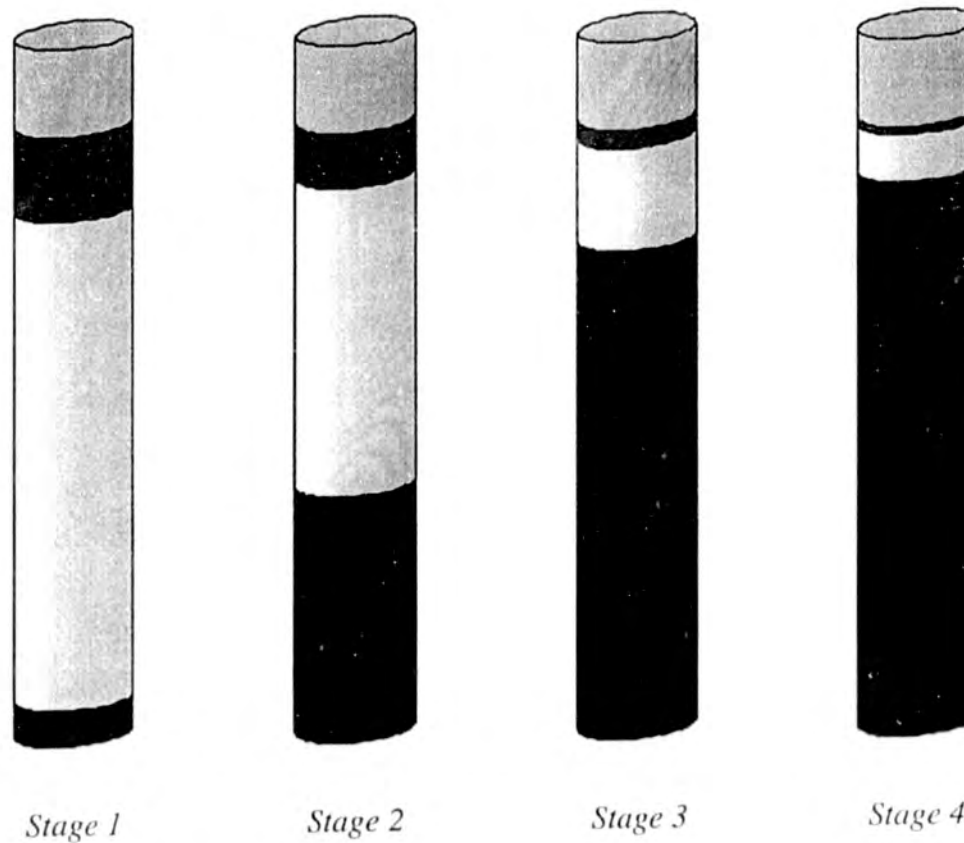
DOR, Alaska's Oil and Gas Tax Structure: A Study with Recommendations for Improvement (Feb. 1977), p. VI-17

$$\left(1 - \frac{PEL}{TP}\right)$$

PEL = Production at Economic Limit

TP = Total Production in tax period

How ELF Avoided the Adverse Consequences



March 18, 2005

12

AOGA

Point No. 2

ELF was enacted in 1977 over industry's strenuous objections

- **Why object? ELF allowed effective tax rate for Prudhoe Bay to be increased to ~11.7% from ~7.8%**

How the Oil ELF was Changed in 1989

1977 formula was driven by “well productivity”

1989 added “field size” (total daily production) to the formula

- **Larger fields have larger ELF's, higher tax rates**
- **Smaller fields have smaller ELF's, lower tax rates**
- **“Field size” is the dominant factor in the formula**

Reasons Given in 1989 for the ELF Change

- 1. To get more revenue**

Reasons Given in 1989 for the ELF Change

2. To give an incentive for small fields

“Marginal fields are fields with either relatively low per well productivity or relatively low daily production.”

*DOR, Response to Questions from House Resources Committee – HB 118
(February 21, 1989), p. 1 (emphasis added)*

Reasons Given in 1989 for the ELF Change

3. To give an incentive for West Sak viscous oil

“[T]he new ELF will increase drilling production and employment at the truly marginal fields ... and, let’s hope someday, West Sak In those fields the severance tax, under HB 118, will either be sharply reduced or eliminated entirely. That’s a pro-development impact on those fields.”

Tape HRC 89-121, side 1 (February 10, 1989), testimony of Gregg Erickson, Senior Economist, Division of Policy, Office of the Governor (transcript), p. 10

Reasons Given in 1989 for the ELF Change

4. Prudhoe Bay & Kuparuk could afford it

What legislators were told the change would do

1. Reduce rates for all fields except Prudhoe Bay & Kuparuk

“[For] marginal fields, ...the severance tax, under HB 118, will either be sharply reduced or eliminated entirely.”

Tape HRC 89-121, side 1 (February 10, 1989), testimony of Gregg Erickson, Senior Economist, Division of Policy, Office of the Governor (transcript), p. 10 (emphasis added)

“In Alaska the marginal fields are the six Cook Inlet fields ... [and] Milne Point, Lisburne, Endicott, Niakuk, West Sak, Point Thomson, Seal Island, and probably any other field that will be discovered in Alaska.”

DOR, Response to Questions from House Resources Committee – HB 118 (February 21, 1989), p. 1 (emphasis added)

What legislators were told the change would do

2. Tax rates for some fields could go to zero under the new ELF that weren't zero under the old ELF

“[For] marginal fields, ...the severance tax, under HB 118, will either be sharply reduced or eliminated entirely.”

Tape HRC 89-121, side 1 (February 10, 1989), testimony of Gregg Erickson, Senior Economist, Division of Policy, Office of the Governor (transcript), p. 10 (emphasis added)

What legislators were told the change would do

3. Smaller fields pay less tax even with the same well productivity as larger fields

What legislators were told the change would do

4. State revenue gains from changing the ELF

- **Projected cumulative effect through FY2010**

Prudhoe Bay	\$2.500 billion
Kuparuk	0.391 billion
All others	(0.200 billion)
Net	\$2.691 billion

Point No. 3

The 1989 ELF change has worked exactly the way legislators were told it would work

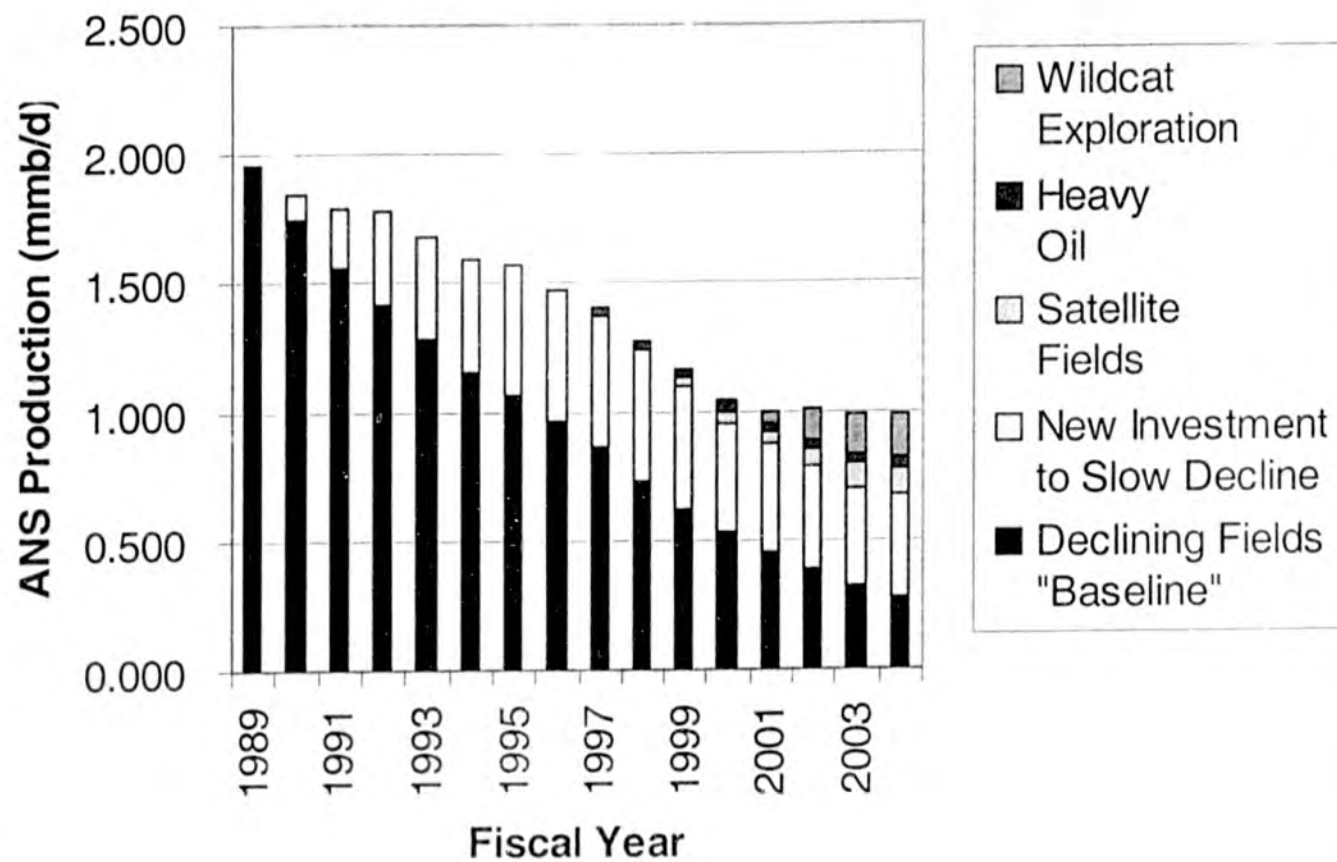
- **Prudhoe & Kuparuk still have higher production tax**
- **Some fields don't pay production tax**
- **Small fields pay less even with same well productivity**
- **State already is over \$2.7 billion ahead (net)**

Point No. 4

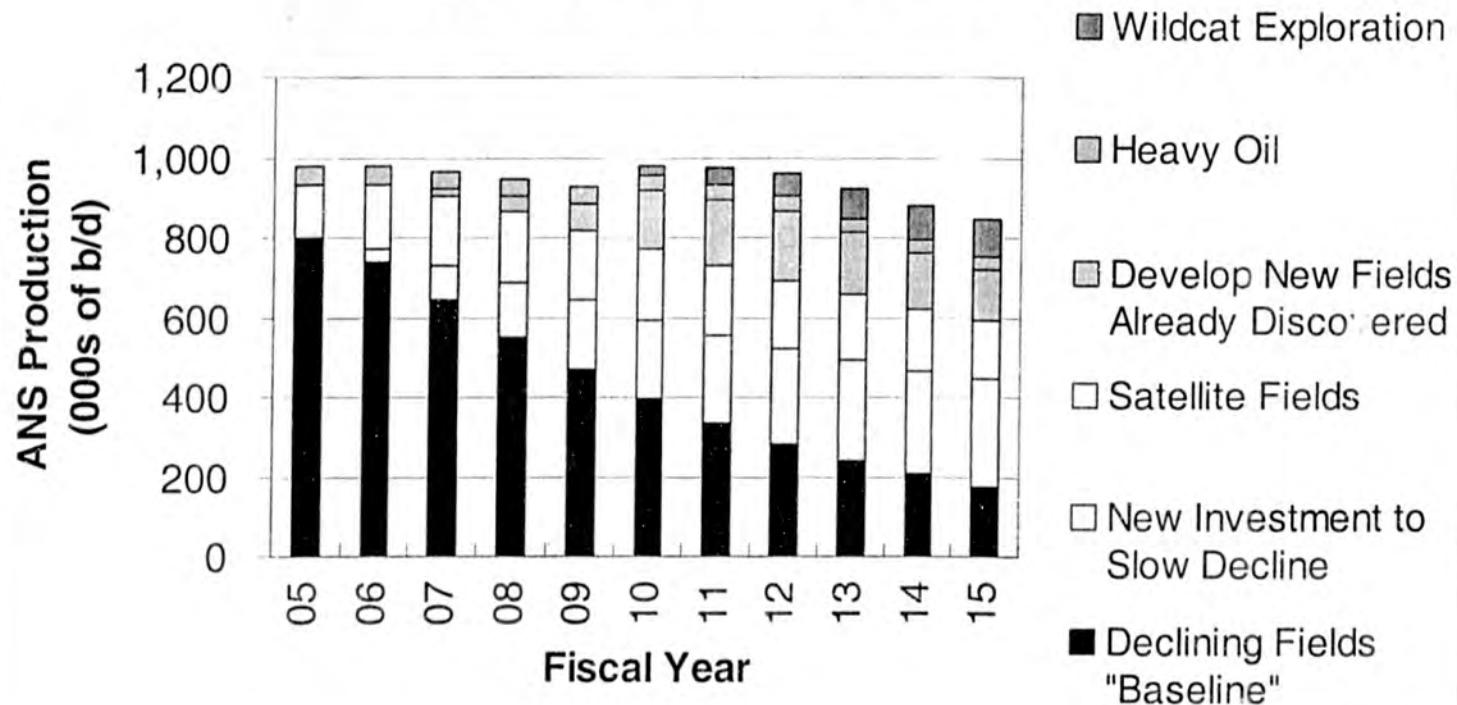
1989 ELF change was enacted over industry's strenuous objections

- **Why? Major tax increase for Prudhoe Bay & Kuparuk**

Historical Effects on ANS Production from Different Kinds of Investment



Contributions of Different Kinds of Investments in Additional Oil Production



SOURCE: DOR *Spring 2004 Revenue Source Book*, p. A5, "Historical and Projected Crude Oil Production".

Wildcat = "NPRA" production

Heavy Oil = "Milne Point" production (a simplifying assumption in the absence of published projections by DOR for West Sak production in other units)

New Fields Already Discovered = "Fiord" + "Point Thomson" + "Liberty" + "Nanuk" + "Known Onshore" + "Known Offshore" production

Satellites = "PBU-Satellite" + "KRU-Satellite" production

Declining Fields "Baseline" = "Prudhoe Bay" + "Kuparuk" + "Endicott" + "GPMA" production declining at 15%/yr starting in mid-2006, plus "Alpine" and "Northstar" production without adjustment from DOR's forecast

New Investment to Slow Decline = difference between Prudhoe/Kuparuk/Endicott/GPMA "baseline" above and DOR's forecasted production from them

Point No. 5

More investment is CRUCIAL

Different kinds of oil investment have different economic profiles

A given tax change promises to impact different classes of oil investment differently

Any change must be carefully examined for “unintended consequences”

What the Governor's ELF Decision Did

Lumped 6 smaller fields within the Prudhoe Bay Unit with the main Prudhoe Bay Field (aggregation)

Because of the “field size” component of the ELF formula, aggregating the fields increased the ELF and tax rate for all of them

Two of the 6 fields aggregated with the main Prudhoe Bay field are West Sak viscous oil

Recent Legislative Proposals – HB63/SB50

AOGA Opposes Passage of HB63/SB50

- Industry views these proposals as a structural tax increase at all price levels except extremely low ones
- Imposes a 27.5% structural tax increase at DOR's expected \$25.50 price
- Raises the maximum tax rate by 67% (from 15% to 25%)
- 5% minimum imposes a heavy burden on satellite development
- Fails to protect significant amounts of viscous oil (West Sak)
- Proposed without analysis of the consequences for investments
- Makes Alaska less competitive

SCOMM

142.5

(CPI-U) 1960-Present					Present Value of \$10 tax relative to 1960	Present Value of \$10 tax relative to 1980
Year	U.S.		Anchorage			
	Average	% Change from Previous Year	Average	% Change from Previous Year		
2004	188.9	2.7	166.7	2.6	\$49.03	\$19.50
2003	184	2.3	162.5	2.7	\$47.79	\$19.01
2002	179.9	1.6	158.2	1.9	\$46.53	\$18.50
2001	177.1	2.8	155.2	2.8	\$45.65	\$18.15
2000	172.2	3.4	150.9	1.7	\$44.38	\$17.65
1999	166.6	2.2	148.4	1	\$43.65	\$17.36
1998	163	1.6	146.9	1.5	\$43.21	\$17.18
1997	160.5	2.3	144.8	1.5	\$42.59	\$16.94
1996	156.9	3	142.7	2.7	\$41.97	\$16.69
1995	152.4	2.8	138.9	2.9	\$40.85	\$16.25
1994	148.2	2.6	135	2.1	\$39.71	\$15.79
1993	144.5	3	132.2	3.1	\$38.88	\$15.46
1992	140.3	3	128.2	3.4	\$37.71	\$14.99
1991	136.2	4.2	124	4.6	\$36.47	\$14.50
1990	130.7	5.4	118.6	6.2	\$34.88	\$13.87
1989	124	4.8	111.7	2.9	\$32.85	\$13.06
1988	118.3	4.1	108.6	0.4	\$31.94	\$12.70
1987	113.6	3.6	108.2	0.4	\$31.82	\$12.65
1986	109.6	1.9	107.8	1.9	\$31.71	\$12.61
1985	107.6	3.6	105.8	2.4	\$31.12	\$12.37
1984	103.9	4.3	103.3	4.1	\$30.38	\$12.08
1983	99.6	3.2	99.2	1.8	\$29.18	\$11.60
1982	96.5	6.2	97.4	5.4	\$28.65	\$11.39
1981	90.9	10.3	92.4	8.1	\$27.18	\$10.81
1980	82.4	13.5	85.5	10.2	\$25.15	\$10.00
1979	72.6	11.3	77.6	10.5	\$22.82	
1978	65.2	7.6	70.2	7	\$20.65	
1977	60.6	6.5	65.6	6.7	\$19.29	
1976	56.9	5.8	61.5	7.7	\$18.09	
1975	53.8	9.1	57.1	13.7	\$16.79	
1974	49.3	11	50.2	10.8	\$14.76	
1973	44.4	6.2	45.3	4.4	\$13.32	
1972	41.8	3.2	43.4	2.6	\$12.76	
1971	40.5	4.4	42.3	2.9	\$12.44	
1970	38.8	5.7	41.1	3.8	\$12.09	
1969	36.7	5.5	39.6	3.9	\$11.65	
1968	34.8	4.2	38.1	2.4	\$11.21	
1967	33.4	3.1	37.2	2.5	\$10.94	
1966	32.4	2.9	36.3	2.8	\$10.68	
1965	31.5	1.6	35.3	0.9	\$10.38	
1964	31	1.3	35	0.6	\$10.29	
1963	30.6	1.3	34.8	0.3	\$10.24	
1962	30.2	1	34.7	0.6	\$10.21	
1961	29.9	1	34.5	1.5	\$10.15	
1960	29.6		34		\$10.00	
Base: 1982-84=100 Last Update: 02/04/05						
Source: U.S. Dept. of Labor, Bureau of Labor Statistics (BLS)						

Bill History/Action Display



BILL: SB 137

BILL VERSION:

CURRENT STATUS: (S) FIN

SPONSOR(s): SENATOR(S) STEVENS G

SHORT TITLE: EMPLOYMENT TAX FOR
EDUCATION

STATUS DATE: 04/04/03

TITLE: "An Act imposing a tax on employment; and providing for an effective date."

Bill Root:		Display Bill Root	Next Bill
	Full Text	Fiscal Notes	
Committee Action with Bill History			

From
23rd Legislature

Jrn-Date	Jrn-Page	Action
03/12/03	<u>0470</u>	(S) READ THE FIRST TIME - REFERRALS
03/12/03	<u>0471</u>	(S) STA, FIN
04/04/03	<u>0689</u>	(S) STA RPT CS FORTHCOMING 2DP 2NR
04/07/03	<u>0730</u>	(S) STA CS RECEIVED SAME TITLE
04/04/03	<u>0689</u>	(S) DP: STEVENS G, COWDERY;
04/04/03	<u>0689</u>	(S) NR: DYSON, GUESS
04/08/03	<u>0747</u>	(S) FN1: (REV)
04/04/03	<u>0689</u>	(S) REFERRED TO FINANCE

Similar Subject Match or Exact Subject Match

[BUSINESS](#)[EDUCATION](#)[EMPLOYMENT](#)[LABOR](#)[SCHOOL DISTRICTS](#)[TAXATION](#)[UNIVERSITIES](#)[WAGES](#)

Bill Root:		Display Bill Root	Next Bill
------------	----------------------	-------------------	-----------

[To Report Problems with Basis Inquiry](#)[Live KTOO Streams](#)[Return to Basis Main Menu \(23 Legislature\)](#)[Return to Legislature Home Page](#)

CS FOR SENATE BILL NO. 137(STA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Offered: 4/4/03
Referred: Finance

Sponsor(s): SENATOR GARY STEVENS

A BILL

FOR AN ACT ENTITLED

1 **"An Act imposing a tax on employment; and providing for an effective date."**

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

3 * **Section 1.** AS 43 is amended by adding a new chapter to read:

4 **Chapter 45. Education Tax.**

5 **Sec. 43.45.011. Tax imposed.** There is imposed a tax of \$100 a year on each
6 individual 19 years of age or older who, during the entire tax year, receives
7 compensation greater than \$1,000 in the state.

8 (b) For purposes of this section, "compensation" includes wages, salaries,
9 commissions, tips, and any other form of remuneration paid for personal services.

10 (c) The tax imposed under this section does not apply to compensation exempt
11 from the tax under federal law.

12 **Sec. 43.45.021. Collection of tax.** (a) An employer shall deduct and
13 withhold \$50 of the tax from the employee's salary or other compensation on each of
14 the first two regular payrolls after the employee's total compensation paid by the
15 employer during the tax year has exceeded \$1,000. An employer shall file a return on

1 a form prescribed by the department and send the tax withheld to the department on or
2 before the fifteenth day of the month following the month in which the tax was
3 withheld from the employee.

4 (b) A deduction of the tax may not be made in the salary or other
5 compensation of an individual who provides proof to the employer that

6 (1) the tax imposed under AS 43.45.011 for that tax year has already
7 been withheld by another employer; or

8 (2) the individual was not 19 years of age or older for the entire tax
9 year.

10 (c) An individual who has not had the full tax withheld by an employer must
11 file a return on a form prescribed by the department and remit the tax due under this
12 section by June 30 of the tax year.

13 **Sec. 43.45.031. Liability of employer.** An employer who pays compensation
14 is liable for the tax required to be withheld from an employee under this section unless
15 the employer can demonstrate that the employer relied on proof provided by the
16 employee that

17 (1) the tax imposed under AS 43.45.011 had already been withheld by
18 another employer; or

19 (2) the individual was not 19 years of age or older for the entire tax
20 year.

21 **Sec. 43.45.041. Disposition of tax proceeds.** (a) The tax collected by the
22 department under AS 43.45.021 shall be deposited into the general fund and accounted
23 for separately.

24 (b) The legislature may appropriate the estimated amounts to be collected and
25 separately accounted for under (a) of this section for education.

26 (c) The deposit required and appropriation authorized by this section are not
27 intended to create a dedication in violation of art. IX, sec. 7, Constitution of the State
28 of Alaska.

29 **Sec. 43.45.051. Definition.** In this chapter, "tax year" means the period
30 beginning on July 1 and ending on June 30 of the following calendar year.

31 * **Sec. 2.** This Act takes effect July 1, 2003.

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSSB 137(STA)
 (S) Publish Date: 4/8/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Employment Tax for Education BRU Revenue Operations
 Component Tax Division
 Sponsor Senator Gary Stevens
 Requester Senate Finance Committee Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	618.8	618.8	618.8	618.8	618.8	618.8
Travel	28.0	14.0	14.0	14.0	14.0	14.0
Contractual	175.5	175.5	175.5	175.5	175.5	175.5
Supplies	12.0	12.0	12.0	12.0	12.0	12.0
Equipment	190.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1,024.3	820.3	820.3	820.3	820.3	820.3

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	39,000.0	39,000.0	39,000.0	39,000.0	39,000.0	39,000.0
-------------------------------	-----------------	-----------------	-----------------	-----------------	-----------------	-----------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1,024.3	820.3	820.3	820.3	820.3	820.3
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	1,024.3	820.3	820.3	820.3	820.3	820.3

Estimate of any current year (FY2003) cost: 900.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal: ☐

POSITIONS

Full-time	10	10	10	10	10	10
Part-time						
Temporary	10	10	10	10	10	10

ANALYSIS: (Attach a separate page if necessary)

See attached pages for revenue and operating expense explanations, and discussion of this legislation.

Prepared by: Chuck Harlamert, Chief of Operations Phone 465-4773
 Division: Tax Division Date/Time 4/7/03 4:01 PM
 Approved by: Larry Persily, Deputy Commissioner Date 4/7/2003
 Agency: Department of Revenue

Education Tax for Employment - CSSB 137(STA) FN #1
April 7, 2003 - Page 2 of 5

Revenues

The Department estimates the new program could generate as much as \$39 million a year in state revenue in a full fiscal year starting in Fiscal 2004. This estimate is based not on the number of jobs in Alaska, but on the number of different individuals who hold those jobs during the year and the number of individuals who are self-employed in the state. As the Senate State Affairs CS includes a July 1, 2003 effective date for the new tax, the state would realize the full revenues in the program's first year of operation.

Annual Operating Expenditures

The Department of Revenue estimates it will receive 75,000 returns/reports/payments from businesses and self-employed individuals during the year, plus an estimated 12,000 refund claims.

We project it will require 10 full-time and 10 temporary workers to administer the new revenue program:

- 1 Revenue Auditor V
- 1 Revenue Auditor III
- 1 Analyst/Programmer II
- 1 Tax Technician III
- 2 Tax Technicians II
- 2 Accounting Technicians II
- 2 Administrative Clerks II
- 10 temporary data entry / mail / clerks during the busiest period for returns
(each working about four months)

The Department would use data imaging and electronic filing as much as possible to reduce the program's fiscal cost to the state and the cost to businesses.

Start-up Expenses

The Department requests \$900,000 in supplemental funds for Fiscal 2003, with a June 30, 2004 lapse date, because of the urgent need to immediately start preparations for the new tax program to take effective July 1, 2003. The money would be used for a large-scale imaging system, electronic filing and software to accommodate data files for businesses and an estimated 390,000 individuals each year, and a web-based system to allow businesses and self-employed individuals to file paperless returns.

The Department will need to move quickly in order to have the tax system in place in just two months and therefore will need to contract for much of the work with private companies. However, not all of the set-up and systems work will be completed by July 1, 2003, and we would use the balance to complete the work during Fiscal 2004.

The funding will cover the following anticipated activities:

- Employer information pamphlets
- Informational inserts with paychecks
- Workplace posters
- Household mail-outs
- Public service announcements
- General and targeted self-employment mail-outs
- Toll-free help desk

Suggested Changes

Sec. 43.45.011(b) – For purposes of this section, "compensation" includes wages, salaries, commissions, tips [and] any other form of remuneration paid for personal services, and gross receipts from a trade or business. *(This would clarify that self-employed people who sell goods are subject to the tax, not just self-employed people in a service business.)*

Sec. 43.45.021 - Collection and payment of tax. (a) An employer shall deduct and withhold the lesser of 10% of the employees' gross compensation or \$50 of the tax from the employee's salary or other compensation on [EACH OF] the first [TWO] regular payroll[S] in which [AFTER] the employee's total compensation paid by the employer during the tax year [HAS] exceeds[ED] \$1,000 and from subsequent payrolls until the tax due under this chapter is fully withheld. *(These changes would spread the impact on low-income taxpayers and avoid the risk of withholding 100% of a paycheck.)*

(b) An employer shall file a return on a form prescribed by the department and remit [SEND] the tax withheld to the department on or before the fifteenth day of the month following the earlier of the last day of

- (1) each calendar quarter during which tax was required to be withheld; or
- (2) any month where on the last day of that month the employer has withheld but not paid \$500 or more of tax.

[MONTH IN WHICH THE TAX WAS WITHHELD FROM THE EMPLOYEE] *(These suggestions would reduce the filing frequency for small employers.)*

Sec. 43.45.041 - Refund Claims by Individuals. An individual who has paid tax or from whom tax was withheld by an employer in excess of \$100 during a tax year may claim a refund from the department. The claim must be made on a form or in a manner proscribed by the department on or before December 31 of the calendar year immediately following the tax year. For purposes of interest payable under AS 43.05.280 only, the claim shall be treated as a return the due date of which is the later of the date the claim was filed with the department or the date on which the last payment of the tax was received by the department. *(This new section, we believe, is the most effective manner to deal with overpayments.)*

New Section for a transition rule. Notwithstanding AS 43.54.021(b)(2) the due date for filing a return and paying the tax with respect to amounts withheld during the first three months during which the tax is in effect shall be the fifteenth day of the fourth month during which the tax is in effect. *(This transition rule will give the department and taxpayers more time to prepare for the tax, simplify initial filing, and improve customer service during the start-up phase.)*

Sectional Review

Section 1 amends AS 43 by adding a new chapter to impose an education tax.

AS 43.45.011 provides that the tax is \$100 a year on each individual 19 years of age or older who is employed or self-employed in the state and who receives compensation in excess of \$1,000 during the tax year.

AS 43.45.021 provides that an employer is to deduct \$50 from each employee's wages in each of the first two regular payrolls of the tax year, or the first two payrolls following employment. The employer must then remit the tax deducted to the department. No deduction may be made if the employee can prove to the employer that the \$100 tax has previously been paid. The department is to provide a return form for the employer to remit the tax.

A self-employed individual who has not had the full tax withheld during the tax year must file a return and pay the tax before the end of the tax year.

AS 43.45.031 holds an employer liable for the tax it is required to withhold and remit.

AS 43.45.041 provides that the tax shall be deposited into the general fund, accounted for separately, and may be appropriated by the legislature for education. The deposit and appropriation is not intended to create a dedicated fund.

AS 43.45.051 defines the tax year and the period beginning July 1 and ending June 30.

Section 2 provides that the tax takes effect on July 1, 2003.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSSB 137 (FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Employment Tax for Education RDU Revenue Programs & Services
Component Tax Division
Sponsor Senator Gary Stevens
Requester Senate Finance Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	608.4	915.5	866.3	866.3	866.3	866.3
Travel	14.0	17.0	13.0	13.0	13.0	13.0
Contractual	365.6	206.8	198.6	198.6	198.6	198.6
Supplies	13.0	18.0	17.0	17.0	17.0	17.0
Equipment	184.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1,185.0	1,157.3	1,094.9	1,094.9	1,094.9	1,094.9

CAPITAL EXPENDITURES	683.3					
-----------------------------	--------------	--	--	--	--	--

CHANGE IN REVENUES ()	26,300.0	39,600.0	39,000.0	39,000.0	39,000.0	39,000.0
-------------------------------	-----------------	-----------------	-----------------	-----------------	-----------------	-----------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1,868.3	1,157.3	1,094.9	1,094.9	1,094.9	1,094.9
1005 GF/Program Receipts						
1037 GF/Mental Health						
Constitutional Budget Reserve Fund						
TOTAL	1,868.3	1,157.3	1,094.9	1,094.9	1,094.9	1,094.9

Estimate of any current year (FY2004) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal: ☐

POSITIONS

Full-time	13	13	12	12	12	12
Part-time						
Temporary	10	10	10	10	10	10

ANALYSIS: (Attach a separate page if necessary)

See page 2

Prepared by: Chuck Harlamert and Michael Williams Phone 465-2320
Division Tax Division Date/Time 2/11/04 8:58 AM
Approved by: Steve Porter, Deputy Commissioner Date 2/11/2004
Agency Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSSB 137 (FIN)

ANALYSIS CONTINUATION

Revenues

The Department estimates the new program could generate as much as \$39 million a year in state revenue in a full fiscal year starting in Fiscal 2006. This estimate is based not on the number of jobs in Alaska, but on the number of different individuals who hold those jobs during the year and the number of individuals who are self-employed in the state.

Operating Expenditures

The Department of Revenue estimates it will receive 75,000 returns/reports/payments from businesses and self-employed individuals during the year, plus an estimated 12,000 refund claims.

We project it will require 13 full-time and 10 temporary workers to administer the new program falling to 12 full time staff and 10 temps in FY07. Staffing costs reflect a start-up group growing to full staffing in the third quarter of FY05. The Department would employ imaging technology and electronic filing as much as possible to reduce the program's costs to the state and to businesses.

Contractual costs for FY05 include the cost of a project manager to facilitate systems development and implementation.

The \$683 capital request for the first year of the program is to pay for a large-scale imaging and data capture system, to accommodate data for businesses and an estimated 390,000 individuals each year, a web-based system to allow businesses and self-employed individuals to file paperless returns, and electronic filing on magnetic media or disks for businesses. These costs must be coordinated with capital investment for other legislative proposals to avoid potential duplication.

Sponsor Statement

SB 137

SB 137 would impose a tax of \$100 a year on each employed individual age 19 or older, including the self-employed. Under this bill, the employer would deduct \$50 from the employee's salary on each of their first two regular payrolls after July 1 of the calendar year. A provision has been added to prevent this tax from being taken out 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 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.

I urge your support of this bill.

(Revised 3/26/03)

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

March 17, 2003

SUBJECT: Employment Tax - SB 137 (Work Order No. 23-LS0771\A)

TO: Senator Gary Stevens
Attn: Doug Letch

FROM: Kathryn L. Kurtz *KK*
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Creates a new chapter in title 43 imposing a tax on employment.

Sec. 43.45.011 imposes a tax of \$100 per year on each individual 19 years or older and employed in the state.

Sec. 43.45.021 requires employers to withhold the tax from an employee's first two paychecks of the year, unless the employee can prove that the employee has already paid the tax. Requires the employer to file returns and send the tax money to the department of revenue quarterly. Requires the department of revenue to provide a tax return form.

Sec. 43.45.031 requires an employer to provide proof of withholding to an employee on request, and requires the department of revenue to provide a proof of withholding form.

Sec. 43.45.041 requires the money collected from the tax to be deposited in the general fund and accounted for separately. Permits the legislature to appropriate the proceeds for education.

Section 2. Provides an effective date of January 1, 2004.

KLK:lmb
03-083.lmb

Subject: RE: SB 137

Date: Tue, 8 Apr 2003 08:07:01 -0800

From: "Chuck Harlamert" <chuck_harlamert@revenue.state.ak.us>

To: "Douglas Letch" <Doug_Letch@legis.state.ak.us>

Doug,

We should have our package of suggestions summarized by end of business today.

A couple of problems pop up from the flat \$50 amount.

- A check may be under \$50 in which case we should only take what we can get after federal and unemployment and so forth.

- \$50 may represent an unattractive proportion of the check. One solution is to withhold the lesser of 10% of compensation after federal and unemployment withholding or \$50. The downside of this approach is that the number of payrolls subject to withholding will grow for part time employees. This is more costly to employers and to a lesser degree the department.

- The existing language assumes that every employee will have \$50 to withhold in the first two payrolls. This will be true for 99% of us, but the law should provide for continued withholding until the \$100 is fully paid.

Note that many of our suggestions are focused on the exceptions to the general rule. This is because those exceptions have a disproportionate impact on the cost of compliance and administration. Our employers (taxpayers) won't appreciate all of this work but it will make a big difference.

See you in Sen. Fin.

Chuck

MEMORANDUM

State of Alaska

Department of Law

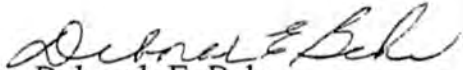
To: Mike Tibbles
Legislative Director
Office of the Governor

Date: January 22, 2004

File No.: 773-04-0090 (Reopened)

01-22-04P01:34 RCVD

Tel. No: 465-3600

From: 
Deborah E. Behr
Assistant Attorney General
Legislation and Regulations Section

Re: Revised Possible "Friendly"
Legislation imposing an
employment tax for education

PRIVILEGED AND CONFIDENTIAL COMMUNICATION

Attached is a copy of a revised draft Senate Finance Committee substitute bill for SB 137 (employment tax for education). (At your request, we have reopened our 773-04-0090 file for this subject.) The revised draft committee substitute makes the following major changes from the pending Senate State Affairs Committee substitute:

- 1) adds a provision for super-priority of the statutory lien that is created by non-payment of the employment tax for education;
- 2) eases the burden on collection of the tax from low-wage earners;
- 3) collects the tax on a calendar-year basis;
- 4) characterizes the tax as a "trust tax" and subjects employers to the collection provisions of AS 43.05 and AS 43.10;
- 5) provides for collection of security from employers that fail to collect the tax; this provision mirrors the employment security tax language in AS 23.20.247;
- 6) provides authority for the Department of Revenue to immediately begin drafting regulations to implement the bill.

This revised draft makes a minor technical change to proposed AS 43.45.041 (p. 4 of the bill).

The bill affects the Department of Revenue and the Department of Education and Early Development.

The Hon. Frank H. Murkowski, Governor
Our file: 773-04-0090

January 22, 2004
Page 2

We understand that the revised draft committee substitute is planned to be provided to the Senate Finance Committee for consideration as a possible committee substitute. Therefore, no transmittal letter is provided.

Please note that page 4 of the bill still contains language for separate accounting of the tax revenue, as did SB 137 and CSSB 137(STA).

DEB:pvp

Suggested Distribution by Governor's Legislative Office:

Landa Baily, Legislative Contact, Dept. of Revenue

Kevin Sweeney, Legislative Contact, Dept. of Education and Early Development

Cheryl Frasca, Dir., OMB, Office of the Governor

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSSB 137(STA)
(S) Publish Date: 4/8/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Employment Tax for Education BRU Revenue Operations
Component Tax Division
Sponsor Senator Gary Stevens
Requester Senate Finance Committee Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	618.8	618.8	618.8	618.8	618.8	618.8
Travel	28.0	14.0	14.0	14.0	14.0	14.0
Contractual	175.5	175.5	175.5	175.5	175.5	175.5
Supplies	12.0	12.0	12.0	12.0	12.0	12.0
Equipment	190.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1,024.3	820.3	820.3	820.3	820.3	820.3

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	39,000.0	39,000.0	39,000.0	39,000.0	39,000.0	39,000.0
------------------------	----------	----------	----------	----------	----------	----------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1,024.3	820.3	820.3	820.3	820.3	820.3
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	1,024.3	820.3	820.3	820.3	820.3	820.3

Estimate of any current year (FY2003) cost: 900.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal: ☐

POSITIONS

Full-time	10	10	10	10	10	10
Part-time						
Temporary	10	10	10	10	10	10

ANALYSIS: (Attach a separate page if necessary)

See attached pages for revenue and operating expense explanations, and discussion of this legislation.

Prepared by: Chuck Harlamert, Chief of Operations Phone 465-4773
Division: Tax Division Date/Time 4/7/03 4:01 PM
Approved by: Larry Persily, Deputy Commissioner Date 4/7/2003
Agency: Department of Revenue

Revenues

The Department estimates the new program could generate as much as \$39 million a year in state revenue in a full fiscal year starting in Fiscal 2004. This estimate is based not on the number of jobs in Alaska, but on the number of different individuals who hold those jobs during the year and the number of individuals who are self-employed in the state. As the Senate State Affairs CS includes a July 1, 2003 effective date for the new tax, the state would realize the full revenues in the program's first year of operation.

Annual Operating Expenditures

The Department of Revenue estimates it will receive 75,000 returns/reports/payments from businesses and self-employed individuals during the year, plus an estimated 12,000 refund claims.

We project it will require 10 full-time and 10 temporary workers to administer the new revenue program:

- 1 Revenue Auditor V
- 1 Revenue Auditor III
- 1 Analyst/Programmer II
- 1 Tax Technician III
- 2 Tax Technicians II
- 2 Accounting Technicians II
- 2 Administrative Clerks II
- 10 temporary data entry / mail / clerks during the busiest period for returns
(each working about four months)

The Department would use data imaging and electronic filing as much as possible to reduce the program's fiscal cost to the state and the cost to businesses.

Start-up Expenses

The Department requests \$900,000 in supplemental funds for Fiscal 2003, with a June 30, 2004 lapse date, because of the urgent need to immediately start preparations for the new tax program to take effective July 1, 2003. The money would be used for a large-scale imaging system, electronic filing and software to accommodate data files for businesses and an estimated 390,000 individuals each year, and a web-based system to allow businesses and self-employed individuals to file paperless returns.

The Department will need to move quickly in order to have the tax system in place in just two months and therefore will need to contract for much of the work with private companies. However, not all of the set-up and systems work will be completed by July 1, 2003, and we would use the balance to complete the work during Fiscal 2004.

The funding will cover the following anticipated activities:

- Employer information pamphlets
- Informational inserts with paychecks
- Workplace posters
- Household mail-outs
- Public service announcements
- General and targeted self-employment mail-outs
- Toll-free help desk

Suggested Changes

Sec. 43.45.011(b) – For purposes of this section, "compensation" includes wages, salaries, commissions, tips [and] any other form of remuneration paid for personal services, and gross receipts from a trade or business. *(This would clarify that self-employed people who sell goods are subject to the tax, not just self-employed people in a service business.)*

Sec. 43.45.021 - Collection and payment of tax. (a) An employer shall deduct and withhold the lesser of 10% of the employees' gross compensation or \$50 of the tax from the employee's salary or other compensation on [EACH OF] the first [TWO] regular payroll[S] in which [AFTER] the employee's total compensation paid by the employer during the tax year [HAS] exceeds[ED] \$1,000 and from subsequent payrolls until the tax due under this chapter is fully withheld. *(These changes would spread the impact on low-income taxpayers and avoid the risk of withholding 100% of a paycheck.)*

(b) An employer shall file a return on a form prescribed by the department and remit [SEND] the tax withheld to the department on or before the fifteenth day of the month following the earlier of the last day of

- (1) each calendar quarter during which tax was required to be withheld; or
- (2) any month where on the last day of that month the employer has withheld but not paid \$500 or more of tax.

[MONTH IN WHICH THE TAX WAS WITHHELD FROM THE EMPLOYEE] *(These suggestions would reduce the filing frequency for small employers.)*

Sec. 43.45.041 - Refund Claims by Individuals. An individual who has paid tax or from whom tax was withheld by an employer in excess of \$100 during a tax year may claim a refund from the department. The claim must be made on a form or in a manner proscribed by the department on or before December 31 of the calendar year immediately following the tax year. For purposes of interest payable under AS 43.05.280 only, the claim shall be treated as a return the due date of which is the later of the date the claim was filed with the department or the date on which the last payment of the tax was received by the department. *(This new section, we believe, is the most effective manner to deal with overpayments.)*

New Section for a transition rule. Notwithstanding AS 43.54.021(b)(2) the due date for filing a return and paying the tax with respect to amounts withheld during the first three months during which the tax is in effect shall be the fifteenth day of the fourth month during which the tax is in effect. *(This transition rule will give the department and taxpayers more time to prepare for the tax, simplify initial filing, and improve customer service during the start-up phase.)*

Education Tax for Employment - CSSB 137(STA) FN #1
April 7, 2003 - Page 5 of 5

Sectional Review

Section 1 amends AS 43 by adding a new chapter to impose an education tax.

AS 43.45.011 provides that the tax is \$100 a year on each individual 19 years of age or older who is employed or self-employed in the state and who receives compensation in excess of \$1,000 during the tax year.

AS 43.45.021 provides that an employer is to deduct \$50 from each employee's wages in each of the first two regular payrolls of the tax year, or the first two payrolls following employment. The employer must then remit the tax deducted to the department. No deduction may be made if the employee can prove to the employer that the \$100 tax has previously been paid. The department is to provide a return form for the employer to remit the tax.

A self-employed individual who has not had the full tax withheld during the tax year must file a return and pay the tax before the end of the tax year.

AS 43.45.031 holds: an employer liable for the tax it is required to withhold and remit.

AS 43.45.041 provides that the tax shall be deposited into the general fund, accounted for separately, and may be appropriated by the legislature for education. The deposit and appropriation is not intended to create a dedicated fund.

AS 43.45.051 defines the tax year and the period beginning July 1 and ending June 30.

Section 2 provides that the tax takes effect on July 1, 2003.

Ginny Austerman

From: Cherie Nienhuis
Sent: Wednesday, March 16, 2005 1:17 PM
To: Ginny Austerman
Subject: Repeal of School Tax

Hi Ginny,

Per your request, we found the following with regard to the school tax. The school tax, codified at AS 3.45 (43.45.010 - .060) was repealed by Sec. 2 ch 64 SLA 1980.

I have attached a legislative research report prepared in 1989 that provides a good overview and history of the program, as well as some tax revenue figures from when the tax was in place. Please note that a copy of AS 43.45, as last amended, is included as an attachment to this report. You can find it on pages 21-22 of the PDF document (the numbers at the bottom of the screen, 21 of 117 and 22 of 117). * * RED TABS .

Please let us know if we can be of any further assistance.

Cherie

Cherie Nienhuis, Legislative Analyst
Legislative Research Services
State Capitol
Juneau, AK 99801
907-465-3991
907-465-3908 (fax)
cherie.nienhuis@legis.state.ak.us

CONFIDENTIALITY NOTICE

This message is confidential and may be a privileged communication. It is intended only for the use of the individual or entity to whom it is addressed, and should not be read or used by anyone else. If you received this message in error, please immediately notify us by return email or by collect call at (907) 465-3991, and delete the message from your system, retaining no hard copies.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

March 17, 1989

MEMORANDUM

TO: House Finance Fiscal Policy Subcommittee

FROM: Ginny Fay *G. Fay*
Legislative Analyst

RE: State School Tax: History, Potential Revenues, and Policy Considerations
Research Request 89.259

You requested a succinct overview of the Alaska school tax which was repealed in 1980. This memorandum provides information on its history, potential revenues if reinstated, and policy considerations.

History

The school tax was established in 1919.¹ It was a head tax, which means that all persons liable for the tax paid a fixed amount. When enacted, the tax--in the amount of \$5 per employed person--was levied on all males between 21 and 50 and was collected by locally appointed school board members. In 1943, tax liability was extended to employed women, and the age limit was increased to 55. In 1955, the tax was increased to \$7.50 per worker. In 1957, withholding was adopted, the tax increased to \$10, and the age limit extended to 60. In 1959, the age ceiling was eliminated and the minimum age was lowered to 19. The 1959 amendment also prohibited withholding from casually employed persons earning less than \$25 in their first pay period. Several administrative changes--including making tax collection part of the Alaska net income tax--were made in 1960 to increase the efficiency of school tax collection.²

¹There are numerous references to its origination in 1913. Review of the Compiled Laws of Alaska indicates that revenues from state liquor license sales were placed in the Alaska fund for school construction. Although these deposits are probably the source of reference to a school tax, the liquor license fees were not a tax levied on individual wage earners and differ substantially from the school tax.

²See Attachment A for copies of early versions of the Alaska School Tax and historical excerpts.

The school tax was dedicated to school purposes at the time of its inception. After legislation in 1945 and 1955, it became the Territory's practice to channel part of the proceeds to the teachers retirement fund. The remaining proceeds were then transferred from the school fund to the general fund to partially offset appropriations for the support of education. Table 1 shows tax revenues collected from FY 72 to FY 80.

TABLE 1
REVENUE GENERATED BY THE ALASKA SCHOOL TAX

Fiscal Year	Revenue (In millions \$)
72	\$1.5
73	1.6
74	1.6
75	2.2
76	2.6
77	2.6
78	2.4
79	2.5
80	2.6

Source: Alaska Department of Revenue, Research Section.

* * *

The school tax was repealed during the 1980 legislative session. When repealed, the tax was an annual \$10 assessment withheld by employers from the first paycheck of each gainfully employed person over the age of 18. There were some exemptions (e.g., for disability or active military service). The tax for the preceding calendar year was due between January 1st and April 15th and was submitted by employers to the Department of Revenue.

Potential Revenues and Administrative Costs

Available data indicate that 290,340 Alaskans and 67,309 nonresidents were employed in Alaska in 1986.³ Table 2 shows the gross revenue potential of a state school tax of \$25 to \$100 if the tax were imposed on all employed persons

³These employment figures include all resident and nonresident employees reported in Nonresidents Working in Alaska in 1986, Alaska Department of Labor, January 1988; and 1986 seafood harvesting employment data computed from information supplied by the Commercial Fisheries Entry Commission. These numbers have not been updated and may understate actual collections.

over 18 years old--81 percent of the tax would be collected from residents while nonresidents would pay 19 percent.

TABLE 2
REVENUE POTENTIAL OF A SCHOOL TAX

Tax/Employed Person	Gross Revenues (In millions)		Total
	Residents	Nonresidents	
\$25	\$7.25	\$1.68	\$8.94
50	14.52	3.36	17.88
75	21.77	5.05	26.82
100	29.03	6.73	35.76

* * *

Steve Kettel, director of the Income and Excise Tax Division (Department of Revenue), estimates annual administrative costs of a state school tax to be roughly \$100,000 to \$150,000. This estimate assumes that employers would be responsible for withholding the school tax, submitting the tax receipts to the state on a quarterly basis, and providing wage and pay stubs to employees so that individuals holding multiple jobs during the year would have proof of withholding and be taxed only once. The division would have to develop and distribute a reporting form for employers and account for the funds received. Without a state income tax return, collection of the school tax from self-employed persons would be difficult and more costly. Mr. Kettel suggested that the division might develop and mail a simple tax return to the roughly 40,000 sole proprietors and partnerships possessing an Alaska business license. He believed that some advertising and education would be necessary to maximize voluntary compliance by self-employed persons.

Policy Considerations

A mechanism to withhold the school tax liability in increments would ease the tax burden for part-time and/or minimum-wage workers. According to Mr. Kettel, the accounting burden would fall upon the employers who would have to keep records of school tax withholding. Assuming that the number of partial withholding options available to employees were limited, the extra accounting would not appear to be onerous. An option which spread the school tax withholding over three paychecks, for example, would likely have a minimal effect on the state's receipt of the taxes because the majority of the annual school taxes would be submitted with the first quarter reports. Withholding options would have to be structured so that the state received full payment before the end of the calendar year.

Head taxes are generally regarded as archaic. In 1962, nine states were reported to have taxes similar to the Alaska School Tax.⁴ In 1989, no other states have a comparable tax. During the 1980s, state and federal tax reform efforts have been directed at broadening tax bases and reducing the tax burden of lower income workers.⁵ Reinstating the Alaska School Tax could be viewed as the antithesis of tax reform because it taxes lower income workers at a higher rate than higher income workers.

There are, however, some local jurisdictions that apply a head tax; Denver, Colorado, and Wilmington, Delaware, collect \$8/month/employee and \$6/month/employee, respectively. In each of these jurisdictions, local residents (i.e., property taxpayers) are exempt from the tax. These cities have large work forces commuting from suburbs to central business districts. The taxes are intended to capture revenues to pay for the cost of services to commuters. The commuting workers pay no property taxes in the business districts and so make no contribution towards the cost of services they use.⁶

Unless the school tax proceeds are dedicated to support of schools--which would require a constitutional amendment--or school tax payments are credited to other taxes specifically for education--such as local property taxes--"school tax" may be a misnomer. If the school tax were credited against property taxes, the amount of taxes collected and the proportion of the tax paid by residents and nonresidents would change.

⁴Dr. John F. Sly, "The Tax Structure of Alaska," an analysis prepared for the Legislative Council, 1962.

⁵See for example, Robert Greenstein and Frederick Hutchinson, "State Tax Relief for Low-Income People," and Helen Ladd, "The Meaning of Balance for State-Local Tax Systems," in Steven D. Gold, editor, The Unfinished Agenda for State Tax Reform, National Conference of State Legislatures, November 1988 and Steven D. Gold, editor, Reforming State Tax Systems, National Conference of State Legislatures, December 1986.

⁶Some other jurisdictions have taxes for similar purposes but charge a percentage of payroll rather than a per employee tax. As a result, they are a small percentage income tax. San Francisco, California, Newark, New Jersey, and four counties in Oregon collect payroll taxes of 1.5, 0.75, and 0.6 percent, respectively.

According to federal income tax records maintained by the Alaska Department of Revenue, 222,941 tax returns were filed by Alaskans in 1986. Of those filing, about 142,200 taxpayers itemized deductions, with mortgage interest payments being the most likely reason for itemizing deductions.⁷ Using this estimate of taxpayers who itemized as a proxy for those paying local property taxes (and assuming that property owners pay at least \$50 in local property taxes to support schools), the revenue potential of a \$50 per worker state school tax would be as shown in Table 3.⁸ Exempting property tax payers would reduce estimated state revenues from a \$50 school tax from \$17.9 million to \$10.7 million. The exemption would shift the percentage of the tax paid by residents from 81 percent to 69 percent.

⁷Mary Ellen Frank, Research Section, Alaska Department of Revenue, personal communication, January 13, 1989. The figure includes 44,481 individuals, 96,412 married persons (filing 48,206 joint returns), 31 married persons (filing separate returns), and 1,277 persons as head of households.

⁸This assumption probably overestimates the number of property tax payers eligible for the school tax exemption. Alaska Taxable 1987 reports relatively low mill levies for educational support in Cordova (0.2397 mill), Pelican (0.26), and Wrangell (0.45), and individual property tax payers might not pay \$50 in school property taxes.

TABLE 3
REVENUE POTENTIAL OF A \$50 PER WORKER STATE SCHOOL TAX

Residents

• Tax Levy (290,340 employees x \$50 tax)	\$14,517,000
Property Tax Credit (142,201 taxpayers x \$50 credit)	- 7,110,000
Estimated Gross Tax Revenues	<u>\$ 7,406,950</u>
Percent of Total	69%

Nonresidents

• Estimated Gross Tax Revenues (67,309 employees x \$50 tax)	\$ 3,365,450
Percent of Total	31%

Net State Revenues

• Estimated Gross Tax Revenues	\$10,772,400
Estimated Administrative Costs ⁹	100,000
Net Tax Revenues	<u>\$10,672,400</u>

A tax credit system would shift the tax burden to nonresidents and to residents who do not own property. To the extent that those who do not own property have lower incomes than property owners, a credit would make the school tax more regressive than a normal head tax. This could be addressed by making the school tax a percentage of payroll rather than a fixed amount. Doing so, however, would leave little differentiation between the school tax and an employment or wage tax.

I hope this information is useful. If you have additional questions, please let me know.

Attachment

⁹Steve Kettel, director, Income and Excise Tax Division, Alaska Department of Revenue, personal communication, January 13, 1989. This rough estimate assumes that employers would be responsible for withholding the \$50 school tax and submitting the tax receipts with currently required quarterly reports.

ATTACHMENT A
School Tax Statutes and History

who shall issue a warrant on the Territorial Treasurer for seventy-five per cent. (75 per cent.) of the amount set forth in the account, and approved as aforesaid. Such warrant shall be payable to the Treasurer of the school board, submitting the said expense account, and shall be deposited in the school fund of the incorporated town, city or incorporated school district in which such expense was incurred, and the amount so received shall be transferred to no other fund of the said incorporated town, city or incorporated school district; Provided, that the Territorial Treasurer may transfer by telegraph amounts of said warrants in settlement thereof under such regulations as the Territorial Treasurer may prescribe.

Section 7. All Acts or parts of Acts in conflict herewith are hereby repealed

Section 8. An emergency is hereby declared to exist and this Act shall take effect immediately upon its passage and approval.

Approved April 30, 1919.

CHAPTER 29. AN ACT

(H. B. 5)

To impose a tax upon male persons in the Territory of Alaska for school purposes, providing means for its collection, and declaring an emergency.

Be it enacted by the Legislature of the Territory of Alaska:

Section 1. That there is hereby made, imposed and levied upon each male person, except soldiers, sailors in the United States Navy or Revenue Cutter Service, volunteer firemen, paupers, insane persons, or territorial charges, within the Territory of Alaska or the waters thereof, over the age of twenty-one years and under the age of fifty years, an annual tax in the sum of five dollars (\$5.00), to be paid and collected in the manner

provided in the following sections of this Act, and to be deposited by the Treasurer of the Territory of Alaska in a separate fund called the "School Fund" and used for no other than school purposes.

Section 2. It shall be the duty of the Common Council of each incorporated town in the Territory of Alaska to provide by ordinance for the collection of the tax imposed by this Act within the limits of such incorporated town, and for this purpose to designate a competent person to act as School Tax Collector who shall perform the duties and receive the compensation hereinafter provided.

It shall be the duty of the School Board in each School District outside of incorporated towns in the Territory of Alaska to designate a member of such Board, or some other competent person, to act as School Tax Collector who shall perform the duties and receive the compensation hereinafter provided in this Act.

Section 3. Every School Tax Collector shall, on or before the first day of April in each year, publish in, at least one newspaper of general circulation, published within his school district, or if there be no newspaper published therein, then post in five (5) public places within his school district, a notice setting forth that the tax imposed by this Act is due and payable between the dates hereinafter designated and that the payment thereof will become delinquent as provided in this Act, and warning all persons to pay the same and that in case of failure, the penalties provided in this Act will be imposed.

It shall be the duty of every person, subject to such tax, to pay the same to the School Tax Collector within the time which such notice specifies.

The notice herein prescribed shall be published at least once a month during the period within which the tax is payable or posted at least once a month, as herein provided, during the same period.

When tax payable

Section 4. The tax for which provision is herein made shall be payable between the first Monday in the month of April and the first Monday in the month of August in each year; PROVIDED, that all persons subject to the tax who are in the Territory of Alaska on the first Monday in the month of April shall pay said tax on or before the first day of May in the same year, and all persons arriving in the Territory of Alaska after the first Monday in the month of April shall pay said tax within thirty (30) days after such arrival; PROVIDED, further, that all persons subject to said tax shall pay the same within ten (10) days after a written or oral demand by the said School Tax Collector made within the period between the first Monday in April and the first Monday in August in each year.

When tax delinquent

Section 5. All taxes shall become delinquent if not paid within the times prescribed in the last preceding section or within ten (10) days after demand by the School Tax Collector, as above prescribed, and each person delinquent in the payment of his tax, as aforesaid, shall be subject to a penalty of two dollars (\$2.00) in addition to the amount of the tax.

Penalty for failure to pay tax

Section 6. Any person who shall fail, neglect or refuse to pay his tax, as herein provided, shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine of not more than twenty-five dollars (\$25.00) or by imprisonment in the Federal Jail not to exceed one (1) month. All fines collected under this section shall be covered into the Territorial Treasury and become a part of the "School Fund."

Official receipt or evidence of payment

Section 7. It shall be the duty of the School Tax Collector to receipt to each person, upon payment of the tax herein provided for, and such receipt shall be the only evidence of payment.

Employers to furnish list of employees subject to tax

Section 8. It shall be the duty of the School Tax Collector to demand, and it shall be the duty of every per-

son, firm or corporation, employing labor in the Territory of Alaska, to furnish to such Collector upon demand, a list of the employees of such person, firm or corporation subject to the tax imposed herein, and for this purpose the Territorial Treasurer shall furnish to each School Tax Collector suitable blank forms for the making of such lists, which blank forms shall be delivered by the School Tax Collector to the employers of labor aforesaid. Every such person, firm or corporation having in his or its employ persons subject to said tax who neglect to pay the same within the time within which the same is due and payable, as provided in Section four (4) hereof, shall be liable for the payment of the same and it shall be the duty of every such person, firm or corporation to deduct from the wages of each of its said employees, who are subject to said tax, the amount thereof, unless such employee furnishes proof of the payment of the same, and to pay, upon the first day of each month, during the period within which the tax herein imposed is due and payable, all amounts so deducted and collected to the School Tax Collector, together with a list of the persons from whom the same are collected, taking a receipt from the School Tax Collector for the amount of each tax so paid, and to deliver such receipt to the employee from whom the same was collected.

Employers liable for tax of employees

If any person, firm or corporation fails, neglects or refuses to comply with the provisions of this section, such person, firm or corporation shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine of not less than fifty dollars (\$50.00) nor more than five hundred dollars (\$500.00).

Penalty for failure to comply herewith

Any person, firm or corporation becoming liable for the tax of another, as provided in this section, may be proceeded against in a civil action prosecuted in the name of the Territory for the payment of the same, and there shall be added to the judgment in all such cases the sum of twenty-five dollars (\$25.00), penalty for each

Civil action against delinquent and penalty

tax said person, firm or corporation has failed to collect and pay, as in this section provided.

Collector may
distrain prop-
erty to collect tax

Section 9. The School Tax Collector is hereby authorized and empowered to collect said tax herein imposed from any person owing the same when the same shall become delinquent, or from any person, firm or corporation whose duty it is made by this Act to pay any tax from his or its employees, by a seizure and sale of any personal property belonging to such delinquent or to such person, firm or corporation, of sufficient value to pay such tax, penalty and costs of sale, that may be found in the district in which said tax is due and payable.

Duties of com-
missioner and
marshal

It shall be the duty of the United States Commissioner to issue a warrant for such seizure and sale of personal property upon a verified complaint being filed by the School Tax Collector, and it shall be the duty of the United States Marshal, or any deputy, to execute the same. All property seized under the provisions of this Act shall be sold by said Marshal or Deputy Marshal after first giving five (5) days' notice of sale to the owner of such property by posting a notice of the time and place of sale of such property in three (3) conspicuous places in the district in which said tax is due, for at least five (5) days prior to such sale.

Fees and costs
commissioner
and marshal

The fees and costs of the Commissioner and Marshal under this section shall be the same as provided by law in the case of levy and sale of personal property on execution. From the proceeds of any property sold as aforesaid, the Marshal shall deduct the amount of the tax due, penalties, fees and costs, and deliver the remainder, if any, to the owner of such property.

Territorial
Treasurer to
furnish number-
ed receipts to
collector

Section 10. The Treasurer of the Territory of Alaska shall, before the first Monday in the month of April in each year deliver to each School Tax Collector in the Territory of Alaska blank tax receipts, in book form, with stubs numbered the same as the receipts, of one

hundred (100) in each book, and in sufficient number for each school district or incorporated town.

Section 11. The School Tax Collector shall keep an accurate account of all moneys collected by him under this Act and shall, on the first day of each month during the period within which the tax herein provided for is due and payable, transmit all such moneys in his hands to the Treasurer of the Territory of Alaska, with a list of persons from whom collected. Such statement shall be verified by the affidavit of the School Tax Collector to the effect that the same is in all respects a full and true statement of all moneys received by him under the provisions of this Act. After the first Monday in the month of August in each year, the School Tax Collector shall, at least once in three (3) months, file an additional statement setting forth any taxes and penalties collected by him under the provisions of this Act during said period of three (3) months, and shall transmit said moneys to the Treasurer of the Territory. Such supplemental statement shall be made and verified as herein provided for the first statement.

Collector to
keep account
and transmit tax
to Treasurer

Section 12. The School Tax Collector, for services rendered under the provisions of this Act, shall receive as full compensation fifty cents (50c) for each tax collected, whether the same be collected without suit or be collected either by criminal action, civil action or seizure and sale of personal property.

Compensation
tax collector

Section 13. The tax imposed by this Act shall be due and payable, as to all persons within the Territory subject to said tax at the time of the passage of this Act, immediately upon its passage and approval and, as to all persons arriving in the Territory after the passage of this Act, as elsewhere in this Act provided. For use during the year 1919 it shall be the duty of the Territorial Treasurer, as soon as notified of the selection and appointment of a School Tax Collector in accordance with the provisions of this Act, to furnish such School

Tax for year
1919 due when
and Treasurer's
duties

Tax Collector with the blank forms and receipt books provided for in Sections eight (8) and ten (10) of this Act.

Governor to appoint collector—
bond of collector, etc.

Section 14. The Governor of Alaska shall have the power to appoint a person to act as School Tax Collector, where necessary, in any portion of the Territory of Alaska without the limits of any incorporated town or school district. Such person shall furnish a bond as required by this Act of other School Tax Collectors, which bond shall be approved by the nearest United States Commissioner and filed with the Territorial Treasurer, and all of the provisions of this Act shall apply to the School Tax Collector so appointed.

Penalty for failure collector to perform duties

Section 15. Any School Tax Collector who shall fail to carry out the provisions of this Act shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be fined not less than one hundred dollars (\$100.00) nor more than five hundred dollars (\$500.00), and shall be removed from office.

Emergency

Section 16. An emergency is hereby declared to exist, and this Act shall take effect from and after its passage and approval.

Approved May 1, 1919.

CHAPTER 30.

AN ACT

(S. B. 10)

Providing for the establishment of fish hatcheries, for the improvement of salmon spawning streams, the protection and care of the same and the spawning beds therein, the carrying on of research work and artificial propagation connected therewith; creating a Territorial Fish Commission and prescribing its duties, making an appropriation therefor, and declaring an emergency.

Be it enacted by the Legislature of the Territory of Alaska:

Appropriation for fish hatcheries, etc.

Section 1. The sum of eighty thousand dollars (\$80,000.00), or so much thereof as may be neces-

sary, is hereby appropriated out of any moneys in the Territorial Treasury not otherwise appropriated, for the purpose of carrying out the provisions of this Act during the period ending June 30, 1921; for the purpose of building and operating fish hatcheries; for the protection and care of natural spawning grounds; the carrying on of fish research work and artificial propagation connected therewith and the doing of everything deemed necessary and requisite toward the propagation of food fishes and the maintenance of the fishing industry in the Territory of Alaska.

Section 2. There is hereby created a Territorial Fish Commission, consisting of five members, of which the Governor shall be the Chairman. The other four members of such Commission shall be named and appointed by a Committee, composed of Senator John Ronan, Senator J. R. Heckman, Representative I. Sowerby and Representative John Noon. The said Committee shall fill any vacancies in such Board that may occur in the next two years. Thereafter the Legislature shall provide for filling vacancies. They shall take an oath for the faithful performance of their duties. If it is deemed necessary by the Commission that any one member thereof should devote any period of time to the superintendency of any one of the several purposes of this Act, the Commission may agree, with the approval of the Governor, upon a reasonable compensation therefor.

It will be the duty of said Commission to carry into effect the purpose of this Act as set forth in section one thereof and to do and perform such other acts and things as are in this Act hereinafter provided. Said Commissioners shall receive reimbursement for travel and other expenses necessarily incurred in the proper performance of their duties, which shall be paid upon voucher in the same manner as other Territorial expenses are paid.

Duties and compensation of members of commission

ix from such in-
conveniently ob-
d to recover the
such return had
n and computa-
thereon, and in
unt of such tax
viewed or oth-
he court, there
amount of the
ted a penalty of
um of the total
due: provided,
y, in his discre-
approval of the
extensions of
and filing such
e fit, either be-
herein prescrib-
expired. (2-54-

or one thousand
ported. In every
ll real estate or
before defined,
money received
housand dollars
ll, within thirty
ct is made, file
ore mentioned,
ll, within thirty
hereof, make a
nd from such
s he may have,
c is due on such
le; he shall de-
uch finding to
tion. (1-43-25).

s by Treasurer;
the Treasurer
is owing to the
ale or contract
hall be final in
or his grantees
he lien created
(5).

ure of tax lien.
action to fore-
shall be com-
ory within six
of the receipt
reasurer but no
property for a
months after
of said report

by the Treasurer, unless the same be
false or incorrect. (1-43-25; 1-90-33).

Sec. 3122. Filing false report; pun-
ishment. Any one knowingly mak-
ing and filing a false or incorrect re-
port of any sale or contract to sell real
estate or capital assets in pretended
compliance with the provisions of
this article, shall be guilty of a mis-
demeanor, and shall be punished by
imprisonment in jail for not more
than six months or by a fine of not
more than one thousand dollars, or
both. (1-43-25).

ARTICLE III. SCHOOL TAX.

Sec. 3123. Amount payable an-
nually by whom. There is hereby
made, imposed and levied upon each
male person, except soldiers, sailors
in the United States Navy or Reve-
nue Cutter Service, volunteer fire-
men, paupers, insane persons or terri-
torial charges, within the Territory
or the waters thereof, over the age of
twenty-one years and under the age
of fifty years, an annual tax in the
sum of five dollars to be paid and col-
lected as hereinafter provided; all
sums thus collected shall be deposited
by the Treasurer in the "School Fund"
and the same shall be used for school
purposes only. (1-29-19).

Sec. 3124. Collectors; bonds. It
shall be the duty of the council in each
incorporated town to provide by ordi-
nance for collection of the tax im-
posed by this article within the limits
of such town, and for this purpose
to designate a competent person to
act as school tax collector who shall
perform the duties and receive the
compensation hereinafter provided.

It shall be the duty of the school
board in each school district, outside
incorporated towns, to designate a
member of such board, or some other
competent person, to act as school tax
collector who shall perform the duties
and receive the compensation herein-
after provided.

The council and the school boards
aforesaid shall secure from each tax
collector so appointed a bond in favor

of the Territory of Alaska, in a sum
equal to the amount of the tax esti-
mated to be collectible by each such
collector, which bond shall be ap-
proved by such council or school board
and shall be conditioned that the col-
lector will faithfully perform his du-
ties and account for all moneys by
him collected, as provided by law, and
which bond, when so executed and
approved, shall be immediately trans-
mitted to the Treasurer of the Terri-
tory. (2-29-19; 1-19-21).

Sec. 3125. Appointment by Treas-
urer; compensation by way of com-
missions not favored. The Treasurer
of Alaska shall have the power to ap-
point a person to act as school tax
collector, where necessary, in any por-
tion of the Territory, except within
the limits of any incorporated town,
where, in his judgment, it would serve
the interests of the Territory better
than to have a collector in each school
district, it being the intent of this ar-
ticle so far as possible, that the taxes
imposed by the laws of Alaska be col-
lected by agents under salary rather
than agents on commission. This shall
not be construed to prevent the ap-
pointment of a tax collection clerk, in
which case no additional compensa-
tion shall be allowed. Such person
shall furnish a bond as required by
this article of other school tax col-
lectors, which bond shall be approved
by the nearest United States commis-
sioner and filed with the Territorial
Treasurer, and all of the provisions of
this article shall apply to the school
tax collector so appointed. (14-29-19;
2-10-25; 16-118-29).

Sec. 3126. Annual notice; how
given; contents. Every school tax
collector shall, on or before the first
day of April in each year, publish in,
at least one newspaper of general cir-
culation, published within his school
district, or if there be no newspaper
published therein, then post in five
public places within his school dis-
trict, a notice setting forth that the
tax imposed by this article is due and
payable between the dates herein-
after designated and that the pay-
ment thereof will become delinquent

as provided in this article, and warning all persons to pay the same and that in case of failure, the penalties provided in this article will be imposed.

The notice herein prescribed shall be published at least once a month during the period within which the tax is payable or posted at least once a month, as herein provided during the same period. (3-29-19).

Sec. 3127. Duty to pay tax when. It shall be the duty of every person, subject to such tax, to pay the same to the school tax collector within the time specified in the notice mentioned in the preceding section. (3-29-19).

Sec. 3128. Tax when payable. The tax for which provision is herein made shall be payable between the first Monday in the month of April and the first Monday in the month of August in each year; provided, that all persons subject to the tax who are in the Territory on the first Monday in the month of April shall pay said tax on or before the first day of May in the same year, and all persons arriving in the Territory after the first Monday in the month of April shall pay said tax within thirty days after such arrival; provided, further, that all persons subject to said tax shall pay the same within ten days after a written or oral demand by the said school tax collector made within the period between the first Monday in April and the first Monday in August in each year. (4-29-19).

Sec. 3129. When delinquent; penalty. All taxes shall become delinquent if not paid within the times prescribed in the last preceding section or within ten days after demand by the school tax collector, as above prescribed, and each person delinquent in the payment of his tax, as aforesaid, shall be subject to the penalty of two dollars in addition to the amount of the tax. (5-29-19).

Sec. 3130. Failure to pay; misdemeanor; punishment. Any person who shall fail, neglect or refuse to pay his tax, as herein provided, shall

be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine of not more than twenty-five dollars or by imprisonment in the federal jail not to exceed one month. All fines collected under this section shall be covered into the territorial treasury and become a part of the "School Fund." (6-29-19)

Sec. 3131. Official receipt for payment. It shall be the duty of the school tax collector to receipt to each person, upon payment of the tax and such receipt shall be the only evidence of payment. (7-29-19).

Sec. 3132. Employers liable for employees' tax; list of to be furnished; failure; punishment; civil remedy. It shall be the duty of the school tax collector to demand and it shall be the duty of every person, firm or corporation, employing labor in the Territory, to furnish to such collector upon demand, a list of the employees of such person, firm or corporation subject to the tax imposed herein, and for this purpose the Territorial Treasurer shall furnish to each school tax collector suitable blank forms for the making of such lists, which forms shall be delivered by the school tax collector to the employers of labor aforesaid.

Every person, firm or corporation, having in his or its employ persons subject to said tax, who neglect to pay the same within the time in which it is due and payable, shall be liable for the payment of the same; it shall be the duty of every such person, firm or corporation to deduct from the wages of each of its employees, who are subject to the tax, the amount thereof, unless such employee furnish proof of the payment thereof, and to pay, on the first day of each month, during the period within which the tax herein imposed is due and payable; all amounts so deducted and collected, to the school tax collector, together with a list of the persons from whom the same are collected, taking a receipt from the collector for the amount of each tax so paid, and to deliver such receipt to the employee from whom the same was collected.

Sec. 3127
repld '43
c. 49 p. 110
5-29-43 E

Sec. 3127
New Law
c. 38 p. 111
No date E

Sec. 3128
repld '43
c. 49 p. 110
5-29-43 E

Sec. 3128
New Law
c. 38 p. 111
No date E

Sec. 3129
repld '43
c. 49 p. 110
5-29-43 E

Sec. 3129
New Law
c. 38 p. 111
No date E

Sec. 3130
repld '43
c. 49 p. 110
5-29-43 E

Sec. 3130
New Law
c. 38 p. 111
No date E

Sec. 3132
repld '43
c. 49 p. 110
5-29-43 E

Sec. 3132
New Law
c. 38 p. 111
No date E

misdemeanor
ereof, shall be
ot more than
by imprison-
not to exceed
ollected under
vered into the
nd become a
id." (6-29-19

eccept for pay;
e duty of the
receipt to each
of the tax and
e only evidence

ers liable for
to be furnish-
nt; civil rem-
y of the school
id and it shall
erson, firm or
r labor in the
to such collec-
of the employ-
rm or corpora-
imposed here-
e the Territor-
rnish to each
suitable blank
of such lists,
elivered by the
the employers

or corporation,
mploy persons
who neglect to
e time in which
shall be liable
e same; it shall
ch person, firm
duct from the
employees, who
x, the amount
mployee furnish
thereof, and to
of each month,
thin which the
s due and pay-
deducted and
ol tax collector,
of the persons
e are collected,
the collector for
x so paid, and to
o the employee
was collected.

Sec 3132
New Law '12
e 28 p 111
No date E

If any person, firm or corporation fails, neglects or refuses to comply with the provisions of this section, such person, firm or corporation shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine of not less than fifty dollars nor more than five hundred dollars.

Any person, firm or corporation becoming liable for the tax of another, as provided in this section, may be proceeded against in a civil action prosecuted in the name of the Territory for the payment of the same, and there shall be added to the judgment in all such cases the sum of twenty-five dollars, penalty for each tax said person, firm or corporation has failed to collect and pay, as in this section provided. (8-29-19).

Sec. 3133. Distraint for failure to pay; procedure; costs. The school tax collector is hereby authorized and empowered to collect said tax herein imposed from any person owing the same when the same shall become delinquent, or from any person, firm or corporation whose duty it is made by this article to pay any tax from his or its employees, by a seizure and sale of any personal property belonging to such delinquent or to such person, firm or corporation, of sufficient value to pay such tax, penalty and costs of sale, that may be found in the district in which said tax is due and payable.

It shall be the duty of the United States commissioner to issue a warrant for such seizure and sale of personal property upon a verified complaint being filed by the school tax collector, and it shall be the duty of the United States marshal, or any deputy, to execute the same. All property seized under the provisions of this article shall be sold by said marshal or deputy marshal after first giving five days' notice of sale to the owner of such property by posting a notice of the time and place of sale of such property in three conspicuous places in the precinct in which said tax is due, for at least five days prior to such sale.

Sec 3133
New Law '12
e 28 p 111
No date E

The fees and costs of the commissioner and marshal under this section shall be the same as provided by law in the case of levy and sale of personal property on execution. From the proceeds of any property sold as aforesaid, the marshal shall deduct the amount of the tax due, penalties, fees and costs, and deliver the remainder, if any, to the owner of such property. (9-29-19).

Sec. 3134. Sets of numbered receipts issued to collector; disposition of. The Treasurer of the Territory shall, before the first Monday in the month of April in each year deliver to the clerk of each incorporated city and to the clerk of each school board in the school districts outside incorporated cities, or to the tax collector appointed by the Treasurer, where such appointment is made, blank tax receipts, in book form, with stubs numbered the same as the receipts, of one hundred in each book and in sufficient number for each school district and city, and who shall deliver such receipt books to the tax collector within their respective districts and take his receipt therefor, which receipt shall be promptly transmitted to the Treasurer. The unused receipts, together with the stubs of the used receipts, shall be returned to the Treasurer of the Territory by each tax collector before the thirty-first day of December in the year in which they were delivered. It shall be presumed that the tax collector has collected a tax for each receipt not so returned. (10-29-19; 2-19-21; 1-10-25).

Sec. 3135. Accounting by collector. The school tax collector shall keep an accurate account of all moneys collected by him and shall, on the first day of each month during the period within which the tax herein is provided for is due and payable, transmit all such moneys in his hands to the Treasurer of the Territory with a list of persons from whom collected. Such statement shall be verified by the affidavit of the school tax collector to the effect that the same is in all respects a full and true statement of all moneys received by him.

Sec 3134
New Law '12
e 28 p 111
No date E

Sec 3135
New Law '12
e 28 p 111
No date E

Sec 3135
New Law '12
e 28 p 111
No date E

Sec 3135
New Law '12
e 28 p 111
No date E

Sec 3135
New Law '12
e 28 p 111
No date E

After the first Monday in the month of August in each year, the school tax collector shall, at least once in three months, file an additional statement setting forth any taxes and penalties collected by him during said period of three months, and shall transmit said moneys to the Treasurer. Such supplemental statement shall be made and verified as herein provided for the first statement. (11-29-19).

Sec. 3136. Compensation of collector. The school tax collector for services rendered under the provisions hereof, shall receive as full compensation fifty cents for each tax collected, whether collected without suit or by action, civil or criminal. (12-29-19).

Sec. 3137. Violations by tax collector; punishment. Any school tax collector who shall fail to carry out the provisions of this article, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be fined not less than one hundred dollars nor more than five hundred dollars and shall be removed from office. (15-29-19).

ARTICLE IV.

LICENSE TAXES.

Sec. 3138. License when to be procured; amount of tax. Any person, firm or corporation, prosecuting or attempting to prosecute any of the following lines of business, or who shall employ any of the following appliances, in the Territory of Alaska, shall apply for and obtain a license and pay for such license, for the respective lines of business and appliances, as follows—

1st. (a) Attorneys at law, chiropractors, osteopaths, optometrists and dentists, ten dollars per annum. Each member of a firm shall be liable for this tax.

(b) Undertakers, conducting a business in a town of more than five hundred inhabitants, ten dollars per annum.

2. Bakeries, doing a business in excess of three thousand dollars and less than five thousand dollars, shall pay a license of five dollars per annum, and those doing a business in excess of five thousand dollars shall pay an additional five dollars per annum, for each five thousand dollars' worth of business, or fraction thereof, done annually.

3. Electric light and power plants, selling light, power or steam for heat and supplies to the public, one-half of one percent. of the gross receipts in excess of twenty-five hundred dollars per annum from light, power and steam sold; one-half of one percent. of the net profits from supplies sold; but this tax shall not apply to plants owned by municipalities.

4. Telephone companies, one-half of one percent. of gross receipts in excess of fifteen hundred dollars per annum; but this tax shall not apply to plants owned by municipalities.

5. Water-works selling water or power to the public, one-half of one percent. of gross receipts in excess of twenty-five hundred dollars per annum; but this tax shall not apply to plants owned by municipalities.

6. Employment agencies, operating for hire and collecting a fee for service, five hundred dollars per annum.

Fisheries:

(a) Clam canneries, three cents per case.

(b) Salmon canneries, on kings, reds, sockeyes, ten cents per case.

(c) On a pack of kings, reds and sockeyes, counted together, at any one cannery, an additional tax shall be paid as follows: on all cases in excess of ten thousand and not more than twenty-five thousand, five cents per case; on all cases in excess of twenty-five thousand, ten cents per case; on all cases in excess of forty thousand and not more than fifty thousand, fifteen cents per case; on all cases in excess of fifty thousand, twenty cents per case.

Sec 3138
as 1 (b)
am '35
c 37 p 124
2-13-35

Sec 3138
as 1 (b)
am '39
c 16 p 47
2-14-39

Sec 3138
as 1
am '37
c 38 p 124
3-14-35

Sec 3138
as 1
am '35
c 38 p 124
3-13-35

3138
35
p 124
35

Sec 3138
as 6
Rel mat '37
c 4 p 38
Sec 12
2-27

Sec 3138
as 6 (a)
Rel mat '35
c 8 p 43
2-26-35

Sec 3138
as 6 (a)
Rel mat '35
c 8 p 43
2-26-35

§ 37-3-65

EDUCATION

- (c) Taxes or insurance paid upon school property.
- (d) Interest on money borrowed.
- (e) Prizes given to pupils.
- (f) Other expenditures which the Territorial Board of Education may, by regulation, class as not being proper expenditures of maintenance. [L 1929, ch 97, § 60, p 218; CLA 1933, § 1334.]

§ 37-3-65. Quarterly account of maintenance expenses: Preparation and submission. The school board of each incorporated city or incorporated school district shall, at the expiration of every three months of the school year, beginning on July 1 and ending on June 30, prepare in triplicate an accurate detailed account of the expenses of maintenance of the public schools for such three months period. Said account shall be accompanied by vouchers receipted by the payee and showing for what purpose each expenditure has been made, and said account shall be verified by the treasurer of said board, and certified as to correctness by a majority of the school board. The original and duplicate of such account, with accompanying vouchers, shall be forwarded to the Commissioner of Education, and the triplicate copy retained by the treasurer of the school board. [L 1929, ch 97, § 61, p 219; CLA 1933, § 1335.]

§ 37-3-66. — Approval by Commissioner: Warrants: Advancements and refunds. Upon receipt of the detailed expense account with accompanying vouchers, the Commissioner of Education shall approve the same or so much thereof as appears to be for expenditures within the purpose and scope of this article and in accord with the rules and regulations of the Territorial Board of Education, and thereupon transmit the same to the proper officer who shall issue a warrant on the Territorial Treasurer for such per centum of the amount set forth in the account as has been established by law and approved as aforesaid. Such warrant shall be payable to the treasurer of the school board submitting the said expense account and shall be deposited to the school fund of the incorporated city or incorporated school district in which such expense was incurred, and the amount so received shall be transferred to no other fund of the said incorporated city or incorporated school district; Provided, that the Territorial Treasurer may transfer by telegraph amounts of said warrants in settlement thereof under such regulations as the Treasurer may prescribe.

Provided, further, that the Commissioner of Education shall have authority in his discretion to transmit or cause to be transmitted in the manner above provided, at the beginning of each three months of the school year, and before the expense accounts are received or checked by him, such sum as he shall have reason to

SCHOOL TAX

§ 37-4-1

believe will not be in excess of the sum which will become due such municipality for such refund, and in no case more than a sum equal to twenty-five percent (25%) of the sum which such municipality received as refund for the previous school year, except that no such advancement or refund shall be made for the last quarter of the school year. Warrants for the advances herein authorized shall be issued by the Auditor upon requisition of the Commissioner of Education, who shall submit with each requisition a statement showing the gross amount of the budget of the school for the current year, and the amount of the refund for the previous year. [L 1929, ch 97, § 62, p 219; am L 1931, ch 98, § 1, p 176; CLA 1933, § 1336.]

CHAPTER 4

SCHOOL TAX

- § 37-4-1. Tax imposed: Persons subject to tax: Amount: Payment.
- § 37-4-2. Due date of tax: Penalty for delinquency.
- § 37-4-3. Persons exempt from tax.
- § 37-4-4. Employer to furnish list of employees subject to tax: Payment of tax for employee: Violation of requirements a misdemeanor: Civil remedy to enforce compliance.
- § 37-4-5. Refund of taxes: Application for.
- § 37-4-6. Failure to pay tax: A misdemeanor: Punishment.
- § 37-4-7. Territory to prosecute criminal actions.
- § 37-4-8. Seizure and sale of property for taxes.
- § 37-4-9. Means for collection concurrent.
- § 37-4-10. School tax collectors: Appointment: Bond.
- § 37-4-11. — Compensation.
- § 37-4-12. School tax receipts: Furnishing to collectors: Collectors to account for receipts and moneys and to turn over books and records: Deposit in School Fund.

§ 37-4-1. Tax imposed: Persons subject to tax: Amount: Payment. There is hereby imposed upon all male persons and all female persons except those who are unemployed and whose support is entirely dependent upon the income of their husbands and whose husband has paid a school tax for the current year, in this Territory or the waters thereof, over twenty-one and under fifty-five years of age, except those mentioned in the next following section, a school tax of \$5.00 per year; all persons subject to said tax shall pay the same, upon demand, to the school tax collector between the first day of January and the first day of December of each year. Any person subject to said tax who shall fail or neglect to pay the same when demand for payment thereof is made, or if the school tax collector fails to demand or collect the same during that time, shall pay such tax at any time during that year to the school tax collector of the district in which he may be or to the

§ 37-4-2**EDUCATION**

Tax Commissioner at Juneau. [L 1943, ch 38, § 1, p 111, effective from approval.]

Saving clause, see L 1943, ch 38, § 13, p 115.

Amendment: L 1943, ch 38, was amended by L 1943, ch 49, § 2, p 140, by adding a section which repealed Compiled Laws of Alaska, 1935, Article 3 of Chapter 61, and L 1937, ch 72, § 1.

CROSS REFERENCES

Persons exempt from tax: § 37-4-3.

COLLATERAL REFERENCES

47 Am Jur 352.

Note: 79 ALB 438 (power of school authorities as to rescission or modification of vote or resolution for tax).

§ 37-4-2. Due date of tax: Penalty for delinquency. The tax shall be due on January first and shall be payable not later than December first of the calendar year for which it is imposed; a penalty of 50% shall be added to the amount of any tax delinquent under this Act which penalty shall become a part of such tax and be collected as such. [L 1943, ch 38, § 2, p 112, effective from approval.]

§ 37-4-3. Persons exempt from tax. All persons in the active military or naval service of the United States, paupers, insane persons, persons cared for by the Territory and all persons permanently injured, infirm, maimed or crippled so as to be disabled from earning a livelihood shall be exempt from the payment of said tax. [L 1943, ch 38, § 3, p 112, effective from approval.]

§ 37-4-4. Employer to furnish list of employees subject to tax: Payment of tax for employee: Violation of requirements a misdemeanor: Civil remedy to enforce compliance. Any person, firm or corporation having in his or its employ persons subject to said tax, shall on demand being made by the collector, furnish him an accurate and full list of the names and ages of all such persons so employed and shall, when requested by the collector, pay the tax due from any of them taking separate receipts therefor and the amount of each receipt shall be a setoff against any obligation then existing or thereafter accruing to the employee named in such receipt from the employer. Any employer who shall refuse, fail or neglect on demand to furnish such list shall be deemed guilty of a misdemeanor and upon conviction shall be fined not more than one hundred dollars and may also be imprisoned in the federal jail not more than thirty days; nothing herein contained shall prevent the collector from invoking any civil remedy to compel an employer to furnish the list of his employees as herein provided. [L 1943, ch 38, § 4, p 112, effective from approval.]

SCHOOL TAX**§ 37-4-5**

§ 37-4-5. Refund of taxes: Application for. If upon application of any person [sic] that he is exempt from or otherwise not liable to the payment of the tax for such year the collector, or the Tax Commissioner, shall refund the amount found not due from such person out of current collections of school taxes. No application for refund shall be considered unless the same shall have been made not later than ninety days after the end of the calendar year during which the amount involved was paid. [L 1943, ch 38, § 5, p 113, effective from approval; am L 1947, ch 80, § 2, p 213, effective March 27, 1947.]

§ 37-4-6. Failure to pay tax: A misdemeanor: Punishment. Any person subject to said tax, and any employer whose employees are subject thereto who shall fail, refuse or neglect to pay the same on demand, shall be deemed guilty of a misdemeanor and upon conviction shall be fined not more than one hundred dollars or be imprisoned not more than ninety days in the federal jail. [L 1943, ch 38, § 6, p 113, effective from approval.]

§ 37-4-7. Territory to prosecute criminal actions. All criminal proceedings under any provision of this Act shall be prosecuted in the name of the Territory. [L 1943, ch 38, § 7, p 113, effective from approval; am L 1947, ch 80, § 1, p 213, effective March 27, 1947.]

§ 37-4-8. Seizure and sale of property for taxes. To enforce payment of school taxes from any person owing the same or from any employer whose duty it is made by this Act to pay the same for his employees, the collector may seize so much of the personal property of such person or the employer as is of sufficient value to pay such taxes, penalties, interest and costs of seizure and sale. Upon the complaint of any school tax collector or of the Tax Commissioner or Attorney General, being filed the United States Commissioner or Justice of the Peace in the court in which such complaint is filed, shall issue a warrant for such seizure and sale and the United States Marshal and his deputies shall execute the same and seize such property and cause the same to be sold after giving not less than ten days notice of such sale to the owner of such property and by posting notice of the time and place of such sale in three public places within the Precinct in which said property is found, immediately preceding the date of such sale for a like period. The fees and costs of the Commissioner or Justice of the Peace and the United States Marshal shall be the same as are now provided by law for levy and sale of personal property on execution and from the proceeds of any such sale there shall first be

deducted the costs of seizure and sale, then the amount of taxes due together with accrued penalties and interest, and the residue, if there be any, shall be surrendered to the owner of such property. The Commissioner or Justice of the Peace shall immediately transmit to the school tax collector the amount of taxes thus held by him together with accrued interest and penalties. [L 1943, ch 38, § 8, p 113, effective from approval; am L 1947, ch 80, § 2, p 213, effective March 27, 1947.]

§ 37-4-9. **Means for collection concurrent.** The means or methods provided in this Act for the collection of school taxes shall be concurrent and all of them may be prosecuted at the same time. [L 1943, ch 38, § 9, p 114, effective from approval.]

§ 37-4-10. **School tax collectors: Appointment: Bond.** The Tax Commissioner shall each year appoint such number of school tax collectors as he may deem necessary; each collector shall give a bond running to the Territory with a reliable corporate surety authorized to do business in this Territory, in such amount as the Tax Commissioner may deem sufficient and equal to the highest amount of the tax likely to be collected by him during any one month, conditioned that he will faithfully perform the duties as such collector and account for all moneys that may be collected by him; such bond shall be approved by the Attorney General and filed in the office of the Tax Commissioner. The premium on such bond shall be paid by the Territory out of funds collected under the provisions of this Act. [L 1943, ch 38, § 10, p 114; am L 1947, ch 80, § 2, p 213, effective March 27, 1947.]

§ 37-4-11. — **Compensation.** The School Tax collectors shall receive such reasonable compensation as the Tax Commissioner shall fix. [L 1943, ch 38, § 11, p 115, effective from approval; am L 1947, ch 80, § 2, p 213, effective March 27, 1947.]

§ 37-4-12. **School tax receipts: Furnishing to collectors: Collectors to account for receipts and moneys and to turn over books and records: Deposit in School Fund.** The Tax Commissioner shall furnish school tax collectors with printed blank school tax receipts, bound in book form, numbered and each having a stub containing the same number as the receipt to which it is affixed; the stub shall be wide enough to contain the date of delivery of the receipt, the name of the person to whom it is issued and the name of the one paying the tax. The Tax Commissioner shall sign and deliver such receipt to the school tax collectors who shall receipt therefor and countersign them and make an entry thereof in a book to be kept for that purpose.

Each receipt shall be filled out for five dollars and said sum shall be charged to each collector for each receipt delivered to him. The Tax Commissioner shall give credit to the school tax collector for each receipt returned to him in blank at the time of his final settlement.

On the last day of each year and at the expiration of his term of office the collector shall account for all school tax receipts delivered to him and shall surrender all that remain in his possession unused and turn over to the Tax Commissioner all moneys remaining in his hands and all books and records kept by him during that year or his term of office.

All sums collected under the provisions of this Act shall be deposited in the "School Fund" and same shall be used for school purposes only. [L 1943, ch 38, § 12, p 115, effective from approval; am L 1943, ch 49, § 1, p 140; L 1947, ch 80, § 2, p 213, effective March 27, 1947.]

CHAPTER 5

TEACHERS

- Article 1. Employment: Certification. §§ 37-5-1-37-5-10.
2. Retirement System. §§ 37-5-21-37-5-35.

Article 1

Employment: Certification

- § 37-5-1. Unlawful to require statement of religious or political affiliation.
§ 37-5-2. — Penalty.
§ 37-5-3. Teacher's certificate: Required.
§ 37-5-4. — By and to whom issued: Temporary certificate.
§ 37-5-5. — Classification.
§ 37-5-6. Elementary school certificates.
§ 37-5-7. High school certificates.
§ 37-5-8. Life certificates.
§ 37-5-9. Temporary certificates.
§ 37-5-10. Revocation of certificates.

§ 37-5-1. **Unlawful to require statement of religious or political affiliation.** After the passage and approval of this Act [§§ 37-5-1, 37-5-2 herein] it shall be unlawful in the Territory of Alaska for any school board, or any member thereof, to require or compel any person applying for the position of teacher in the public schools of Alaska to state his or her religious or political affiliation. [L 1935, ch 83, § 1, p 172, effective March 14, 1935.]

CROSS REFERENCES

Retirement system: § 37-5-21 et seq.
Salaries of teachers: § 37-5-1 et seq.
[Alaska]—60

Sec. 43.40.120. Additional tax levy on motor fuel used to propel watercraft. (a) There is a tax of one cent a gallon on all motor fuel sold and delivered, or transferred, within the state which is used to propel boats and watercraft.

(b) The tax levied by this section is in addition to the tax levied in § 20 of this chapter.

(c) The tax levied by this section shall be administered and collected in the same manner as the tax levied in § 20 of this chapter. The receipts from the tax shall be paid into the watercraft fuel tax account in the general fund of the state. (§§ 1—3 ch 63 SLA 1960; am § 6 ch 131 SLA 1962)

Chapter 45. School Tax.

Section

10. Tax imposed

20. Persons exempt from tax

30. Record of withholding

Section

40. Overpayment, credit, and refund

50. Failure to file return

60. Penalties

Sec. 43.45.010. Tax imposed. (a) There is imposed a school tax of \$10 a year upon each person 19 years of age or older gainfully employed in the state or on the waters of the state, except (1) a married woman who is unemployed and entirely dependent upon the income of her husband and whose husband has paid a school tax, and (2) a person exempt under § 20 of this chapter.

(b) The proceeds of the tax levied by this chapter shall be paid into the general fund of the state.

(c) The tax is due on January 1 and shall be paid before April 16 of the calendar year following the year for which it is imposed. An employer upon the first regular payroll after January 1 of each calendar year or, in the cases of employees on later payrolls, on the first payroll after their employment, shall deduct the tax from the employee's salary or other compensation and send it to the commissioner of revenue at the same time the quarterly state net income tax withholding return is filed, except that no deduction may be made in the first pay period from the compensation of a person casually employed unless the amount earned in the first pay period is \$25 or more. Return forms for this purpose shall be prescribed and provided by the commissioner of revenue. (§ 1 ch 41 SLA 1957; am § 1 ch 175 SLA 1957; am § 1 ch 149 SLA 1959; am § 1 ch 179 SLA 1960)

Am. Jur. and C.J.S. references.— 565, 805, 894 to 900, 970, 1020, 1066, 47 Am. Jur., Schools, §§ 76 to 82; 51 1098, 1128, 1275.
Am. Jur., Taxation, §§ 132 to 137, 84 C.J.S. Taxation § 640.
147, 184, 337, 387 to 407, 443,

Sec. 43.45.020. Persons exempt from tax. Persons in the active military or naval service of the United States, paupers, insane persons, persons cared for by the state and persons permanently injured, infirm, maimed or crippled so as to be disabled from earn-

ing a livelihood are exempt from the payment of the school tax. (§ 37-4-3 ACLA 1949; am § 2 ch 179 SLA 1960)

Sec. 43.45.030. Record of withholding. Every employer making a deduction and withholding a school tax shall furnish to the employee upon request a record of the amount of tax withheld from the employee on a form prescribed and furnished by the commissioner of revenue. (§ 37-4-4 ACLA 1949; am § 3 ch 179 SLA 1960)

Sec. 43.45.040. Overpayment, credit, and refund. The commissioner of revenue may credit or refund an overpayment of the tax, a tax erroneously or illegally assessed or collected, a penalty collected without authority, and any tax unjustly assessed or excessive in amount or wrongfully collected. (§ 37-4-5 ACLA 1949; am § 4 ch 179 SLA 1960)

Sec. 43.45.050. Failure to file return. If an employer or an individual fails to file a return as required by this chapter, the penalties set out in AS 43.20.210 apply. (§ 1 ch 41 SLA 1957; am § 1 ch 175 SLA 1957; am § 1 ch 149 SLA 1959; am § 1 ch 179 SLA 1960)

Sec. 43.45.060. Penalties. (a) If a person required under this chapter to collect, account for, and pay over the school tax imposed by this chapter, wilfully fails to do so or if a person wilfully attempts to evade or defeat the tax imposed by this chapter, he is, in addition to other penalties provided by law, guilty of a misdemeanor, and upon conviction is punishable by a fine of not more than \$1,000, or by imprisonment for not more than one year, or by both, together with the costs of prosecution.

(b) An individual who wilfully makes and signs a return which he does not believe to be true and correct as to every material matter is guilty of a misdemeanor, and upon conviction is punishable by a fine of not more than \$1,000, or by imprisonment for not more than one year, or by both, together with the costs of prosecution.

(c) In this section "person" includes an officer or employee of a corporation or a member or employee of a partnership who is under a duty to perform the act in respect to which the violation occurs. (§ 37-4-6 ACLA 1949; am § 5 ch 179 SLA 1960)

§ 43.43.060

porations for

iel, who either
te for his own
ate. (§ 48-5-1
1955; am § 26
74 SLA 1972;

h, substituted
in present
uted "fuel sold"
sold" in present
d "and except"
i "or" following
it subparagraph
used" at the
paragraphs (D)

or

§ 43.43.110

REVENUE AND TAXATION

§ 43.45.010

Article 2. Disaster Severance Tax.

Section

110 — 160. [Repealed]

Secs. 43.43.110 — 43.43.160.

Repealed by § 2 ch 247 SLA 1970.

Editor's note. — The repealed article
derived from § 1, ch. 31, FSSLA 1967.

Section 2, ch. 247, SLA 1970, effective
July 1, 1970, provides that this repeal does

not prevent the expenditure of funds
authorized by other disaster relief
legislation.

Chapter 45. School Tax.

Section

10. Tax imposed
20. Persons exempt from tax
30. Record of withholding

Section

40. Overpayment, credit, and refund
50. [Repealed]
60. Penalties

Sec. 43.45.010. Tax imposed. (a) There is imposed a school tax of \$10 a year upon each person 19 years of age or older gainfully employed in the state or on the waters of the state, except (1) a married person who is unemployed and entirely dependent upon the income of the spouse and whose spouse has paid a school tax, and (2) a person exempt under § 20 of this chapter.

(b) The proceeds of the tax levied by this chapter shall be paid into the general fund of the state.

(c) The tax is due on January 1 and shall be paid before April 16 of the calendar year following the year for which it is imposed. An employer upon the first regular payroll after January 1 of each calendar year or, in the cases of employees on later payrolls, on the first payroll after their employment, shall deduct the tax from the employee's salary or other compensation and send it to the commissioner of revenue at the same time the quarterly state net income tax withholding return is filed, except that no deduction may be made in the first pay period from the compensation of a person casually employed unless the amount earned in the first pay period is \$25 or more. Return forms for this purpose shall be prescribed and provided by the commissioner of revenue. (§ 1 ch 41 SLA 1957; am § 1 ch 175 SLA 1957; am § 1 ch 149 SLA 1959; am § 1 ch 179 SLA 1960; am § 111 ch 127 SLA 1974)

Effect of amendment. The 1974 amendment, in item (1) of subsection (a), substituted "person" for "woman," "the spouse" for "her husband," and "whose spouse" for "whose husband."

Am. Jur. and C.J.S. references. — 47 Am. Jur., Schools, §§ 76 to 82; 51 Am. Jur.,

Taxation, §§ 132 to 137, 147, 184, 337, 387 to 407, 443, 565, 805, 894 to 900, 970, 1020, 1066, 1098, 1128, 1275.
84 C.J.S. Taxation § 640.

Sec. 43.45.020. Persons exempt from tax. Persons in the active military or naval service of the United States, paupers, insane persons, persons cared for by the state and persons permanently injured, infirm, maimed or crippled so as to be disabled from earning a livelihood are exempt from the payment of the school tax. (§ 37-4-3 ACLA 1949; am § 2 ch 179 SLA 1960)

Sec. 43.45.030. Record of withholding. Every employer making a deduction and withholding a school tax shall furnish to the employee upon request a record of the amount of tax withheld from the employee on a form prescribed and furnished by the commissioner of revenue. (§ 37-4-4 ACLA 1949; am § 3 ch 179 SLA 1960)

Sec. 43.45.040. Overpayment, credit, and refund. The commissioner of revenue may credit or refund an overpayment of the tax, a tax erroneously or illegally assessed or collected, a penalty collected without authority, and any tax unjustly assessed or excessive in amount or wrongfully collected. (§ 37-4-5 ACLA 1949; am § 4 ch 179 SLA 1960)

Sec. 43.45.050. Failure to file return.

Repealed by § 3 ch 166 SLA 1976.

Cross reference. — For civil penalty imposed for failure to file a return or report, or pay the full amount of a tax, or a portion or a deficiency of the tax, see AS 43.05.220.

Editor's note. — The repealed section derived from § 1, ch. 41, SLA 1957; § 1, ch 175, SLA 1957; § 1, ch. 149, SLA 1959; § 1, ch. 179, SLA 1960.

Sec. 43.45.060. Penalties. (a) If a person required under this chapter to collect, account for, and pay over the school tax imposed by this chapter, wilfully fails to do so or if a person wilfully attempts to evade or defeat the tax imposed by this chapter, he is, in addition to other penalties provided by law, guilty of a misdemeanor, and upon conviction is punishable by a fine of not more than \$1,000, or by imprisonment for not more than one year, or by both, together with the costs of prosecution.

(b) An individual who wilfully makes and signs a return which he does not believe to be true and correct as to every material matter is guilty of a misdemeanor, and upon conviction is punishable by a fine of not more than \$1,000, or by imprisonment for not more than one year, or by both, together with the costs of prosecution.

(c) In this section "person" includes an officer or employee of a corporation or a member or employee of a partnership who is under a duty to perform the act in respect to which the violation occurs. (§ 37-4-6 ACLA 1949; am § 5 ch 179 SLA 1960)

1980

40.080

not set

h. 113,
makes
years
).

Effective
of this
amending

who
im to
y the
and
cant,
nt in
The
nt at
quire
the

of the

s not
ot set

, SLA
s this
aning

ster-
may
and
may
lent

§ 43.40.090

REVENUE AND TAXATION

§ 43.40.100

(b) Repealed by § 46 ch 113 SLA 1980. (§ 5 ch 47 SLA 1955; am § 46 ch 113 SLA 1980)

Effect of amendment. — The 1980 amendment, effective June 21, 1980, repealed subsection (b).

Sec. 43.40.090. Criminal violation.

Repealed by § 46 ch 113 SLA 1980.

Cross reference. — For present provisions concerning criminal penalties, see AS 43.05.290.

Editor's note. — The repealed section derived from § 11, ch. 47, SLA 1955; § 4, ch. 27, SLA 1957.

Sec. 43.40.100. Definitions. In AS 43.40.010 — 43.40.100

(2) "motor fuel" means fuel used in an engine for the propulsion of a motor vehicle or aircraft, and fuel used in and on watercraft for any purpose, or in a stationary engine, machine or mechanical contrivance which is run by an internal combustion motor; "motor fuel" does not include

(A) fuel consigned to foreign countries,

(B) fuel sold for use in jet propulsion aircraft operating in flights to foreign countries,

(C) fuel used in stationary power plants operating as public utility plants and generating electrical energy for sale to the general public,

(D) fuel used by nonprofit power associations or corporations for generating electric energy for resale,

(E) fuel used by charitable institutions, or

(F) [Effective January 1, 1981] fuel which is at least 10 percent alcohol by volume.

(am § 10 ch 83 SLA 1980)

Effect of amendment. — The 1980 amendment, effective January 1, 1981, added subparagraph (F) in paragraph (2).

As the rest of the section was not affected by the amendment, it is not set out.

Chapter 45. School Tax.

Section

10—60. [Repealed]

Editor's note. — The repealed chapter derived from §§ 37-4-3 — 37-4-6, ACLA 1949; § 1, ch. 41, SLA 1957; § 1, ch. 175, SLA 1957; § 1, ch. 149, SLA 1959; §§ 1—5, ch. 179, SLA 1960; § 111, ch. 127, SLA 1974.

Section 3, ch. 64, SLA 1980, effective June 13, 1980, makes the repeal of this chapter applicable to tax years beginning after December 31, 1979.

Section 4, ch. 64, SLA 1980, effective June 13, 1980, provides: "The Department

of Revenue shall establish procedures for refunding to a taxpayer amounts received in payment of the school tax levied under AS 43.45 for the 1980 tax year and shall refund to the taxpayer the tax which was withheld for the 1980 tax year by an

employer and paid to the department under AS 43.45.010(c). Other tax money paid to the Department of Revenue under AS 43.45 for the 1980 tax year shall be refunded to the taxpayer who made the payment."

Secs. 43.45.010 — 43.45.060.

16140

56213

Repealed by § 3 ch 166 SLA 1976; § 2 ch 64 SLA 1980; § 46 ch 113 SLA 1980.

Chapter 50. Tobacco Tax.

Article 1. Cigarette Tax Act.

Section

10. License

100. Civil penalties

Section

150. Administration

160. [Repealed]

Sec. 43.50.010. License.

(e) [Effective January 1, 1981] A license issued under this chapter shall include

- (1) the name and address of the licensee;
- (2) the type of business to be conducted; and
- (3) the year for which the license is issued.

(am § 38 ch 113 SLA 1980)

Effect of amendment. — The 1980 amendment, effective January 1, 1981, added subsection (e).

As the rest of the section was not affected by the amendment, it is not set out.

Sec. 43.50.090. Tax imposed.

Chapter 94, SLA 1977, relating to both state and local taxation, does not violate Alaska Const., art. II, § 13, which requires every bill to be confined to

one subject. *North Slope Borough v. Sohio Petroleum Corp.*, Sup. Ct. Op. No. 1750 (File Nos. 3460, 3513, 3659), 585 P.2d 534 (1978).

Sec. 43.50.100. Civil penalties. (a) Repealed by § 45 ch 113 SLA 1980.

(b) Repealed by § 3 ch 166 SLA 1976.

(c) Repealed by § 45 ch 113 SLA 1980.

(d) A person or licensee who is in control or possession of cigarettes contrary to AS 43.50.010 — 43.50.180, or who offers to sell or dispose of cigarettes to others for the purpose of resale without being licensed to do so is considered to have possession of the cigarettes as a consumer and is personally liable for the tax, plus a penalty of 100 per cent.

(e) Repealed by § 45 ch 113 SLA 1980. (§ 12 ch 187 SLA 1955; am § 4 ch 47 SLA 1964; am § 3 ch 166 SLA 1976; am § 45 ch 113 SLA 1980)

CHAPTER I

THE TAX STRUCTURE OF ALASKA

An Analysis Prepared By

Dr. John F. Sly
Professor of Politics
Princeton University

1961
The resolution (HCR No. 11) directing the Legislative Council to study the tax and revenue structure included the following reference:

"the Legislative Council is directed to retain the services of a competent consultant in the field of government finance . . . to direct the programming of the study, review all reports and to assist in the preparation of possible recommendations . . ."

In accordance with the resolution, the Legislative Council obtained the services of Dr. John F. Sly, Director of the Princeton Surveys and Professor of Politics at Princeton University. Dr. Sly has had wide experience as a state tax consultant and has recently completed revenue surveys in Maine, Oregon and Washington. This chapter, as prepared by Dr. Sly, includes his analysis of the staff material in Part I of the report, a summary of Chapter II, Part II, "The Economy of Alaska," and various principles of taxation gleaned from his experience in the field of government finance. The views set forth in this chapter are those of Dr. Sly and do not necessarily reflect a consensus of the Legislative Council.

Severance taxes on oil and gas are likewise based on a variety of measures, largely contained within volume, value and income. Some are in lieu of property taxes, and some are not. Conservation taxes and production taxes are often used together. While at present the yield in Alaska is small, there is much activity in the field. There is nothing in the present tax that is out of line with general practice, and while the production tax rate may, at present, be on the low side, it should not be raised without careful study of an "emerging" industry. In the interests of simplicity and flexibility (as has been suggested) the two tax bases might be merged into one.

THE POLL TAX

The School Tax

The Alaska poll tax, popularly known as "the school tax" is levied on individuals in addition to all other taxes. It is an old tax -- dating from 1913 -- at first levied on all males between the ages of 21 and 50. The rate was \$5 a person. In 1943, the tax base was extended to include employed women, and the age limit increased to 55. In 1955, the tax was increased to \$7.50. In 1957, withholding was adopted, the tax again increased to \$10, and the age limit extended to 60. In 1959, the age ceiling was eliminated and the beginning age lowered to 19. The tax has always been used for school purposes, but (because of Constitutional restrictions on dedicated funds) the entire amount is now paid into the general fund.

Although poll taxes are generally regarded as archaic, they have a long history, are still used in many local jurisdictions, and are levied as state taxes in some nine states. It is probably not a tax that Alaska would adopt de novo, but it is long established, publicly accepted, well enforced, and yields considerable revenue. It has a peculiar use in Alaska: Persons who live and work in the state for short periods are likely to contribute nothing to school support, but they are liable for the school tax. There are several administrative features discussed in the report which the legislature may wish to consider; but even though the poll tax is on the irregular side, it has its use, it is almost a tradition, and it is being collected. It probably should be retained.

*

*

*

1966

SCHOOL TAX

. . . First enacted in 1913, substantial amendments in 1919 and 1960.

. . . 52/100 of one per cent of Fiscal Year 1966 revenue

Liability; Tax Rate and Base:

The \$10.00 annual school tax must be paid by all persons nineteen years of age or older who are gainfully employed in Alaska or on Alaskan waters. Exempt from the tax are: unemployed married women supported by their husbands; active U.S. military or naval personnel; paupers; insane persons; wards of the state; and persons unable to earn a livelihood because of disability.

Administration:

Employers are required to withhold the tax from the first regular payroll after January 1, or in the case of employees entering employment later, from the first regular payroll after their employment. Self-employed individuals, Federal employees and other wage earners who have not had the tax deducted report and pay tax to the commissioner of revenue when they report and pay the net income tax.

Allocation:

The revenue from this tax is deposited in the general fund.

Net Revenue:

Fiscal Year 1966	\$828,012
------------------	-----------

CHAPTER II

THE SCHOOL TAX

The school tax is a capitation or head tax which is a flat rate levy applicable to all employed individuals of certain ages. The principal philosophy of such a tax is that all persons benefit from governmental activities and should bear a portion of its expenses. As late as 1900, almost all states had a head tax of some type. However, popularity of the tax has decreased until only nine states other than Alaska still retain it. The tax levies range from \$1.50 in Texas to \$7.00 per person in New Hampshire.

Historical and Legal Background

The Alaska capitation tax was first levied in 1913 on all males between the ages of 21 and 50 at the rate of \$5.00 per person. After amendments in 1943, 1955, and 1957, the current rate of \$10.00 was set in 1959 on persons above the age of 19. The 1959 amendment also prohibited withholding the tax from casually employed persons earning less than \$25.00 in their first pay period.

The head tax was first dedicated for school purposes in 1919. After legislation in 1945 and 1955, it became the Territory's practice to channel part of the revenue to the teachers retirement fund from the proceeds of the school tax. The remaining proceeds were then transferred from the school fund to the general fund to partially offset the appropriations for the support of education.

The 1960 Amendment

Several administrative changes were made by the 1960 legislature to increase the efficiency of the tax. Quadruplicate receipts were eliminated, penalty provisions were clarified, and tax collection was made a part of the Alaska net income tax.

The Teacher's Retirement Act was also amended to provide that the state's contributions would come from general fund appropriations rather than from school tax receipts. Although the specific dedication to the "school fund" was eliminated by this amendment, it did not alter the amount of revenue available for school purposes.