

ALASKA LEGISLATIVE COUNCIL FILE / SUBJECT
1468 SCOMM 55 JNT. SPEC. COMM. ON STATE TAX POLICY, 1986-1987 248

Schedule of Investment Cash Flows

Pipeline

Year	Arco	Sohio	Exxon	Total	Scaled to 100%	ITC	Deferred Tax - Int.	Net Outlay
1973	\$22			\$22	\$103	\$10	\$4	\$89
1974	220	\$535	\$355	1,110	1,486	149	52	1,285
1975	692	1,069	568	2,328	3,118	312	109	2,697
1976	662	1,051	613	2,326	3,114	311	109	2,694
1977	301	483	266	1,051	1,407	141	25	1,242
1978	59	47	1	108	144	14		130
1979	53	27	11	91	121	12		109
1980	98	39	47	184	247	25		222
1981	23	15	12	49	66	7		59
1982	24	14	8	46	61	6		55
1983	29	12		41	76	8		68
1984	19	9		28	52	5		47
1985		4		4	12	1		11
1986		7		7	21			

Production

Year	Gross Book Value		Capitalized	Costs	Estimated		Tax	Net
	Properties	Buildings	Costs	Expensed	IDC Deduct.	ITC	Deferrals	Outlay
1973	\$283	\$32	\$315	\$32	\$170	\$11	\$97	\$238
1974	408	91	184	85	75	5	76	187
1975	1,203	99	804	129	477	32	291	610
1976	2,139	138	975	97	561	37	316	719
1977	4,292	114	736	125	456	30	279	551
1978	5,124	133	850	144	499	33	309	652
1979	5,321	207	271	89	118	8	100	253
1980	6,076	293	841	71	453	30	252	630
1981	7,568	515	1,714	230	298	60	243	1,641
1982	9,972	550	2,439	223	779	96	461	2,105
1983			2,048	246	1,189	82	660	1,552
1984			1,396	152	1,356	56	694	799
1985			1,322	89	1,017	53	509	849
1986			1,434	54	307		166	1,322

Year	Total Investment	Cumulative Investment	Company Income	—Depreciation— Production Pipeline		Marginal Tax	Net Cash Flow	Investment Position
1970	\$900	\$900					(\$900)	(\$900)
1973	328	1,228					(328)	(1,228)
1974	1,472	2,699					(1,472)	(2,699)
1975	3,307	6,006					(3,307)	(6,006)
1976	3,412	9,419					(3,412)	(9,419)
1977	1,793	11,212	\$62	\$205	\$209	\$30	(1,347)	(10,766)
1978	782	11,993	1,434	262	417	688	643	(10,123)
1979	362	12,356	4,281	336	495	2,055	2,695	(7,428)
1980	852	13,208	7,180	582	591	3,446	4,054	(3,374)
1981	1,700	14,908	7,891	584	507	3,630	3,652	278
1982	2,160	17,068	8,286	610	549	3,812	3,473	3,751
1983	1,621	18,689	7,770	623	558	3,574	3,756	7,507
1984	845	19,534	8,521	738	507	3,920	5,001	12,508
1985	860	20,395	7,730	834	363	3,556	4,511	17,019
1986	1,322	21,717	2,460	1,234	364	1,132	1,604	18,623

was based on the relative share of TAPS held by the companies for which data were available.

For 1973 to 1985, it was assumed that the investment qualified for the 10% investment tax credit. In addition, the reported investment amounts included capitalized interest. This amount is deductible for federal tax purposes. The tax effect of the estimated interest deduction was computed based on a marginal tax rate of 48% for 1973 through 1977. After mid-year 1977, interest would no longer be capitalized.

The net outlay is the total investment scaled to 100% less the investment tax credit and the deferred tax on the capitalized interest.

The investment in production was based on information in the U.S. Bureau of Census Current Industrial Surveys for the years 1973 through 1982. The estimated costs incurred in a given year was the difference between the gross book value of properties and buildings in the prior year and the balance in the current year. We assumed that 100% of the gross book values in 1973 were related to the ANS. This would tend to result in a higher estimate of investment for that year. However, the total amount is \$315 million out of what eventually was a \$11 billion investment, so any error in the \$315 million should not have a material effect on the analysis.

For 1983 through 1986, capitalized costs were based on Sohio's corporate annual report. The amounts included in the schedule are twice the outlays reported for Sohio. This factoring is based on Sohio's proportional share of Prudhoe Bay and on an estimate of Sohio's relative share in other ANS projects.

Costs expensed for 1973 through 1982 are also based on the Census reports. These represent exploration dry holes, geological and geophysical costs, and other similar costs that are expensed as incurred.

An estimate of the intangible drilling cost deduction for federal tax purposes was obtained by multiplying the capitalized property costs by 60%. This is based on other reports which suggest that 60% of the investment in oil properties is intangible. Beginning in 1981, IDC was capitalized and deducted ratably over 36 months. This calculation is included in those years.

For 1973 through 1985, the investment tax credit is estimated at 10% of the tangible investment. The tangible portion is the remaining 40% of the total investment.

The tax deferral amount is the total of the costs expensed plus the IDC deduction multiplied by the marginal tax rate. The rate is 48% for the 1973 to 1980 period and 46% thereafter. Net outlay is the capitalized costs plus costs expensed less the investment tax credit and tax deferrals.

The Alaska Department of Revenue reported \$900 million in lease bonus payments in 1970. This amount was entered as an investment in the third section of Table 11. The other amounts in the total investment column are the sums of the net pipeline and production outlays discussed above. Cumulative investment is the prior year's investment balance plus the current year's total investment.

Beginning in 1977, the investment began to generate cash flows. The 1977 cash flow was estimated from data in Sohio's corporate report in a manner similar to the estimate of income shares. For 1978 through 1986, the company income estimates were derived from Table 7. These are the company's share of income plus the federal income tax.

Incomes were converted to cash flows by adding back the noncash depreciation for the pipeline and production costs. The marginal tax rates of 48% and 46% were applied to the company income and depreciation amounts in the respective periods when these two rates were applicable. The net cash inflow or (outflow) in each year is the total investment for the period plus company income, plus depreciation and minus the marginal tax.

The investment position for each year is the cumulative sum of the prior year's investment position plus or minus the net cash flow for the current period.

Table 12
Income Projection Data

Year	Production Revenue	Production Costs	Conserv. Tax	Windfall Profit Tax	Property Tax
1978	\$1,690	\$522	\$108	\$0	\$80
1979	4,640	914	174	0	120
1980	9,294	2,544	507	797	143
1981	13,140	5,478	1,170	3,089	143
1982	11,393	3,736	1,582	1,375	143
1983	10,120	2,575	1,494	426	153
1984	10,065	2,702	1,393	211	131
1985	9,499	2,606	1,389	39	128
1986	3,978	1,602	582	0	114

Year	Production Costs	Deprec. & Explor.	Net Production Revenue	Daily Volume	Average Price	Vol. Adj. Net Rev.
1978	\$334	\$302	\$1,054	956,255	\$4.56	\$1,532
1979	620	406	3,614	1,114,704	10.72	4,507
1980	1,097	663	7,534	1,313,919	16.79	7,972
1981	1,076	683	11,380	1,317,264	23.86	12,011
1982	636	736	10,021	1,358,913	20.61	10,252
1983	502	1,654	7,964	1,319,841	17.73	8,389
1984	967	869	8,229	1,309,524	17.78	8,736
1985	1,050	1,384	7,065	1,386,162	16.92	7,086
1986	907	1,551	1,519	1,390,278	7.38	1,519

Figure 1

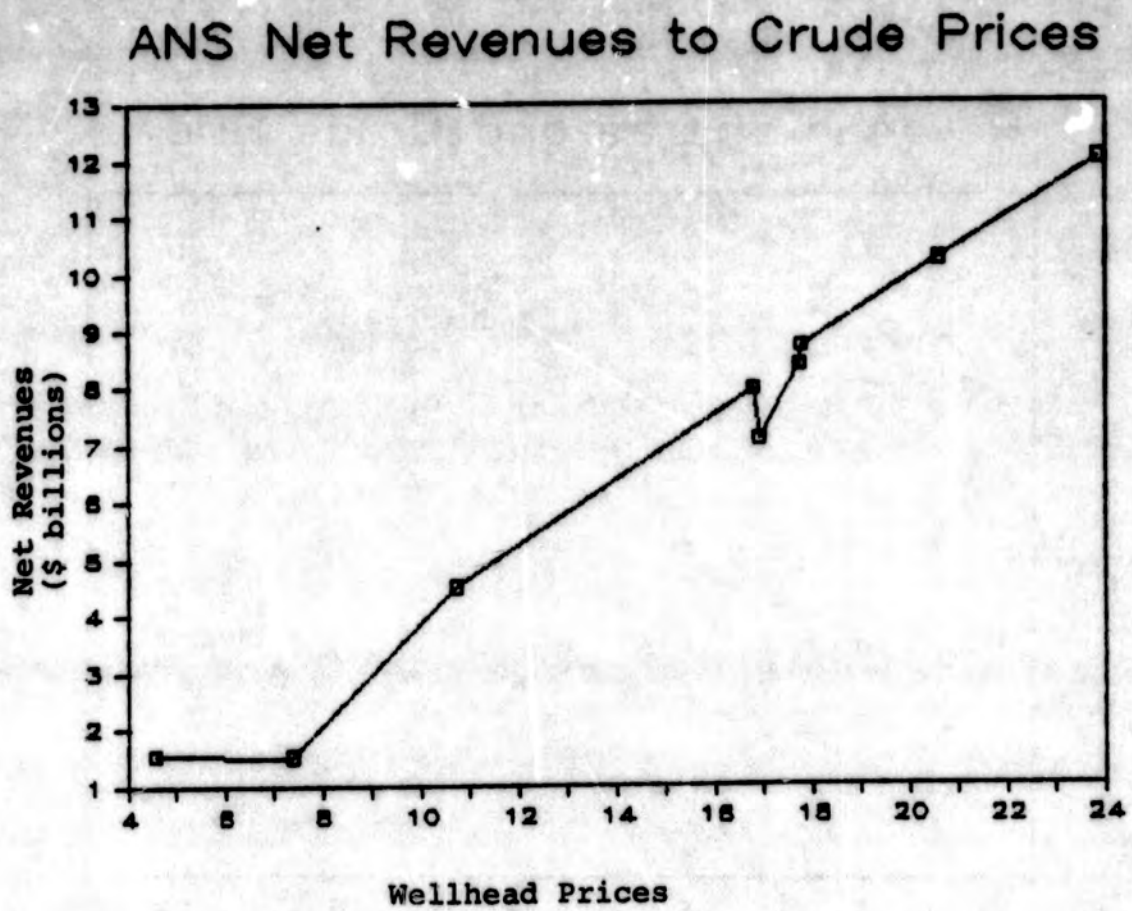


Figure 2

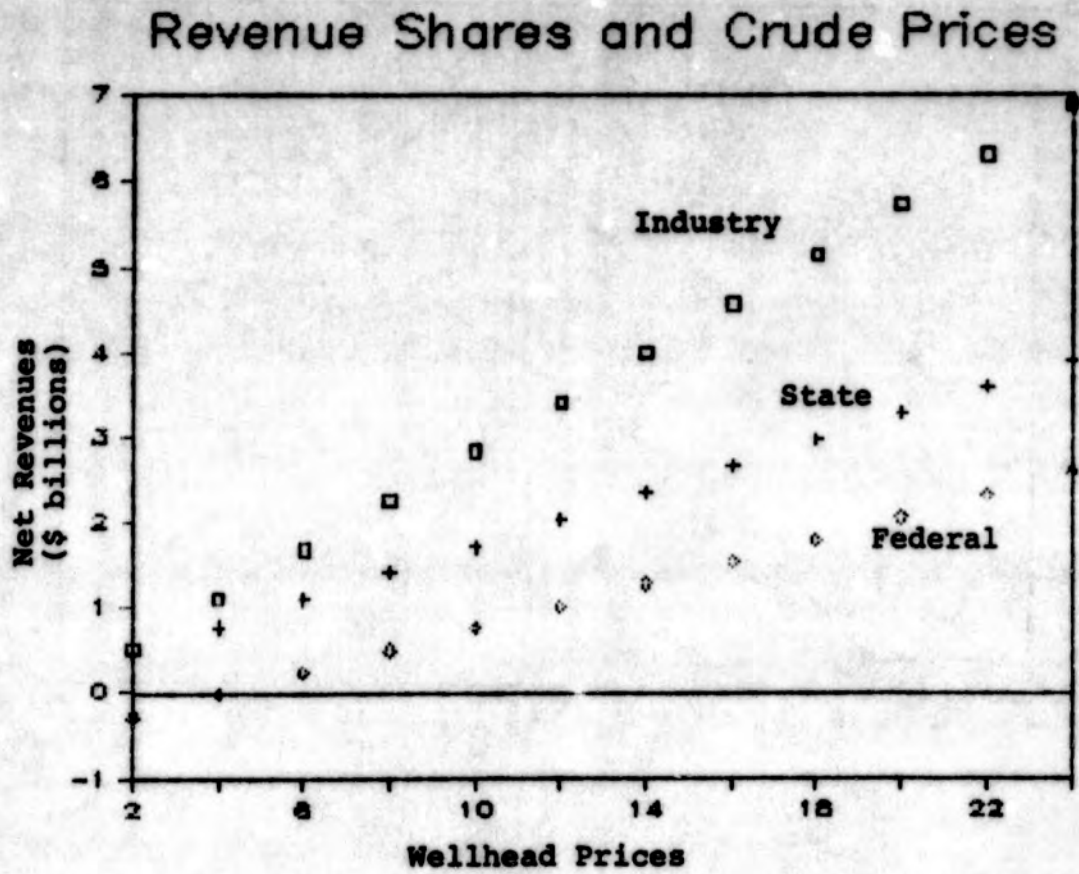


TABLE 13
Income Share Projections

Pipeline: **FIT Rate 0.31**

Gross	Net	Property	Federal	Alaska	Industry
Revenue	Revenue	Tax	Inc. Tax	Inc. Tax	Share
3,080	1,933	166	548	72	1,147

Production: **Volume 507350**

Crude Oil	Gross	Net	State	Cons.	Prop.	Alaska	Federal
Price	Revenue	Revenue	Royalty	Tax	Tax	Inc. Tax	Inc. Tax
\$24	\$12,176	11,990	1,739	1,436	148	352	2,578
22	11,162	10,838	1,595	1,307	143	317	2,317
20	10,147	9,685	1,450	1,179	138	281	2,057
18	9,132	8,532	1,305	1,051	133	246	1,797
16	8,118	7,380	1,160	923	128	210	1,537
14	7,103	6,227	1,015	794	123	175	1,277
12	6,088	5,074	870	666	118	139	1,017
10	5,074	3,921	725	538	113	103	757
8	4,059	2,769	580	409	107	68	497
6	3,044	1,616	435	281	102	32	237
4	2,029	463	290	153	97	(3)	(23)
2	1,015	(690)	145	25	92	(39)	(283)

Income Shares:

Crude Oil	-----Company Share-----			State	Federal
Price	Pipeline	Production	Total	Share	Share
\$24	1,147	5,737	6,884	3,914	2,578
22	1,147	5,158	6,306	3,600	2,317
20	1,147	4,579	5,727	3,286	2,057
18	1,147	4,001	5,148	2,972	1,797
16	1,147	3,422	4,569	2,658	1,537
14	1,147	2,843	3,991	2,344	1,277
12	1,147	2,264	3,412	2,030	1,017
10	1,147	1,686	2,833	1,716	757
8	1,147	1,107	2,254	1,402	497
6	1,147	528	1,675	1,089	237
4	1,147	(51)	1,097	775	(23)
2	1,147	(630)	518	461	(283)

BIOGRAPHICAL SKETCH

Edward B. Deakin is the Price Waterhouse Centennial Professor of Accounting at the University of Texas, Austin, Texas 78704. He holds a Ph.D. degree from the University of Illinois, Champaign-Urbana and C.P.A. certificates from the states of Texas and Illinois. He was a member of the Financial Accounting Standards Board's task forces on oil and gas disclosure issues and on reporting for the effects of inflation in the extractive industries. He has been an advisor to the U.S. Departments of Energy, Interior, and Treasury as well as to the states of Alaska, New Jersey, Texas and Wisconsin on several matters related to the oil and gas industry. He has also consulted with several members of the industry on accounting and economic matters.

Research Material:

The following files
include those re-
search papers
listed in the bib-
liography as well
other materials

Bibliography

The following is a bibliography of research papers collected by the Joint Special Committee on Tax Policy as of January, 1987. A set of the materials is on file in the Office of Rep. John Sund, House Chair. (Rm 118, Capitol. 465-4919).

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F. Separate Accounting

1. Affidavit of Edward B. Deakin, CPA, Ph.D. In the Superior Court, State of Alaska, in ARCO v. State of Alaska, November 1981
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4. Container Corporation of America v. Francise Tax Board, U. S. Supreme Court Decision June, 1983

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Individual Income Tax

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

P.O. BOX 8
JUNEAU, ALASKA 99811-0400
PHONE: (907) 485-2300

September 4, 1986

The Honorable Terry Martin
Alaska State Legislature
3960 Reka Drive B6
Anchorage, AK 99508

Dear Representative Martin:

In response to your inquiry at the July, 1986 Joint Special Committee on Tax Policy meeting, enclosed are some materials concerning "leakage" of Permanent Fund Dividends to the federal treasury by operation of the federal income tax.

Also enclosed is a study of tax "leakage" to the federal treasury after the repeal of the ~~Alaska Income Tax in 1979~~. Of particular interest may be the authors' conclusion that ~~approximately 21% of Alaska income tax returns in 1979~~ (39,120 out of 187,124 total returns), ~~and that nonresidents paid 11% of the total tax received~~ (\$10,069,565 out of \$92,601,302 total).

Please let me know if you have any further questions or comments.

Sincerely,


Richard D. Monkman
Deputy Commissioner, Taxation

RDM:mkw
86-131

cc: Committee Members

Enclosure

MEMORANDUM

State of Alaska

TO: Vincent D. Wright
Chief of Research
Department of Revenue

DATE: April 3, 1984

FILE NO:

TELEPHONE NO: 465-2300

FROM: Al Zangri
Economist
Research Section
Department of Revenue

SUBJECT: PFD Leakage to Federal
Income Tax

Attached are estimates of the amount of federal income tax leakage resulting from the ~~the Permanent Fund Dividend payments~~. The estimates were based on a Permanent Fund Dividend amount of \$404 and a total of \$210,617,200 available for distribution. Taxable income for 1985 was estimated by adjusting 1982 data for changes in the average wage and consumer price index between 1982 and 1984. The increase in the number of taxpayers was estimated by using the increase in the number of adult PFD applicants from 1982 to 1985.

Based upon the input assumptions, Table 1 shows that the estimate of ~~total leakage is \$17,507,000~~. This represents approximately 8.5% of the total PFD distribution. Table 2 provides estimates, for various taxable income categories, of the average leakage per income tax return (\$93.30) as well as the average leakage per taxpayer (\$65.47).

AZ:mkt

Attachment

TABLE 1

AGI RANGE	NUMBER OF RETURNS	TAXABLE INCOME	INCOME TAX PAYABLE	TAX LEAKAGE
		TOTAL	TOTAL	TOTAL
NO AGI	5406	0.00	0.00	0.00
\$1 TO \$10000	39264	128021179.52	7685762.78	1191645.90
\$10001 TO \$20000	33787	410779344.94	47716496.38	2404717.96
\$20001 TO \$30000	30957	645966358.06	97382247.18	2938037.84
\$30001 TO \$40000	25590	742626786.11	130975949.19	2933693.83
\$40001 TO \$50000	20191	746907727.27	148972418.40	2647211.35
\$50001 TO \$100000	34349	1830273647.64	450867571.63	5295600.03
OVER \$100000	2922	404038892.23	152044211.90	546130.71
TOTAL	192466	4908613935.77	1035644657.45	17957037.63

TABLE 2

			TAXABLE INCOME	INCOME TAX PAYABLE	TAX LEAKAGE	TAX LEAKAGE
		NUMBER OF RETURNS	AVERAGE PER RETURN	AVERAGE PER RETURN	AVERAGE PER RETURN	AVERAGE PER TAXPAYER
AGI RANGE	PFD RECIEVED					
NO AGI	\$404	4107	0.00	0.00	0.00	0.00
	\$808	1299	0.00	0.00	0.00	
\$1 TO \$10000	\$404	34309	3416.89	215.52	32.58	26.95
	\$808	4955	2177.80	58.83	14.88	
\$10001 TO \$20000	\$404	26772	12688.20	1549.55	75.36	58.93
	\$808	7015	10134.11	888.38	55.18	
\$20001 TO \$30000	\$404	21397	21497.06	3455.20	101.67	72.51
	\$808	9560	19455.42	2453.06	79.77	
\$30001 TO \$40000	\$404	14022	29750.56	5683.43	123.92	79.04
	\$808	11568	28134.89	4433.16	103.40	
\$40001 TO \$50000	\$404	8336	37955.63	8252.25	140.84	82.60
	\$803	11855	36314.60	6763.53	124.27	
\$50001 TO \$100000	\$404	10033	53400.38	13933.86	160.99	90.27
	\$808	24316	53236.86	12792.78	151.36	
OVER \$100000	\$404	744	139685.10	53978.43	188.34	107.08
	\$808	2178	137793.01	51370.18	186.41	
TOTAL		192466	25503.80	5380.92	93.30	69.47

MEMORANDUM

State of Alaska

TO: Vincent Wright
Chief of Research
Department of Revenue

DATE: October 25, 1984

FILE NO:

TELEPHONE NO: 465-2171

FROM: Al Zangri
Economist
Research Section
Department of Revenue

SUBJECT: Actual leakage from
1982 PFD distribution

This memo considers only adult PFD distributions, as the dividends issued to children 17 and under are generally not taxable. Of the 233,201 permanent fund dividends distributed to adult residents in 1982, 182,615 were distributed to individuals who filed federal income tax returns in 1982. These 182,615 individuals filed 120,966 tax returns. Strictly speaking, only 124,485 should have been filed since 2,481 people who claimed the 82 PFD on their 82 taxes did not actually receive the dividend until 1983. However, the net effect of this action is to reduce the overall leakage from the 82 and 83 dividend distributions.

Table 1, attached, shows the total taxable income, total income tax paid, and total leakage to the IRS from those 120,966 returns. Table 2 shows the average (per return) taxable income, tax paid and leakage. It also shows the average leakage per taxpayer.

The total leakage was 53,233,929. This compares with our earlier estimate of 66,700,559. Note that the average leakage per taxpayer is very close to the estimate first made last year. The primary error in the total estimate results from over estimating the number of returns that would be filed. The methodology used to estimate the number of returns is not identified in the earlier report so I cannot identify the source of error. The methodology used to estimate the leakage given the number of returns filed was excellent as is evident from comparing the average leakages.

Table 3 shows the total distribution of total taxable income and total income tax payable that would have existed without the PFD distribution. I have included it to illustrate the changes that the PFD introduced into the AGI ranges. It is possible to show exactly how many people were moved into a higher marginal bracket as a result of the dividend distribution. If that would be of interest, I can include it in the report when I look at the 83 leakage.

Given the results of this effort, I suspect that the ICER study over estimated the tax leakage by a fairly large margin.

TABLE 1

AGI RANGE	NUMBER OF RETURNS	TAXABLE INCOME	INCOME TAX PAYABLE	TAX LEAKAGE
		TOTAL	TOTAL	TOTAL
NO AGI	1193	0.00	0.00	0.00
\$1 TO \$10000	23322	85173846.64	5822023.67	1993692.91
\$10001 TO \$20000	22303	275321320.52	37345549.46	5292844.02
\$20001 TO \$30000	21105	447053292.34	79733487.39	7355783.99
\$30001 TO \$40000	17762	522483200.69	108345033.66	8446641.45
\$40001 TO \$50000	14605	547086581.13	127996512.29	9017960.70
\$50001 TO \$100000	24874	1337532934.59	384796908.04	19502811.25
OVER \$100000	1802	248815076.65	102329800.06	1624205.17
TOTAL	126966	3463466252.56	846369314.56	53233939.49

TABLE 2

AGI RANGE	PFD RECIEVED	NUMBER OF RETURNS	TAXABLE INCOME	INCOME TAX PAYABLE	TAX LEAKAGE	TAX LEAKAGE
			AVERAGE PER RETURN	AVERAGE PER RETURN	AVERAGE PER RETURN	AVERAGE PER TAXPAYER
NO AGI	\$1000	638	0.00	0.00	0.00	0.00
	\$2000	555	0.00	0.00	0.00	
\$1 TO \$10000	\$1000	20211	3801.84	275.00	88.35	75.42
	\$2000	3111	2679.13	84.85	66.87	
\$10001 TO \$20000	\$1000	17102	12933.19	1863.79	216.75	192.44
	\$2000	5201	10409.13	1051.92	304.93	
\$20001 TO \$30000	\$1000	14106	21818.43	4185.91	297.73	261.73
	\$2000	6999	19900.34	2955.71	450.93	
\$30001 TO \$40000	\$1000	8826	30114.76	6878.26	361.53	316.38
	\$2000	8936	28725.41	5330.96	588.16	
\$40001 TO \$50000	\$1000	4898	38417.68	10023.61	415.24	370.93
	\$2000	9707	36975.05	8128.24	719.49	
\$50001 TO \$100000	\$1000	5206	53682.89	16569.47	462.05	437.85
	\$2000	19668	53796.00	15178.78	869.30	
OVER \$100000	\$1000	330	141322.48	59535.06	495.30	496.09
	\$2000	1472	137349.63	56170.67	992.36	
TOTAL		126966	27278.69	6666.11	419.28	291.51

TABLE 3

AGI RANGE	NUMBER OF RETURNS	PRE PFD TAXABLE INCOME	PRE PFD INCOME TAX PAYABLE	TAX LEAKAGE
		TOTAL	TOTAL	TOTAL
NO AGI	2053	0.00	0.00	0.00
\$1 TO \$10000	25192	81443181.80	54 46	2527880.66
\$10001 TO \$20000	22381	274288775.01	37 074 5	5678173.97
\$20001 TO \$30000	21041	440996658.44	77879457.90	7680099.63
\$30001 TO \$40000	17597	512263470.64	105044964.51	8768397.67
\$40001 TO \$50000	14159	526106529.48	122195099.49	9016138.73
\$50001 TO \$100000	22858	1216342192.09	348117360.72	18053242.55
OVER \$100000	1685	236141978.35	97447275.94	1515006.27
TOTAL	126966	3287582785.81	793135375.07	53233939.49

Federal Tax Leakages Associated With 1979 State Income Tax Refunds

By
Lance R. Rovig, Economist
and
Deborah A. Lasher, Research Analyst

The following report is the result of research efforts to ascertain the tax leakages to the Federal government as a result of the repeal of the individual income tax enacted by the 1980 Special Legislative Session.

**Federal Tax Leakages Associated With
1979 State Income Tax Refunds**

Resident and nonresident Alaskan taxpayers who itemized their Federal deductions in tax year 1979 will have to pay Federal taxes in tax year 1980 on their 1979 State income tax refunds. The refunds must be included on the 1980 Federal Form 1040 as taxable income to the extent that the State tax deduction decreased Federal taxes owed in 1979. Persons who did not claim the State tax as an itemized deduction in tax year 1979 do not have to include the refunds as Federal taxable income for tax year 1980. For reasons explained below, it was assumed throughout this analysis that the same number of returns which itemized at the State level also itemized at the Federal level.

State income taxes recorded to date for tax year 1979 by residents and nonresidents are presented in a series of tables. These tables are based on data captured as of December 1, 1980 and although incomplete do represent the bulk of taxes paid. The basic conclusions of this report, therefore, should not be substantially affected once all the data is captured. Tables I through VI show resident taxes paid by filing status. These are resident returns which itemized their Alaska deductions and which will probably have to pay Federal taxes on their 1979 State income tax refunds. Table B gives a breakdown of resident taxes paid by Federal adjusted gross income categories for returns which itemized and for returns which took the standard deduction. Tables C and D show nonresident taxes paid by Federal adjusted gross income categories for returns which itemized and for returns which took the standard deduction. Nonresident returns were further disaggregated into instate and out of State returns.

Resident and Nonresident Returns:

As shown in Table A, of the \$92,601,302 in taxes paid and refunded on returns for tax year 1979, residents paid \$82,531,737, or 89%, and nonresidents paid \$10,069,565, or 11%. Of the 187,124 total returns, 148,004, or 79%, were resident and 39,120, or 21%, were nonresident returns. This amounts to an average tax paid of \$494.87 for residents and nonresidents combined, or an average tax of \$557.63 for residents and \$257.40 for nonresidents.

As shown on Tables C and D approximately 21,281 nonresident returns, or 54%, itemized their deductions and 17,839, or 46%, took the standard deduction. Table B shows that 92,006, or 62%, of the resident returns took the standard deduction and did not itemize in tax year 1979. And, 55,998, or 38%, of the resident returns itemized their Alaska deductions and probably claimed the State tax as a deduction against their 1979 Federal taxable income. 3

Itemized Resident Returns:

Although only 38% of the resident returns itemized their deductions they paid 67% of the resident taxes. Resident returns that itemized paid \$55,240,070 of the \$82,531,737 of taxes paid by residents in tax year 1979. This is an average tax paid of \$986 per itemized resident return.

The tax leakage to the Federal government as a result of refunding 1979 taxes paid by Alaskan residents who itemized is estimated to be \$24,186,038. Thus, the average tax leakage is \$432 per itemized resident return. This leakage is 29% of the \$82,531,737 refunded to residents and is 44% of the \$55,240,070 refunded to those residents who itemized deductions on their 1979 tax returns.

Itemized Nonresident Returns:

As explained below, the Federal tax leakage for nonresident returns was determined by using resident returns. Non-resident returns are restricted with regard to the itemized deductions that they can claim on their Alaska tax returns, and these restrictions make it difficult to estimate Federal taxable income from data on the nonresident State returns. Of the \$10,069,565 in nonresident taxes paid in 1979, \$6,355,677, or 63% came from returns which itemized. This is an average tax paid of \$299 per itemized nonresident return. Assuming that 44% of these refunds are paid in Federal taxes, as is the case for resident returns which itemized, then approximately \$2,796,497 would be the tax leakage associated with nonresident returns which itemized. This represents an average tax leakage of \$131 per itemized nonresident return.

Methodology:

Because the State does not collect data on Federal taxable income and since Federal and State taxable income differ somewhat, State taxable income was adjusted to estimate Federal taxable income. For example, State taxable income includes Federal cost of living allowances whereas Federal taxable income does not. Items exempt from State taxation include interest on federal securities, armed services pay, certain pensions and annuities, national guard pay and income from the sale of halibut taken outside of Alaskan waters. In addition, the State tax is not included in Federal taxable income but it is included in State taxable

income. Finally, the standard deduction is included in Federal taxable income because it is subtracted out of taxable income automatically in the tax tables and tax rate schedules. Thus, Federal taxable income was computed as Federal adjusted gross income plus the standard deduction minus 1979 State income taxes withheld minus personal exemptions minus allowable State deductions.

Federal taxes were computed by applying the appropriate tax rate to Federal taxable income. The tax rate that was applied to Federal taxable income was selected according to the taxable income and filing status reported on each return. By adding the 1979 State refund to Federal taxable income the new taxable income and the appropriate new tax rate associated with it was estimated. The new tax rate was then applied to the State refund to calculate the Federal leakage for each return by filing status. For example, a refund of \$800 on an itemized return for a single taxpayer that had \$18,200 in taxable income would result in \$19,000 taxable income. The additional \$800 would be taxed at a rate of 34% or \$272, which is one tax bracket higher than the 30% rate which applied to taxable income over \$15,000 before the tax refund. This \$272 is the federal tax leakage associated with the \$800 State income tax refund. Of the 55,998 itemizing resident returns 49,100 remain in the same tax bracket, 6,838 jump one tax bracket and 60 returns jump two tax brackets as a result of adding 1979 State income tax refunds. Federal tax schedules X, Y and Z were used to make the tax computations for the tables presented in this report.

Accuracy of Estimates:

As shown in Table A, there were 2,405 resident returns and 840 nonresident returns categorized as having zero adjusted gross income (AGI). There are several reasons for this phenomenon. First, some returns may have negative taxable income or income and deductions which are equal. Second, the data on some returns may not have been completely captured (keypunched). And finally, returns received after August either did not contain any tax data other than the amount of tax to be refunded, or in the interest of quick and efficient handling of tax refunds, the data on these returns was not keypunched for the computerized record.

Because State taxes are allowed as a deduction against Federal taxable income but not allowed as a deduction against State taxable income, a few returns which itemized at the Federal level may not have itemized at the State level. Since the number of State resident returns which itemized was used as the surrogate for the number of Federal returns which itemized in 1979, the Federal leakage associated

with 1979 State income tax refunds may be slightly understated. However, Federal individual income tax statistics for tax years 1972 through 1977 indicate that approximately the same percentage of returns itemized in Alaska at the Federal level as were itemized at the State level for tax year 1979.

Some residents who itemized their Federal deductions may file amended returns and claim the standard deduction, if in so doing they can retain more money by keeping the full tax refund as opposed to itemizing deductions on their 1979 Federal tax returns. Finally, since Federal taxable income was computed from State tax data, only resident returns were used in the calculations. Nonresident returns are restricted with regard to the itemized deductions that they may claim on their Alaska tax returns. Itemized deductions are allowed only to the extent that they are paid from income earned in Alaska or directly connected with property having a taxable situs in Alaska. Thus, nonresident State deductions are less than Federal deductions. Consequently, Federal taxable income (and the Federal tax leakage associated with it) if calculated as Federal adjusted gross income plus the standard deduction minus 1979 State income taxes withheld minus personal exemptions minus allowable State deductions, would be overstated for nonresident returns.

TABLE I

1979 Itemizing Residents Estimate Of Tax LeakageSummary

<u>Filing Status</u>	<u>Returns</u>	<u>Estimated Federal Taxable Income</u>	<u>Alaska State Tax Paid</u>	<u>Estimated Tax Leakage</u>
Single	12,415	\$ 200,601,536	\$ 9,773,914	\$ 4,173,041
Married-Joint	39,476	1,170,493,498	42,730,912	18,887,549
Married-Separate	838	10,507,790	425,234	198,551
Unmarried-Head of Household	3,168	56,803,812	2,261,403	906,711
Widow(er)	101	1,712,322	48,607	20,187
Totals	55,998	\$1,440,118,959	\$55,240,070	\$24,186,038

TABLE II

1979 Itemizing Residents Estimate Of Tax LeakageFiling Single

<u>Estimated Federal Taxable Income Range</u>	<u>Returns</u>	<u>Estimated Federal Taxable Income</u>	<u>Alaska State Tax Paid</u>	<u>Estimated Tax Leakage</u>
\$ 0	247	\$ 0	\$ 0	\$ 0
1- 2,300	2,089	3,047,898	191,298	0
2,301- 3,400	552	1,506,559	39,064	1,273
3,401- 4,400	379	1,467,718	6,462	634
4,401- 6,500	545	2,923,656	13,661	1,502
6,501- 8,500	541	4,025,641	31,706	4,393
8,501- 10,800	527	5,046,188	40,275	8,421
10,801- 12,900	560	6,526,200	120,260	27,676
12,901- 15,000	605	8,260,527	189,407	48,956
15,001- 18,200	1,033	16,627,903	526,945	156,821
18,201- 23,500	1,687	33,834,372	1,367,286	462,111
23,501- 28,800	1,370	33,910,252	1,693,226	652,035
28,801- 34,100	942	27,871,593	1,620,435	699,322
34,101- 41,500	716	25,085,318	1,636,917	787,068
41,501- 55,300	474	20,635,719	1,474,514	798,125
55,301- 81,800	126	7,552,414	593,336	367,967
81,801-108,300	16	1,372,581	131,327	88,496
108,301- +	6	906,994	97,796	68,239
Totals	12,415	\$200,601,536	\$9,773,914	\$4,173,041

TABLE III

1979 Itemizing Residents Estimate Of Tax LeakageFiling Jointly

<u>Estimated Federal Taxable Income Range</u>	<u>Returns</u>	<u>Estimated Federal Taxable Income</u>	<u>Alaska State Tax Paid</u>	<u>Estimated Tax Leakage</u>
\$ 0	753	\$ 0	\$ 0	\$ 0
1- 3,400	1,506	1,897,131	551,885	0
3,401- 5,500	626	2,654,946	110,979	3,415
5,501- 7,600	678	4,440,780	28,764	2,741
7,601- 11,900	1,848	18,273,618	48,827	6,550
11,901- 16,000	2,367	33,139,137	79,615	16,536
16,001- 20,200	2,938	53,037,911	397,439	95,086
20,201- 24,600	3,910	86,587,757	1,325,390	367,610
24,601- 29,900	5,235	139,707,838	3,197,448	1,018,301
29,901- 35,200	5,342	168,461,698	5,135,562	1,875,101
35,201- 45,800	8,056	309,911,902	12,136,572	5,174,723
45,801- 60,000	4,456	218,125,352	10,834,659	5,243,567
60,001- 85,600	1,360	87,574,466	5,237,655	2,790,715
85,601-109,400	223	20,102,976	1,391,654	812,280
109,401-162,400	132	15,667,371	1,266,199	800,969
162,401-215,400	26	4,340,635	391,907	262,787
215,401- +	20	6,569,980	596,357	417,167
Totals	39,476	\$1,170,493,498	\$42,730,912	\$18,887,549

TABLE IV

1979 Itemizing Residents Estimate Of Tax LeakageFiling Separately

<u>Estimated Federal Taxable Income Range</u>	<u>Returns</u>	<u>Estimated Federal Taxable Income</u>	<u>Alaska State Tax Paid</u>	<u>Estimated Tax Leakage</u>
\$ 0	54	\$ 0	\$ 0	\$ 0
1- 1,700	117	94,954	3,124	0
1,701- 2,750	30	64,934	86	12
2,751- 3,800	34	110,961	33	5
3,801- 5,950	64	308,428	11,794	1,385
5,951- 8,000	57	391,703	813	171
8,001- 10,000	50	446,470	5,644	1,329
10,001- 12,300	57	624,798	10,530	2,938
12,301- 14,950	56	740,845	16,569	5,267
14,951- 17,600	53	827,305	27,139	9,830
17,601- 22,900	115	2,213,209	86,348	36,804
22,901- 30,000	81	2,015,730	98,601	47,615
30,001- 42,800	52	1,746,648	101,264	54,161
42,801- 54,700	10	452,918	28,971	16,888
54,701- 81,200	7	385,366	26,088	16,549
81,201-107,700	1	83,522	8,230	5,596
107,701- +	0	0	0	0
Totals	838	\$10,507,790	\$425,234	\$198,551

TABLE V

1979 Itemizing Residents Estimate Of Tax LeakageFiling Head Of House

<u>Estimated Federal Taxable Income Range</u>	<u>Returns</u>	<u>Estimated Federal Taxable Income</u>	<u>Alaska State Tax Paid</u>	<u>Estimated Tax Leakage</u>
\$ 0	110	\$ 0	\$ 0	\$ 0
1- 2,300	180	213,806	11,037	0
2,301- 4,400	103	348,772	7,242	370
4,401- 6,500	140	764,472	714	114
6,501- 8,700	170	1,314,324	2,692	485
8,701- 11,800	314	3,208,540	30,270	6,648
11,801- 15,000	347	4,572,816	85,193	20,396
15,001- 18,200	355	5,729,100	161,623	41,753
18,201- 23,500	509	10,199,334	348,245	107,155
23,501- 28,800	383	9,497,937	396,836	140,806
28,801- 34,100	230	6,871,403	344,876	142,442
34,101- 44,700	219	8,030,576	455,163	207,932
44,701- 60,600	84	3,969,547	248,438	131,115
60,601- 81,800	14	894,503	62,764	36,428
81,801-108,300	6	526,585	41,823	26,322
108,301-161,300	2	227,769	19,907	13,537
161,301- +	2	434,329	44,583	31,208
Totals	<u>3,168</u>	<u>\$56,803,812</u>	<u>\$2,261,403</u>	<u>\$906,711</u>

TABLE VI

1979 Itemizing Residents Estimate Of Tax LeakageFiling Widow

<u>Estimated Federal Taxable Income Range</u>	<u>Returns</u>	<u>Estimated Federal Taxable Income</u>	<u>Alaska State Tax Paid</u>	<u>Estimated Tax Leakage</u>
\$ 0	7	\$ 0	\$ 0	\$ 0
1- 3,400	14	19,837	0	0
3,401- 5,500	6	27,903	5	1
5,501- 7,600	8	54,270	0	0
7,601- 11,900	10	99,159	103	19
11,901- 16,000	9	127,227	727	153
16,001- 20,200	10	176,120	2,593	613
20,201- 24,600	13	282,511	6,433	1,801
24,601- 29,900	5	132,440	3,673	1,150
29,901- 35,200	6	186,045	6,205	2,234
35,201- 45,800	9	349,588	12,159	5,073
45,801- 60,000	2	94,736	4,990	2,445
60,001- 85,600	1	62,180	4,313	2,329
85,601-109,400	1	100,306	7,406	4,370
109,401-215,400	0	0	0	0
215,401- +	0	0	0	0
Totals	<u>101</u>	<u>\$1,712,322</u>	<u>\$48,607</u>	<u>\$20,187</u>

TABLE A

1979 Resident Returns

<u>Federal AGI Range</u>	<u>Returns</u>	<u>Alaska Taxable Income</u>	<u>Alaska State Tax Paid</u>
\$ 0	2,405	\$ 190,276	\$ 999,101
1- 5,000	25,751	6,486,443	63,685
5,001- 10,000	20,164	61,262,549	177,703
10,001- 15,000	18,006	112,689,187	1,771,070
15,001- 20,000	15,695	167,264,902	3,758,809
20,001- 25,000	13,111	188,315,241	5,109,024
25,001- 30,000	11,097	207,485,192	6,408,912
30,001- 35,000	9,734	220,577,934	7,354,175
35,001- 40,000	8,318	223,583,054	8,259,171
40,001- 45,000	6,942	215,642,962	8,735,178
45,001- 50,000	5,220	184,580,094	8,159,131
50,001- 60,000	6,597	269,899,159	13,204,322
60,001- 100,000	4,455	239,885,717	13,919,790
100,001- +	509	60,010,940	4,611,756
Subtotal	148,004	\$2,167,873,650	\$82,531,737

1979 Nonresident Returns

<u>Federal AGI Range</u>	<u>Returns</u>	<u>Alaska Taxable Income</u>	<u>Alaska State Tax Paid</u>
\$ 0	840	\$ 3,308,470	\$ 176,164
1- 5,000	6,530	3,326,848	61,254
5,001- 10,000	8,648	20,175,524	295,477
10,001- 15,000	6,186	28,239,117	604,111
15,001- 20,000	4,535	29,531,979	715,370
20,001- 25,000	3,187	28,036,155	791,047
25,001- 30,000	2,387	25,939,577	824,290
30,001- 35,000	1,832	24,598,141	867,064
35,001- 40,000	1,361	22,755,027	893,874
40,001- 45,000	999	19,459,837	837,390
45,001- 50,000	665	14,783,572	683,632
50,001- 60,000	909	25,559,573	1,301,446
60,001- 100,000	795	25,223,909	1,438,842
100,001- +	246	7,977,416	579,604
Subtotal	39,120	\$278,915,145	\$10,069,565
Total	187,124	\$2,446,788,795	\$92,601,302

TABLE B

1979 Residents Itemizing Deductions

<u>Federal AGI Range</u>	<u>Returns</u>	<u>Alaska Taxable Income</u>	<u>Alaska State Tax Paid</u>
\$ 0	1,769	\$ 27,206	\$ 987,098
1- 5,000	3,196	1,164,575	31,957
5,001- 10,000	2,068	4,084,880	39,273
10,001- 15,000	2,901	13,346,909	138,146
15,001- 20,000	3,943	34,729,763	632,211
20,001- 25,000	4,868	62,258,014	1,487,078
25,001- 30,000	5,547	95,701,706	2,677,870
30,001- 35,000	5,953	126,816,594	3,928,027
35,001- 40,000	5,856	151,429,874	5,313,850
40,001- 45,000	5,383	161,623,207	6,261,470
45,001- 50,000	4,309	148,681,669	6,395,904
50,001- 60,000	5,732	230,444,696	11,079,094
60,001- 100,000	4,017	212,891,786	12,285,905
100,001- +	456	51,856,046	3,982,187
Subtotal	55,998	\$1,295,056,925	\$55,240,070

1979 Residents Taking Standard Deduction

<u>Federal AGI Range</u>	<u>Returns</u>	<u>Alaska Taxable Income</u>	<u>Alaska State Tax Paid</u>
\$ 0	636	\$ 163,070	\$ 11,913
1- 5,000	22,555	5,321,868	31,728
5,001- 10,000	18,096	57,177,669	138,430
10,001- 15,000	15,105	109,342,278	1,632,924
15,001- 20,000	11,752	132,535,139	3,126,598
20,001- 25,000	8,243	126,057,227	3,621,946
25,001- 30,000	5,550	111,783,486	3,731,042
30,001- 35,000	3,781	93,761,340	3,425,148
35,001- 40,000	2,462	72,153,180	2,945,321
40,001- 45,000	1,559	54,019,755	2,473,708
45,001- 50,000	911	35,898,425	1,763,227
50,001- 60,000	865	39,454,463	2,125,228
60,001- 100,000	438	26,993,931	1,633,885
100,001- +	53	8,154,894	629,569
Subtotal	92,006	\$872,816,725	\$27,291,667
Total	148,004	\$2,167,873,650	\$82,531,737

TABLE C

1979 Nonresident Itemizing, Out of State Returns

<u>Federal AGI Range</u>	<u>Returns</u>	<u>Alaska Taxable Income</u>	<u>Alaska State Tax Paid</u>
\$ 0	8	\$ 144,907	\$ 3,807
1- 5,000	1,957	649,956	7,095
5,001- 10,000	3,240	6,797,436	102,668
10,001- 15,000	2,439	10,104,460	216,445
15,001- 20,000	2,042	12,289,841	288,444
20,001- 25,000	1,501	12,118,852	324,986
25,001- 30,000	1,246	12,474,520	386,331
30,001- 35,000	1,040	12,845,702	429,564
35,001- 40,000	812	13,000,383	492,411
40,001- 45,000	639	11,655,928	484,634
45,001- 50,000	445	9,151,045	406,963
50,001- 60,000	613	15,850,082	779,038
60,001- 100,000	587	17,483,202	952,707
100,001- +	177	6,296,239	456,581
Subtotal	16,746	\$140,862,553	\$5,331,674

1979 Nonresident Itemizing, Instate Returns

<u>Federal AGI Range</u>	<u>Returns</u>	<u>Alaska Taxable Income</u>	<u>Alaska State Tax Paid</u>
\$ 0	7	\$ 105,675	\$ 3,863
1- 5,000	408	83,890	250
5,001- 10,000	983	1,715,981	16,097
10,001- 15,000	888	3,310,517	57,319
15,001- 20,000	668	3,765,440	78,015
20,001- 25,000	468	3,679,822	92,624
25,001- 30,000	343	3,737,080	112,379
30,001- 35,000	267	3,511,647	116,887
35,001- 40,000	164	2,770,186	101,793
40,001- 45,000	129	2,598,264	102,551
45,001- 50,000	59	1,256,673	55,350
50,001- 60,000	90	2,594,570	124,180
60,001- 100,000	53	1,980,188	118,452
100,001- +	8	559,177	44,243
Subtotal	4,535	\$31,669,110	\$1,024,003
Total	21,281	\$172,531,663	\$6,355,677

TABLE D

1979 Nonresident Standard Deduction, Out of State Returns

<u>Federal AGI Range</u>		<u>Returns</u>	<u>Alaska Taxable Income</u>	<u>Alaska State Tax Paid</u>
\$	0	623	\$ 2,399,673	\$ 153,012
1-	5,000	3,087	2,050,696	45,693
5,001-	10,000	3,142	8,586,396	137,234
10,001-	15,000	2,050	11,063,999	256,043
15,001-	20,000	1,268	9,629,063	258,569
20,001-	25,000	912	9,238,049	287,859
25,001-	30,000	606	7,375,499	252,090
30,001-	35,000	422	6,417,023	260,253
35,001-	40,000	329	6,064,177	262,288
40,001-	45,000	210	4,720,094	229,446
45,001-	50,000	150	4,117,236	208,263
50,001-	60,000	191	6,680,722	377,045
60,001-	100,000	151	5,577,647	355,354
100,001-	+	58	924,223	57,909
Subtotal		<u>13,199</u>	<u>\$84,844,497</u>	<u>\$3,141,058</u>

1979 Nonresident Standard Deduction, Instate Returns

<u>Federal AGI Range</u>		<u>Returns</u>	<u>Alaska Taxable Income</u>	<u>Alaska State Tax Paid</u>
\$	0	202	\$ 658,215	\$ 15,482
1-	5,000	1,078	542,306	8,216
5,001-	10,000	1,283	3,075,711	39,378
10,001-	15,000	809	3,760,141	74,304
15,001-	20,000	557	3,847,635	90,342
20,001-	25,000	306	2,999,432	85,578
25,001-	30,000	192	2,352,478	73,490
30,001-	35,000	103	1,823,769	60,360
35,001-	40,000	56	920,281	37,382
40,001-	45,000	21	485,551	20,759
45,001-	50,000	11	258,618	13,056
50,001-	60,000	15	434,199	21,183
60,001-	100,000	4	182,872	12,329
100,001-	+	3	197,777	20,871
Subtotals		<u>4,640</u>	<u>\$21,538,985</u>	<u>\$572,830</u>
Total		<u>17,839</u>	<u>\$106,383,482</u>	<u>\$3,713,888</u>



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y. State Capitol
Juneau, Alaska 99811
(907) 465-3991

April 8, 1986

MEMORANDUM

TO: Representative Mike Davis

ATTN: Mike Welsh

FROM: Mary Jennings *mq*
Legislative Analyst

RE: Commuter Taxes as They Relate to Resident Hire
Research Request 86-147

You requested information regarding commuter taxes; specifically, how do they work, which states have them and whether or not they could be used in Alaska to encourage resident hire.

A number of local governments providing regional services use a wage tax that allows them to tax commuters. A local income tax is allowed by state law in Delaware, Indiana, Kentucky, Michigan, Missouri, New York, Ohio, and Pennsylvania. The tax is withheld from employees' wages and salaries. The rate of taxation for nonresidents (commuters) is either equal to, or in most cases, less than the rate for residents and, depending on the state, it ranges from .5 percent to 4.9 percent. All of the states employing a wage tax have a state income tax which, according to the Pennsylvania Department of Revenue, makes collection and enforcement costs of the commuter tax negligible.

The Pennsylvania Department of Revenue stated that the purpose of the tax is to generate revenue, and not to encourage people to work and live in the same city or county. The department pointed out that in metropolitan Pittsburgh, most cities and towns levy the wage tax, thereby eliminating the incentive of employers to leave the central city for the suburbs. In other states such as Michigan and Ohio, agreements exist between jurisdictions providing that each will receive some income tax revenues from individuals living in one jurisdiction but working in another.

Representative Davis
April 8, 1986
Page Two

Other Nonresident Income Taxation

In 1983, Oregon enacted legislation that changed the way nonresident income was taxed. The law allowed the amount of nonresident income earned in Oregon to be taxed at the rate of the nonresident's total income. In instances where individuals earned only a portion of their income in Oregon, this method of taxation resulted in nonresidents paying higher taxes than residents.¹ According to the Oregon Department of Revenue, this tax legislation set off "border wars" between Oregon and Washington. As a result, Washington, which does not have a state income tax, proposed legislation that would allow border towns in Washington levy a commuter tax on nonresidents working in Washington. Don Smallwood, of the Washington Department of Revenue, stated that Washington proposed this legislation as a threat in order to get Oregon to repeal their new law for taxation of nonresidents. Soon after the Washington proposal, Oregon repealed its law. Although no formal legal opinions resulted, Smallwood stated that the constitutionality of the Oregon law and the proposed Washington legislation was questioned.

Resident Hire in Alaska

The commuter tax as used in other states does not appear to be applicable to encouraging resident hire. In addition, Alaska does not levy a State income tax and the administrative costs of a wage tax would probably be significant. There is also a question of the constitutionality of taxing nonresidents and residents differently. According to Theresa Hillhouse, the Chief Hearing Examiner of the Department of Revenue, in the 1950s, Alaska had instituted a fisheries tax that levied a higher tax on nonresident fisherman. The constitutionality of this law was challenged and it was subsequently repealed.

For your information, I have attached a letter from Mr. William Phillips dealing with this issue. This agency has performed no analysis of Mr. Phillip's proposal, but the concept of credits that favor residents and/or distributions similar to Permanent Fund dividends may have potential as a method for imposing a relatively high tax burden on nonresidents. I hope you find this information useful. Please contact me if you have any questions.

MJ

Attachment

¹The actual tax rate paid by all individuals would be identical. However, by taxing income earned outside Oregon (versus the previous method of taxing only income earned in the state), the amount of tax paid relative to the amount of income earned in Oregon could be higher for nonresidents than for residents.

January 30, 1986

The Honorable Representatives and Senators of the State of Alaska
Pouch V
Juneau, Alaska 99811

Dear Sirs and Madams:

This is a proposal that could deal with two problems facing the state of Alaska; revenue enhancement and local hire. Establish a new state income tax with deductions and tax credits that would just happen to promote living in Alaska. The tax would make it more costly for non-residents to work in Alaska. The non-residents would have the options of moving to Alaska, making a substantial economic investment in Alaska, or seeking work elsewhere.

Establish an income tax with the following rates:

- 5% on the first \$25,000 of taxable income.
- 7.5% on the next \$15,000 of taxable income.
- 10.0% on the next \$20,000 of taxable income.
- 12.5% on all taxable income over \$60,000.

Establish deductions of:

- 25% of the assessed valuation of real property owned in Alaska to a limit of \$30,000.
- Or, rent paid on real property in the state of Alaska to a limit of \$30,000.

Establish tax credits for the following:

- Up to \$500 for donations to the Alaskan Student Loan Fund.
- Up to \$500 for campaign donations made to Alaskan political candidates and/or Alaska political action groups.

Here follow two examples of how this tax plan could work.

Joe Doaks of Tuna, Texas and Sam Resident of Kenai Alaska both own homes with a value of \$120,000 plus personal property of two cars and a boat.

	<u>Doaks</u>	<u>Resident</u>
Income	\$75,000	\$75,000
Deductions	0	30,000
Taxable Income	<u>75,000</u>	<u>45,000</u>
Taxes	6,250	2,875
Credits		
Local Alaskan Real and personal property taxes at 8 mills on \$150,000	0	1,200
Local sales taxes at 5% of 25% of income	0	937.50
Donation to Loan Fund	500	500
Donation to Campaigns	500	500
Total credits	<u>1,000</u>	<u>3,175.50</u>
Taxes owed	5,250	0

Representatives and Senators; page 2

Bill Jones of Los Angeles and Don Smith of Fairbanks each own a \$100,000 home and own two cars and a boat.

	<u>Jones</u>	<u>Smith</u>
Income	\$45,000	\$45,000
Deductions	0	25,000
Taxable Income	<u>45,000</u>	<u>20,000</u>
Taxes	2,825	1,000
Credits		
Local Alaskan Real and personal property taxes at 8 mills on \$120,000	0	960
Local sales taxes at 5% of 25% of income	0	0
Donation to Loan Fund	500	0
Donation to Campaigns	500	40
Total Credits	<u>1,000</u>	<u>1,000</u>
Taxes owed	1,825	0

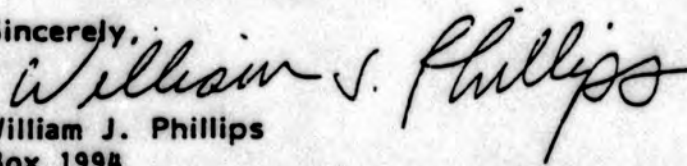
It should be the responsibility of employers to deduct the taxes from earnings. Non-resident contractors should be required to post a \$500,000 bond to guarantee collection and payment of the taxes to the state of Alaska.

Yes, other states would retaliate against the state of Alaska, but then how many Alaskans work out of state while retaining Alaska residency.

A non-resident could buy real property in Alaska or rent Alaskan real property. Nothing would stop them from purchasing and keeping personal property in Alaska. They could buy taxable goods here and take them back home with them. Since a non-resident would be entitled to the same deductions as a resident the tax and deductions would not be discrimination.

While this proposal will not guarantee local hire the additional tax bite should discourage non-residents from working in Alaska. If nothing else the non-residents will start paying their fair share of the costs for services provided to them in the state of Alaska.

Sincerely,


William J. Phillips
Box 1994
Kenai, Alaska 99611

Introduced: 1/14/85
Referred: Judiciary
and Finance

1 IN THE SENATE

BY ZIEGLER BY REQUEST

2

SENATE BILL NO. 7

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to income taxes on individuals; and
providing for an effective date."

7

8

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

9

* Section 1. AS 43.20.011 is amended by adding new subsections to read:

10

(g) There is imposed for each taxable year upon the taxable

11

income of every resident, nonresident, and part-year resident indi-

12

vidual and fiduciary of the state, except those qualifying for the

13

rates in (h) or (i) of this section, taxes computed according to the

14

following table.

15

If the taxable income is:

Then the tax is:

16

Not over \$2,000

3 percent of the taxable income

17

Over \$2,000 but not over \$4,000

\$60 plus 3.5 percent of excess

18

over \$2,000

19

Over \$4,000 but not over \$6,000

\$130 plus 4.0 percent of excess

20

over \$4,000

21

Over \$6,000 but not over \$8,000

\$210 plus 5.0 percent of excess

22

over \$6,000

23

Over \$8,000 but not over \$10,000

\$310 plus 5.5 percent of excess

24

over \$8,000

25

Over \$10,000 but not over

26

\$12,000

\$420 plus 6.0 percent of excess

27

over \$10,000

28

Over \$12,000 but not over

29

\$14,000

\$540 plus 7.0 percent of excess

1		over \$12,000
2	Over \$14,000 but not over	
3	\$16,000	\$680 plus 7.5 percent of excess
4		over \$14,000
5	Over \$16,000 but not over	
6	\$18,000	\$830 plus 8.0 percent of excess
7		over \$16,000
8	Over \$18,000 but not over	
9	\$20,000	\$990 plus 8.5 percent of excess
10		over \$18,000
11	Over \$20,000 but not over	
12	\$22,000	\$1,160 plus 9.0 percent of excess
13		over \$20,000
14	Over \$22,000 but not over	
15	\$26,000	\$1,340 plus 9.5 percent of excess
16		over \$22,000
17	Over \$26,000 but not over	
18	\$32,000	\$1,720 plus 10.0 percent of
19		excess over \$26,000
20	Over \$32,000 but not over	
21	\$38,000	\$2,320 plus 10.5 percent of
22		excess over \$32,000
23	Over \$38,000 but not over	
24	\$44,000	\$2,950 plus 11.0 percent of
25		excess over \$38,000
26	Over \$44,000 but not over	
27	\$50,000	\$3,610 plus 11.5 percent of
28		excess over \$44,000
29	Over \$50,000 but not over	

1	\$60,000	\$4,300 plus 12.0 percent of
2		excess over \$50,000
3	Over \$60,000 but not over	
4	\$70,000	\$5,500 plus 12.5 percent of
5		excess over \$60,000
6	Over \$70,000 but not over	
7	\$80,000	\$6,750 plus 13.0 percent of
8		excess over \$70,000
9	Over \$80,000 but not over	
10	\$90,000	\$8,050 plus 13.5 percent of
11		excess over \$80,000
12	Over \$90,000 but not over	
13	\$100,000	\$9,400 plus 14.0 percent of
14		excess over \$90,000
15	Over \$100,000 but not over	
16	\$150,000	\$10,800 plus 14.0 percent of
17		excess over \$100,000
18	Over \$150,000 but not over	
19	\$200,000	\$17,800 plus 14.5 percent of
20		excess over \$150,000
21	Over \$200,000	\$25,050 plus 14.5 percent of
22		excess over \$200,000

23 (h) There is imposed for each taxable year upon the taxable
 24 income of every resident, nonresident, and part-year resident married
 25 individual who makes a single return jointly with the taxpayer's
 26 spouse as provided in 26 U.S.C. 6013 (Internal Revenue Code) and upon
 27 every resident, nonresident, and part-year resident surviving spouse,
 28 as defined in 26 U.S.C. 2(a) (Internal Revenue Code), taxes computed
 29 according to the following table.

1	If the taxable income is:	Then the tax is:
2	Not over \$4,000	3 percent of the taxable income
3	Over \$4,000 but not over \$8,000	\$120 plus 3.5 percent of excess
4		over \$4,000
5	Over \$8,000 but not over \$12,000	\$260 plus 4.0 percent of excess
6		over \$8,000
7	Over \$12,000 but not over	
8	\$16,000	\$420 plus 5.0 percent of excess
9		over \$12,000
10	Over \$16,000 but not over	
11	\$20,000	\$620 plus 5.5 percent of excess
12		over \$16,000
13	Over \$20,000 but not over	
14	\$24,000	\$840 plus 6.0 percent of excess
15		over \$20,000
16	Over \$24,000 but not over	
17	\$28,000	\$1,080 plus 7.0 percent of excess
18		over \$24,000
19	Over \$28,000 but not over	
20	\$32,000	\$1,360 plus 7.5 percent of excess
21		over \$28,000
22	Over \$32,000 but not over	
23	\$36,000	\$1,660 plus 8.0 percent of excess
24		over \$32,000
25	Over \$36,000 but not over	
26	\$40,000	\$1,980 plus 8.5 percent of excess
27		over \$36,000
28	Over \$40,000 but not over	
29	\$44,000	\$2,320 plus 9.0 percent of excess

1		over \$40,000
2	Over \$44,000 but not over	
3	\$52,000	\$2,680 plus 9.5 percent of excess
4		over \$44,000
5	Over \$52,000 but not over	
6	\$64,000	\$3,440 plus 10.0 percent of
7		excess over \$52,000
8	Over \$64,000 but not over	
9	\$76,000	\$4,640 plus 10.5 percent of
10		excess over \$64,000
11	Over \$76,000 but not over	
12	\$88,000	\$5,900 plus 11.0 percent of
13		excess over \$76,000
14	Over \$88,000 but not over	
15	\$100,000	\$7,220 plus 11.5 percent of
16		excess over \$88,000
17	Over \$100,000 but not over	
18	\$120,000	\$8,600 plus 12.0 percent of
19		excess over \$100,000
20	Over \$120,000 but not over	
21	\$140,000	\$11,000 plus 12.5 percent of
22		excess over \$120,000
23	Over \$140,000 but not over	
24	\$160,000	\$13,500 plus 13.0 percent of
25		excess over \$140,000
26	Over \$160,000 but not over	
27	\$180,000	\$16,100 plus 13.5 percent of
28		excess over \$160,000
29	Over \$180,000 but not over	

1	\$200,000	\$18,800 plus 14.0 percent of
2		excess over \$180,000
3	Over \$200,000 but not over	
4	\$300,000	\$21,600 plus 14.0 percent of
5		excess over \$200,000
6	Over \$300,000 but not over	
7	\$400,000	\$35,600 plus 14.5 percent of
8		excess over \$300,000
9	Over \$400,000	\$50,100 plus 14.5 percent of
10		excess over \$400,000

11 (i) There is imposed for each taxable year upon the taxable
12 income of every resident, nonresident, and part-year resident head of
13 a household, as defined in 26 U.S.C. 2(b) (Internal Revenue Code),
14 taxes computed according to the following table.

15	If the taxable income is:		Then the tax is:	
16	Not over \$2,000		3 percent of the taxable income	
17	Over \$2,000 but not over \$4,000		\$60 plus 3.5 percent of excess	
18			over \$2,000	
19	Over \$4,000 but not over \$6,000		\$130 plus 4.0 percent of excess	
20			over \$4,000	
21	Over \$6,000 but not over \$8,000		\$210 plus 4.0 percent of excess	
22			over \$6,000	
23	Over \$8,000 but not over \$10,000		\$290 plus 5.0 percent of excess	
24			over \$8,000	
25	Over \$10,000 but not over			
26	\$12,000		\$390 plus 5.0 percent of excess	
27			over	\$10,000
28	Over \$12,000 but not over			
29	\$14,000		\$490 plus 6.0 percent of excess	

1		over \$12,000
2	Over \$14,000 but not over	
3	\$16,000	\$610 plus 6.0 percent of excess
4		over \$14,000
5	Over \$16,000 but not over	
6	\$18,000	\$730 plus 6.5 percent of excess
7		over \$16,000
8	Over \$18,000 but not over	
9	\$20,000	\$860 plus 7.0 percent of excess
10		over \$18,000
11	Over \$20,000 but not over	
12	\$22,000	\$1,000 plus 7.5 percent of excess
13		over \$20,000
14	Over \$22,000 but not over	
15	\$24,000	\$1,150 plus 8.0 percent of excess
16		over \$22,000
17	Over \$24,000 but not over	
18	\$28,000	\$1,310 plus 8.5 percent of excess
19		over \$24,000
20	Over \$28,000 but not over	
21	\$32,000	\$1,650 plus 8.5 percent of excess
22		over \$28,000
23	Over \$32,000 but not over	
24	\$38,000	\$1,990 plus 9.0 percent of excess
25		over \$32,000
26	Over \$38,000 but not over	
27	\$44,000	\$2,530 plus 10.0 percent of
28		excess over \$38,000
29	Over \$44,000 but not over	

1	\$50,000	\$3,130 plus 10.5 percent of
2		excess over \$44,000
3	Over \$50,000 but not over	
4	\$60,000	\$3,760 plus 11.0 percent of
5		excess over \$50,000
6	Over \$60,000 but not over	
7	\$70,000	\$4,860 plus 11.5 percent of
8		excess over \$60,000
9	Over \$70,000 but not over	
10	\$80,000	\$6,010 plus 11.5 percent of
11		excess over \$70,000
12	Over \$80,000 but not over	
13	\$90,000	\$7,160 plus 12.0 percent of
14		excess over \$80,000
15	Over \$90,000 but not over	
16	\$100,000	\$8,360 plus 13.0 percent of
17		excess over \$90,000
18	Over \$100,000 but not over	
19	\$150,000	\$9,660 plus 13.0 percent of
20		excess over \$100,000
21	Over \$150,000 but not over	
22	\$200,000	\$16,160 plus 14.0 percent of
23		excess over \$150,000
24	Over \$200,000 but not over	
25	\$300,000	\$23,160 plus 14.5 percent of
26		excess over \$200,000
27	Over \$300,000	\$37,660 plus 14.5 percent of
28		excess over \$300,000

29 (j) The department shall compute and publish Alaska income tax

1 liability tables for taxpayers.

2 (k) Notwithstanding (h) of this section, husband and wife may
3 compute and pay taxes on taxable income as individual taxpayers in
4 accordance with the tax table set out in (g) of this section if

5 (1) both of the taxpayers claim standard deductions or both
6 of the taxpayers itemize deductions;

7 (2) the amount that is claimed by married taxpayers claim-
8 ing a standard deduction as single persons does not exceed the amount
9 of the standard deduction that each may claim; and

10 (3) deductions, exemptions or credits, other than the
11 standard deduction, claimed by the taxpayers on their separate returns
12 do not exceed the deductions, exemptions or tax credits that could be
13 claimed by the taxpayers on a single return filed jointly in accor-
14 dance with (h) of this section.

15 * Sec. 2. AS 43.20.013 is amended by adding a new subsection to read:

16 (d) The credit allowed by (a) of this section is in place of the
17 credit allowed by 26 U.S.C. 41 (Internal Revenue Code) for contribu-
18 tions to candidates for public office.

19 * Sec. 3. AS 43.20.021(d) is amended to read:

20 (d) Where a credit allowed under 26 U.S.C. ([THE] Internal
21 Revenue Code] is also allowed in computing Alaska income tax, it is
22 limited to 16 percent for individuals and fiduciaries and 18 percent
23 for corporations of the amount of credit determined for federal income
24 tax purposes that [WHICH] is attributable to Alaska.

25 * Sec. 4. AS 43.20.030(a) is amended to read:

26 (a) An individual, fiduciary, [IF A] partnership, [WHICH HAS A
27 CORPORATION AS A PARTNER] or [A] corporation [IS] required to make a
28 return under the provisions of 26 U.S.C. ([THE] Internal Revenue
29 Code) [, IT] shall at the same time file with the department a return

1 setting out

2 (1) the amount of tax due under this chapter, less credits
3 claimed against the tax; and

4 (2) other information for the purpose of carrying out the
5 provisions of this chapter that [WHICH] the department requires.

6 * Sec. 5. AS 43.20.030 is amended by adding new subsections to read:

7 (h) If the amount of the tax credit for political campaign
8 contributions provided in AS 43.20.013(a) exceeds the tax liability of
9 the individual taxpayer under this chapter, the commissioner shall pay
10 the individual taxpayer the amount of money by which the credit ex-
11 ceeds the taxpayer's tax liability.

12 (i) If the amount of the credit for household and dependent care
13 services provided in AS 43.20.013(b) exceeds the tax liability of an
14 individual taxpayer under this chapter, the commissioner shall pay the
15 individual taxpayer the amount of money by which the credit exceeds
16 the taxpayer's tax liability.

17 * Sec. 6. AS 43.20.031 is amended by adding new subsections to read:

18 (j) The taxable income of a resident of the state is the taxpay-
19 er's entire taxable income as defined in 26 U.S.C. 63 (Internal Reve-
20 nue Code) with the following modifications:

21 (1) a taxpayer whose income includes a cost-of-living
22 allowance that is exempt from federal income tax shall determine and
23 include that amount as part of income as if the cost-of-living allow-
24 ance were not exempt;

25 (2) the benefits of nonrecognition of gain on the sale,
26 exchange, or other disposition of property under 26 U.S.C. 1031, 1033,
27 and 1034 (Internal Revenue Code) are allowed only to taxpayers who
28 purchase or exchange the property within the state, except that the
29 benefits of 26 U.S.C. 1034 (Internal Revenue Code) shall be allowed

1 regardless of the location of the property for taxpayers who have
2 attained the age of 65 by the time of the purchase or exchange; for
3 purposes of this paragraph,

4 (A) the gain that results is subject to the benefits
5 of 26 U.S.C. 1201, 1202, 1221, and 1231 (Internal Revenue Code)
6 as if the gain had been recognized for federal tax purposes; and

7 (B) the basis of the acquired property shall be ad-
8 justed as provided in 26 U.S.C. 1016 (Internal Revenue Code) as
9 if the gain had been recognized for federal tax purposes;

10 (3) each taxpayer is allowed a minimum deduction equivalent
11 in amount to the "zero bracket amount" defined in 26 U.S.C. 63(d)
12 (Internal Revenue Code).

13 (k) The following exemptions are allowed in computing taxable
14 income under this section:

15 (1) service pay received by members of the armed forces of
16 the United States or auxiliary branches of the armed forces;

17 (2) pensions and annuities received from qualified plans
18 approved under 26 U.S.C. 401 - 418E (Internal Revenue Code);

19 (3) income of a person derived from the sale of halibut
20 taken from waters outside the territorial limits of the state and
21 regulated by an international body or treaty organization if the
22 person selling halibut in the state that is taken from outside the
23 territorial limits of the state executes and submits to the department
24 within 30 days after each sale a separate exemption certificate on a
25 form approved by the department and the attorney general.

26 (1) A person who wilfully makes and subscribes to a certificate
27 referred to in (k)(3) of this section that is not true and correct as
28 to every material fact is punishable by a fine of not more than
29 \$10,000, or by imprisonment for not more than five years, or by both.

1 (m) A taxpayer who purchases an entry permit under AS 16.43 in
2 carrying on a trade or business is entitled to a deduction of the
3 amount of the price paid during the tax year as if it were allowable
4 under 26 U.S.C. 162 (Internal Revenue Code). The basis of the entry
5 permit shall be reduced by the amount of the deduction that the tax-
6 payer is entitled to claim under this subsection.

7 * Sec. 7. AS 43.20 is amended by adding a new section to read;

8 Sec. 43.20.034. TAXABLE INCOME OF FIDUCIARY. The taxable income
9 of a fiduciary is its taxable income as determined under AS 43.20.031
10 when attributable to sources in the state as provided in AS 43.20.040.

11 * Sec. 8. AS 43.20.036 is amended by adding a new subsection to read:

12 (j) For purposes of calculating the income tax payable under
13 this chapter, the taxpayer may not apply as a credit against tax
14 liability the credit for

15 (1) earned income under 26 U.S.C. 43 (Internal Revenue
16 Code); or

17 (2) federal excise tax on gasoline allowed as to federal
18 taxes under 26 U.S.C. 39 (Internal Revenue Code).

19 * Sec. 9. AS 43.20.040(b) is amended to read:

20 (b) In this section, income is from a source having a taxable or
21 business situs in the state if it is derived from

22 (1) owning or operating business facilities or property in
23 the state;

24 (2) conducting business, farming, or fishing operations in
25 the state;

26 (3) [Repealed

27 (4)] a partnership that [WHICH] transacts business in the
28 state;

29 (4) [(5)] a corporation that [WHICH] transacts business in

1 the state and that [WHICH] has elected to file federal returns under
2 26 U.S.C. 1371 - 1379 (subchapter S of the Internal Revenue Code);

3 (5) [(6) Repealed

4 (7)] engaging in any other activity from which income is
5 received, realized or derived in the state;

6 (6) working for salary or wages in the state; or

7 (7) an estate or trust deriving income from sources in the
8 state.

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

10 Sec. 43.20.042. TAXABLE INCOME OF NONRESIDENTS AND PART-YEAR
11 RESIDENTS. (a) The taxable income of nonresidents or part-year
12 residents of the state is taxable income as determined under AS 43.-
13 20.031 when attributable to sources in the state as provided in
14 AS 43.20.040 with the following modifications:

15 (1) a nonresident or part-year resident of the state shall
16 be allowed a deduction, in place of the deductions provided in AS 43.-
17 20.031(j)(3) and excess itemized deductions provided under 26 U.S.C.
18 (Internal Revenue Code), in the amount of the minimum deduction and
19 excess itemized deductions in the proportion provided in (b) of this
20 section;

21 (2) a nonresident or part-year resident is allowed a de-
22 duction equal to the personal exemption deduction as defined in 26
23 U.S.C. 151 (Internal Revenue Code) in the proportion provided in (b)
24 of this section.

25 (b) The ratio for prorating allowed by this section is the
26 taxpayer's adjusted gross income from Alaska sources divided by the
27 taxpayer's adjusted gross income from all sources. The ratio may not
28 exceed 100 percent. The adjusted gross income for purposes of this
29 subsection means adjusted gross income as defined in 26 U.S.C. 62

1 (Internal Revenue Code) as modified by AS 43.20.031.

2 (c) Deductions claimed that are allowed as deductions from gross
3 income in arriving at adjusted gross income under 26 U.S.C. (Internal
4 Revenue Code) are allowed only to the extent that they are connected
5 with income that arises from sources in the state or property having a
6 situs for taxation in the state.

7 * Sec. 11. AS 43.20 is amended by adding a new section to read:

8 Sec. 43.20.046. PRORATION OF PART-YEAR AND NONRESIDENT INDIVI-
9 DUAL CREDITS. Unless otherwise provided by this chapter, a credit
10 allowable to a part-year resident and nonresident individual is limit-
11 ed to the amount of the credit computed according to AS 43.20.021(d),
12 if that section applies, and shall be prorated as provided by AS 43.-
13 20.042(b).

14 * Sec. 12. AS 43.20 is amended by adding a new section to read:

15 Sec. 43.20.062. CREDIT FOR TAXES PAID ANOTHER STATE. (a) A
16 resident is allowed as a credit against the tax otherwise due under
17 this chapter the amount of income tax imposed on the resident for the
18 taxable year by another state or territory of the United States on
19 income derived from sources in the other state or territory that is
20 also subject to tax under this chapter.

21 (b) The credit allowed in (a) of this section is limited to that
22 proportion of the tax computed under this chapter, before the allow-
23 ance of this credit, that the taxable income from the other state or
24 territory bears to the total taxable income; however, this credit may
25 not exceed the actual tax payable to the other state or territory.

26 * Sec. 13. AS 43.20 is amended by adding a new section to read:

27 Sec. 43.20.171. COLLECTION OF INCOME TAX AT SOURCE. (a) An
28 employer making payment of wages or salaries shall deduct and withhold
29 an amount of tax computed in a manner to approximate the amount of tax

1 due on those wages under this chapter for that year. The department
2 shall publish the rate of withholding required by this section that
3 shall be expressed as a percentage of the amount required to be with-
4 held under 26 U.S.C. 3402 (Internal Revenue Code). An employer making
5 a deduction and a withholding shall furnish to the employee upon
6 request a record of the amount of tax withheld from the employee on a
7 form prescribed by the department.

8 (b) The rules with respect to withholding of tax set out in 26
9 U.S.C. 3402(a) - (i), 3502(b), and 6414 (Internal Revenue Code) apply
10 with respect to this section as though fully set out in this section.
11 Remittance of taxes withheld shall be accompanied by returns on forms
12 prescribed by the department.

13 (c) An employer making payments of wages or salaries earned in
14 the state, regardless of the place where the payment is made,

15 (1) is liable for the payment of the tax required to be
16 deducted and withheld under this section and is not liable to any
17 individual for the amount of the payment; and

18 (2) shall make return of and pay to the department quarter-
19 ly, or at other times the department requires, the amount of tax
20 levied that under this chapter the employer is required to deduct and
21 withhold; upon failure of the employer to comply with this subsection,
22 the provisions of AS 43.05.220 apply.

23 (d) If the employer is the United States or the state or a
24 political subdivision of the state, or an agency or instrumentality of
25 one or more of the foregoing, the return of the amount deducted and
26 withheld upon wages or salaries may be made by an officer of the
27 employer having control of the payment of the wages or salaries or who
28 is appropriately designated for that purpose.

29 (e) In this section, the terms "wages," "payroll period,"

1 "employee," and "employer" have the meaning given to those terms by 26
2 U.S.C. 3401(a), (b), (c) and (d), respectively, (Internal Revenue
3 Code).

4 * Sec. 14. AS 43.20 is amended by adding a new section to read:

5 Sec. 43.20.181. CREDITS AGAINST TAX. The amounts deducted and
6 withheld as taxes under AS 43.20.171 during a calendar year are al-
7 lowed as credits to the taxpayer against the tax imposed by this
8 chapter.

9 * Sec. 15. AS 43.20 is amended by adding a new section to read:

10 Sec. 43.20.216. PENALTY FOR LATE PAYMENT OF REFUND. Five per-
11 cent shall be added to a tax refund due an individual taxpayer for
12 each 30-day period or fraction of a period during which the department
13 fails to issue a refund to which the taxpayer is entitled under this
14 chapter, unless it is shown that the failure is due to a reasonable
15 cause and not wilful neglect. The first refund period begins 45 days
16 after the later of the due date or the date of filing of the return by
17 the taxpayer. The additional amount payable to a taxpayer under this
18 section may not exceed 15 percent of the refund due.

19 * Sec. 16. AS 43.20.012 and 43.20.013(c) are repealed.

20 * Sec. 17. This Act takes effect January 1, 1990.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y. State Capitol
Juneau, Alaska 99811
(907) 465-3991

April 10, 1985

MEMORANDUM

TO: Representative Niilo Koponen
FROM: ^{EL}Eric Laschever, Legislative Analyst
RE: Income Tax Scenarios
Research Request 85-287

At your request, I have prepared the following calculations of the revenues which would be generated by two different income tax schedules. I also estimate how much tax would be paid by nonresidents under each scenario.

Table 1 presents the tax rates, the amount of taxable income, and the tax revenues which would be produced for the two tax schedules which you provided. The income figures are from 1982, the last year for which data are available. Deductions for child care, other taxes and political contributions have been made. The first tax schedule yields \$76 million on a total taxable income of \$3.3 billion. The second schedule generates \$111.7 million on a total taxable income of \$3.0 billion.

I was unable to locate comprehensive data on the income of nonresidents who would be subject to Alaska State income tax. According to Sally Saddler of the Department of Labor, information is available on the percentage of total wages earned by workers in Alaska who are ineligible to receive Permanent Fund Dividends; ineligible individuals earned 21 percent of the wages earned in 1984. This information can be used to approximate the percentage of taxes which would be paid by nonresidents; however, the above figure has the following limitations: it does not include income from fishing and other nonwage employment, it is for all income levels (no data for different income levels are readily available) and the figure includes those residents who were not yet eligible for the Permanent Fund dividend at the time the information was collected. If we assume that the above figure represents the percentage of total income earned by nonresidents and that this percentage applied equally to all income levels, then the amount of taxes which would be paid by nonresidents would be \$16 million and \$23.3 million under the two scenarios respectively.

Please contact us if we can be of further assistance.

EL

Attachment

Table 1
Tax Revenues Produced by Two Tax Schedules
(Thousands of Dollars)

<u>SCENARIO I</u>				<u>SCENARIO II</u>			
<u>Income Level</u>	<u>Tax Rate</u>	<u>1982 Taxable Income</u>	<u>Tax Revenue</u>	<u>Income Level</u>	<u>Tax Rate</u>	<u>1982 Taxable Income</u>	<u>Tax Revenue</u>
\$25-40	1%	\$ 964,856.1	\$9,648.6				
\$40-60	2%	\$1,165,120.0	\$23,302.4	\$30-50	2%	\$1,263,330.1	\$ 25,266.6
\$60-80	3%	\$ 673,668.1	\$20,210.0				
\$80-100	4%	\$ 236,589.9	\$ 9,463.6	\$50+	5%	\$1,729,030.3	\$ 86,451.5
\$100+	5%	\$ 274,984.8	\$13,749.2				
TOTAL		\$3,315,218.9	\$76,373.8	TOTAL		\$2,992,360.4	\$111,718.1

Source: Federal Income Tax Payer Profile, 1978, 1981, 1982, Department of Revenue, pp. 140-148.

Prepared by the House Research Agency, April 1985.

ALASKA



REVIEW OF SOCIAL AND ECONOMIC CONDITIONS

UNIVERSITY OF ALASKA, INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH, SEPT. 1984, VOL. XXI, No. 2

Prices and Incomes—Alaska and the U.S., 1980–1984

Introduction

Alaskans in the 1980s still pay more for nearly everything than other Americans. Prices in Alaska have always been high because of the state's geographic isolation, harsh climate, vast size, and related factors.¹ But not everything is uniformly more expensive in Alaska; how much more Alaskans pay depends on what they buy and where they live.

While prices in Anchorage and the state's other urban places are higher than the U.S. average, they are the lowest in Alaska. And price differences between Anchorage and other U.S. cities vary substantially by item. Costs of renting an apartment, for instance, may be twice as high in Anchorage as in most other U.S. communities, while costs of food may be only 10 percent higher. Bush Alaskans, especially those in the western and northern regions of the state, commonly pay twice as much or more for many items as urban Alaskans do.

Even though we know that prices are generally higher in Alaska, there is much we do not know about overall differences in living costs between Alaska and other states and within Alaska itself. The

most detailed information on prices in Alaska is for the city of Anchorage, where the federal government began collecting such information in the 1960s. But even this price information has shortcomings, as we discuss later. Outside Anchorage, information on prices of most items has not been systematically collected over time.

The first part of this *Review* examines price differences within Alaska, and between Alaska and other states, based on figures from the U.S. Bureau of Labor Statistics, the 1980 U.S. census, and various other sources.

Alaska is known not only for its high costs, but also for its high incomes. But the high income figures mask the large differences in income that exist around the state; incomes are generally lowest in rural places where prices are highest. And the state's higher living costs mean that Alaskans need more money than other Americans do to buy the same kinds of food, houses, and other items.

The second part of the *Review* compares Alaskans' buying power with that of other Americans, and looks at how incomes differ within Alaska. We also report on wages Alaskans in various occupations were earning at the time of the 1980 census, and on differences the census found in earnings of Alaska men and women. Our main sources of information on incomes are the U.S. Bureau of Economic Analysis and the 1980 U.S. census. Although this census information is now several years old, much of it has only recently been published by the census bureau, and in many cases it is the best information available.

¹In the October 1974 *Alaska Review of Social and Economic Conditions*, economists Arlon Tussing and Monica Thomas cite several possible causes for Alaska's high prices, including but not limited to, transportation costs to and within the state; high costs of construction in Alaska; uncertainties and delays in shipping and construction due to the state's harsh climate; small Alaska markets; seasonal fluctuations in production and sales in many Alaska industries; and rapid changes in industry and government activity which in the past have alternatively created shortages and oversupplies of goods in the state.

ALASKA REVIEW OF SOCIAL AND ECONOMIC CONDITIONS

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Anchorage, Alaska 99501

FEATURE

Linda Leask

Prices and Incomes—Alaska and the U.S., 1980-1984

*Linda Leask is a research associate with the Institute of Social and Economic Research, University of Alaska in Anchorage.***Prices, Alaska and the U.S.**

This is the state of our information about living costs in Alaska in 1984:

- The only Alaska community for which there is a long-term record of prices and price changes is Anchorage. We have some information on prices in other Alaska communities, but there is no standard, periodic record of broad price changes outside Anchorage.
- The Anchorage consumer price index, the measure most often used to gauge price inflation in Alaska, may not have accurately recorded overall price changes in Anchorage between 1980 and 1982. The reasons for this possible inaccuracy are discussed elsewhere.² The important point here is that although the Anchorage index has more accurately measured inflation since early 1982, the questionable figures for the 1980-1982 period have not been verified or corrected if necessary—which means that the current Anchorage index figures may still not be accurate.

- The only series that compared overall living costs in Alaska and in other states—the federal government's annual family budgets for Anchorage and other U.S. cities—was discontinued in 1981.
- Several state agencies and the University of Alaska have studied cost differences among Alaska communities within the past 10 years—but there have been substantial disagreements in the cost differences reported in these studies.

Measuring Living Costs

There is no true "cost-of-living" index in the United States. Such an index would continuously monitor changes in American spending habits. If, for instance, the price of hamburger doubled overnight and Americans began buying more chicken instead, the index would immediately take that shift into account. What we actually have are indexes that measure price changes for the specific groups of items—often referred to as "market baskets"—included in the indexes. Such indexes measure changes in the costs of living only to the extent that they include the kinds of things Americans actually buy.

The best-known and most widely used measures

²See Scott Goldsmith and Phillip Rowe, "The Anchorage Consumer Price Index—How Accurate?," *Research Summary* No. 14, January 1984, Institute of Social and Economic Research.

of price changes in the U.S. are the national and city consumer price indexes published by the federal Bureau of Labor Statistics. Anchorage is one of the cities for which price indexes are published. These indexes record changes over time in prices of specific kinds and amounts of food, clothes, housing, medical care, and other items. The bureau decides what to include in the price indexes by making periodic surveys of how Americans spend their money. Such a survey is going on now; the previous one was made in the 1970s.

The national price index records price changes in the country as a whole since 1967, the base year for the index. The city indexes measure price changes in individual places since 1967. This means that *none of the indexes can be compared to show differences in prices between places*—each index is based on prices in a particular place in 1967. The only comparison we can make between indexes is a comparison of *the rates of increase of prices* in various places. We can—as we do later—examine whether prices have risen faster or slower in Anchorage than in the country as a whole since 1967.

A second kind of index issued by the Bureau of Labor Statistics between 1967 and 1981 did allow us to compare cost differences among various U.S. locations. The bureau's annual family budgets showed the incomes necessary for a hypothetical family of four to maintain a high, a moderate, and a low standard of living in 40 U.S. cities, including Anchorage. The kinds and amounts of items included in the budgets were based partly on nutritional and other standards developed by the federal government, and partly on surveys, done in the 1960s, on how American families spent their money. The budgets also included personal taxes the family would have to pay at different income levels.

Some Alaska economists believe that the budgets may have underestimated the incomes necessary for Anchorage families, because they did not include certain kinds of costs that are generally higher for Alaskans than for other Americans. For example, the budgets did not include costs of air fares; most travel between Alaska and the lower 48 is of necessity by air, while other Americans have the options of driving interstate. Also, since the items included in the budgets were based on 1960s information about American buying habits, many economists believed that by the 1980s the budgets needed substantial updating.

Still, the budgets at least offered a measure of the comparative costs of buying the same goods and services in different areas of the country. The bureau discontinued the series in 1981, reporting that it

could not afford to make necessary revisions in the budgets.

Anchorage and U.S. Consumer Price Indexes³

The Anchorage consumer price index is important to Alaskans because it provides the only long-term record of price changes in the state.⁴ (In fact, the 1984 Alaska Legislature considered a bill that would tie increases in the state spending limit to increases in the Anchorage index.⁵) This index is also the only gauge of how inflation in Alaska compares with inflation elsewhere in the country. This comparative measure of inflation is particularly valuable now, because with the end of the federal family budget series in 1981, there is no current measure of overall cost differences between Alaska and other states. By recording whether prices are rising faster or slower in Anchorage than in the U.S. as a whole, the Anchorage index at least indicates whether the price gap between Alaska and the rest of the country is widening or narrowing.

Unfortunately, recent ISER research has shown that the Anchorage index may not have accurately recorded overall price changes in Anchorage between 1980 and 1982. During that period the Bureau of Labor Statistics did not use Anchorage information to calculate changes in Anchorage homeowners' costs, but instead substituted information on homeowners' costs in other western cities.⁶ Because homeowners' costs are the largest single item in the index, changes in those costs seriously affect the overall index.

We believe that the bureau's use of housing costs from other cities in the Anchorage index may have caused the overall inflation rate in Anchorage to have been overestimated in 1980 and underestimated in 1981 and 1982. The precise effect of this practice is uncertain.

At the end of 1982, the bureau changed its method of measuring changes in homeowners' costs—not because of the problem with the Anchorage

³Since 1978 there have been two versions of the consumer price indexes: the wage earners and clerical workers index and the all-urban consumers index. Movements of the two have been very close. Our discussions of the price index changes in recent years are based on the all-urban consumers index.

⁴The Bureau of Labor Statistics did issue a Fairbanks consumer price index in the late 1970s and the beginning of the 1980s, but it has been discontinued.

⁵In 1982, Alaska voters approved a state spending limit that ties increases in the state budget to increases in population and prices. The 1984 Alaska Legislature considered but did not pass House Bill No. 524 which would have linked increases in the spending limit to increases in the Anchorage consumer price index.

⁶See Goldsmith and Rowe, cited in note 2.

index, but for national reasons. As a result of the change, the bureau once again began using Anchorage figures to calculate changes in Anchorage homeowners' costs. So we believe that since 1982 the index has more accurately measured changes in both homeowners' costs and overall index costs. However, because the 1980-1982 figures have not been corrected, the current Anchorage index figures—which measure overall price changes from 1967 to the present—may still not be accurate.

1984 Indexes

In January 1984, the Anchorage consumer price index stood at 271.5 and the U.S. city average index at 305.2 (Table 1). According to these figures, prices from 1967 through early 1984 increased 205 percent nationally and 171 percent in Anchorage—or about 20 percent more nationally than in Anchorage.

It is in housing costs that we find the big difference between the Anchorage and the national in-

dexes. Overall costs of housing in the U.S. increased 229 percent between 1967 and the start of 1984, as compared with an increase of only 168 percent in housing costs recorded by the Anchorage index. Total housing costs are divided into three kinds of costs: shelter, utility, and household operations costs. The most important of these is shelter costs—the costs of buying and renting homes. This is where we find the main difference between Anchorage and the national average in growth of housing costs. Shelter costs across the country increased 253 percent from 1967 through early 1984, as compared with a record increase of 149 percent in Anchorage.

These figures tell us that shelter costs increased 70 percent more nationally than in Anchorage during the past 16 years. Since home-buying costs make up most of the shelter costs, we know that it is specifically these costs that have grown much slower in Anchorage than they have nationwide.⁷

While we know that slower growth in housing costs had become an established trend in Anchorage before 1980, we do not know whether the gap between Anchorage and the U.S. housing indexes would be as wide if proper Anchorage data had been used between 1980 and 1982 instead of out-of-state data.

In addition, the overall inflation rates recorded by the two indexes would be much closer were it not for the very significant difference between the Anchorage and the U.S. shelter indexes. *Excluding shelter costs, prices of all items rose 188 percent in Anchorage and 190 percent nationally between 1967 and January 1984* (Table 1). Prices of clothes, medical care, and entertainment increased somewhat more in Anchorage than in the country as a whole since 1967, while prices of food, transportation, and miscellaneous items increased more nationally.

From January 1983 through January 1984, prices of all items in the price index rose 5.4 percent in Anchorage and 4.1 percent nationally. Costs of housing in Anchorage rose substantially faster than the national rate during that period. *Thus, in 1983, for the first time since the pipeline construction boom of the mid-1970s, prices in Anchorage rose faster than prices elsewhere in the country.*

Long-Term Trends

Figures 1 and 2 offer two ways of looking at long-term trends of the consumer price indexes for Anchorage and the country as a whole.

Figure 1 shows annual rates of increase in the overall indexes and in some individual items.

⁷Anchorage rental costs, on the other hand, have actually increased faster than the national average.

TABLE 1

U.S. City Average and Anchorage Consumer Price Indexes for All Urban Consumers, January 1984
(1967 = 100, except as noted)

	Anchorage		U.S.	
	Index	% Incr. from Jan. '83	Index	% Incr. from Jan. '83
All Items	271.5	5.4%	305.2	4.1
Food	272.9	4.4	299.4	3.9
Housing	268.5	6.8	329.2	3.6
Shelter	249.2	8.7	353.2	4.4
Renters' costs*	110.5	7.6	105.7	4.9
Rent (residential)	247.2	8.2	242.9	4.6
Homeowners' costs*	107.7	9.6	104.9	4.2
Fuel & other utilities	257.3	11.4	376.0	2.9
Furnishings & operation	320.7	-.2	240.4	2.0
Apparel & upkeep	200.1	5.3	196.4	2.8
Transportation	277.7	4.2	306.0	4.4
Medical Care	373.7	4.7	369.5	6.2
Medical care services	410.0	4.7	400.2	6.0
Entertainment	263.2	2.9	249.9	3.5
Other Goods & Services	260.2	5.3	300.5	7.4
All Items Less Shelter	287.9	4.2	289.8	4.1

*November 1982 = 100.

Source: U.S. Bureau of Labor Statistics.

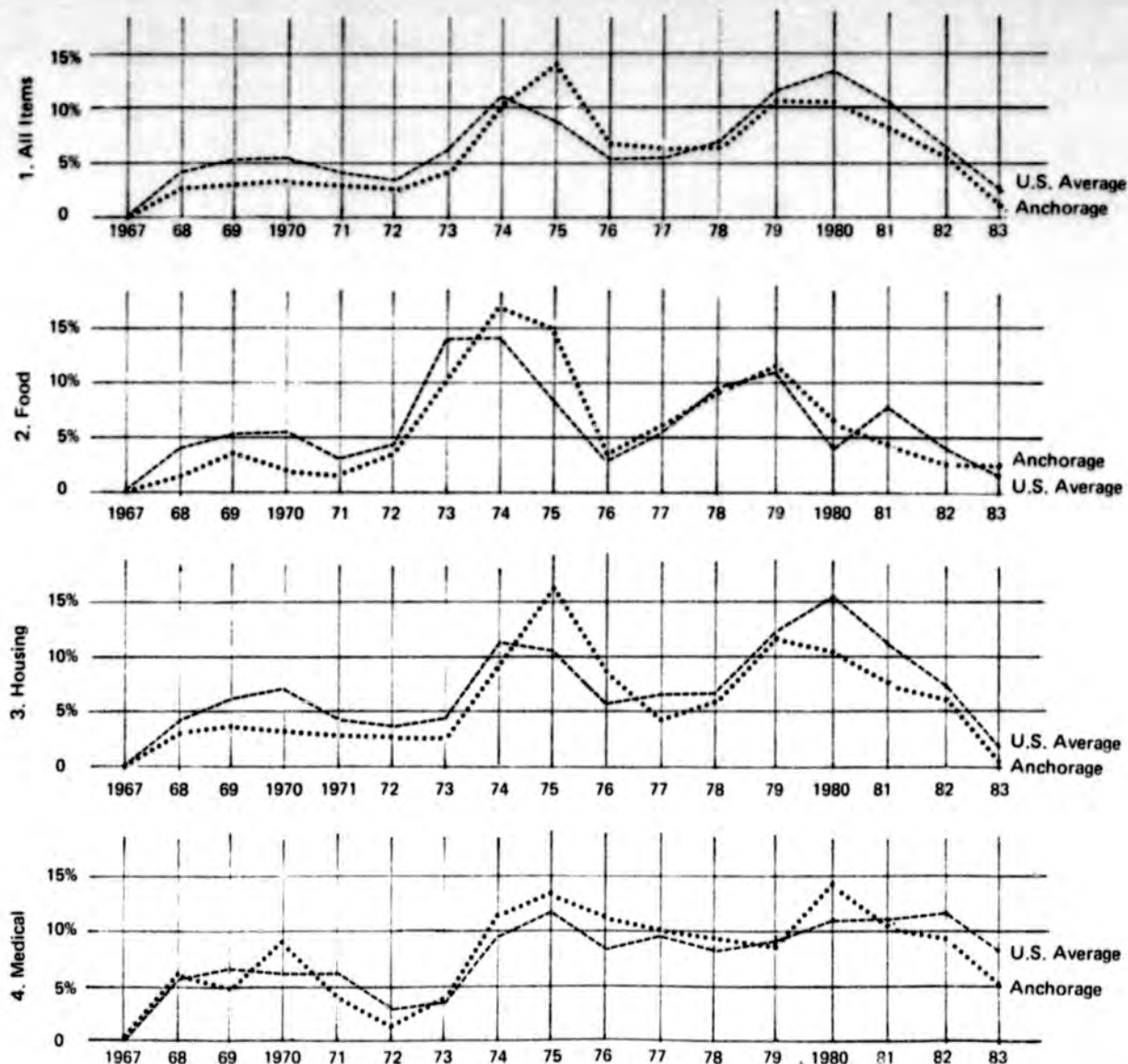


Figure 1. Annual Rates of Increase of Consumer Price Indexes, Anchorage and U.S. Urban Average, 1967-1983

Source: U.S. Bureau of Labor Statistics, U.S. urban average consumer price index and Anchorage consumer price index, 1967-1983.

Throughout the late 1960s and early 1970s, prices in Anchorage rose less than the national average. While national inflation was running between 3 and 5 percent annually during that period, Anchorage prices rose between 1.5 and 3 percent each year.

Economists cite several possible explanations of Anchorage's lower inflation during those years, including growth in the city's population (which

created larger markets and allowed local businesses to take advantage of economies of scale) and development of cheaper methods of transporting goods from the lower 48.

Construction of the trans-Alaska pipeline, beginning in 1974, created an economic boom for the next 3 years. Between 1974 and 1976, prices in Anchorage for the first time increased faster than the

national average—and this during a period when inflation across the country had sharply increased. Between 1974 and 1975, prices of all items in the index increased nearly 15 percent in Anchorage as compared with about 9 percent in the country as a whole.

Although the causes of Anchorage's high inflation during that period are not entirely clear, a rapidly growing population and the resulting sharp increase in demand for many items, combined with high pipeline-related wages, were important factors. Renters were perhaps hardest hit by the big increase in population; many more people looking for apartments to rent created a very low vacancy rate, and rents climbed.

After the pipeline was completed in 1977, growth of prices in Anchorage once again fell below the national average. Anchorage saw an economic slowdown in the late 1970s; the city's population dropped; and demand for houses and apartments declined.

By the end of the decade, national inflation was very high, hitting about 13 percent in 1980. The main item pushing up the overall index was housing costs. Interest rates on home mortgage loans were at record highs. Inflation in Anchorage was also high in 1979 and 1980, but still below the national rate. In the early 1980s, inflation recorded by the Anchorage index was significantly below the national rate. However, this was the period during which the Bureau of Labor Statistics used out-of-state data to reflect changes in Anchorage homeowners' costs.

Figure 2 provides another way of looking at long-term trends in the price indexes; the graphs in this figure show overall growth in the Anchorage and U.S. indexes and in some individual index items from 1967 through 1983. Costs of all items in both Anchorage and the country as a whole have grown sharply since 1967, but overall price growth in Anchorage has been somewhat lower.

The fastest-growing costs in the past 16 years have been medical costs, which have increased nearly 300 percent in Anchorage and nationally. Housing costs, as shown in Figure 2, grew substantially more around the country than in Anchorage—but notice that growth in housing costs in Anchorage and the entire U.S. tracked much more closely before 1980, when the Bureau of Labor Statistics began using out-of-state data to calculate Anchorage homeowners' costs.

Annual Family Budgets, Anchorage and U.S.

From 1967 through 1981, the federal Bureau of Labor Statistics published annual family budgets that

compared costs for a family of four to maintain three standards of living in 40 cities around the country, including Anchorage. These budgets did not report what families in Anchorage and other cities actually spent for food, housing, and other items. They showed comparative costs of buying a specific group of goods and services—a "market basket"—at each standard in various cities.

Table 2 shows the last in the series, the 1981 budgets for Anchorage and the U.S. average. *In 1981, costs of maintaining the three standards of living in Anchorage ranged from 20 to 50 percent above the national averages. Housing, personal income taxes, and medical care were the three most expensive budget items, relative to U.S. averages.*

In 1981, the bureau estimated it would cost more than \$45,000 for a family of four to maintain a high standard of living in Anchorage—about 19 percent more than the \$38,000 required to maintain the same standard in the average U.S. city. A family at a moderate standard of living in Anchorage in 1981 needed \$32,000, or 26 percent more than the \$25,000 required for a moderate standard elsewhere in the country. But it was at the low standard that the cost difference was greatest. To maintain a low standard of living in 1981, an Anchorage family of four needed almost \$23,000, 50 percent more than the \$15,000 needed to sustain the same standard in other cities. A look at the three costliest budget items—housing, medical care, and income taxes—tells us why the burden of Anchorage's high costs are heaviest on poorer families.

Housing Costs. *Anchorage housing costs were 35 percent above the national average at the high standard of living in 1981, 42 percent higher at the intermediate standard, and 95 percent higher at the low standard.* This huge difference exists at the low standard because all families at that standard are assumed to rent rather than own homes. Long-term trends in the consumer price indexes show that costs of owning homes did not increase as much in Anchorage as they did nationally during the 1970s. But although the difference in housing costs between Anchorage and average U.S. cities is not as large as it once was, Anchorage homes are still substantially more expensive, and rents in Anchorage remain very high relative to the national average.

Medical Costs. Medical care was another Anchorage budget item that cost far more than the national average in 1981. *Costs of medical expenses included in the Anchorage budgets at all three standards were 60 percent higher than the national average in 1981.* But these high costs were hardest on the low-income Anchorage family, because the budgets assumed that a family at any standard of living would

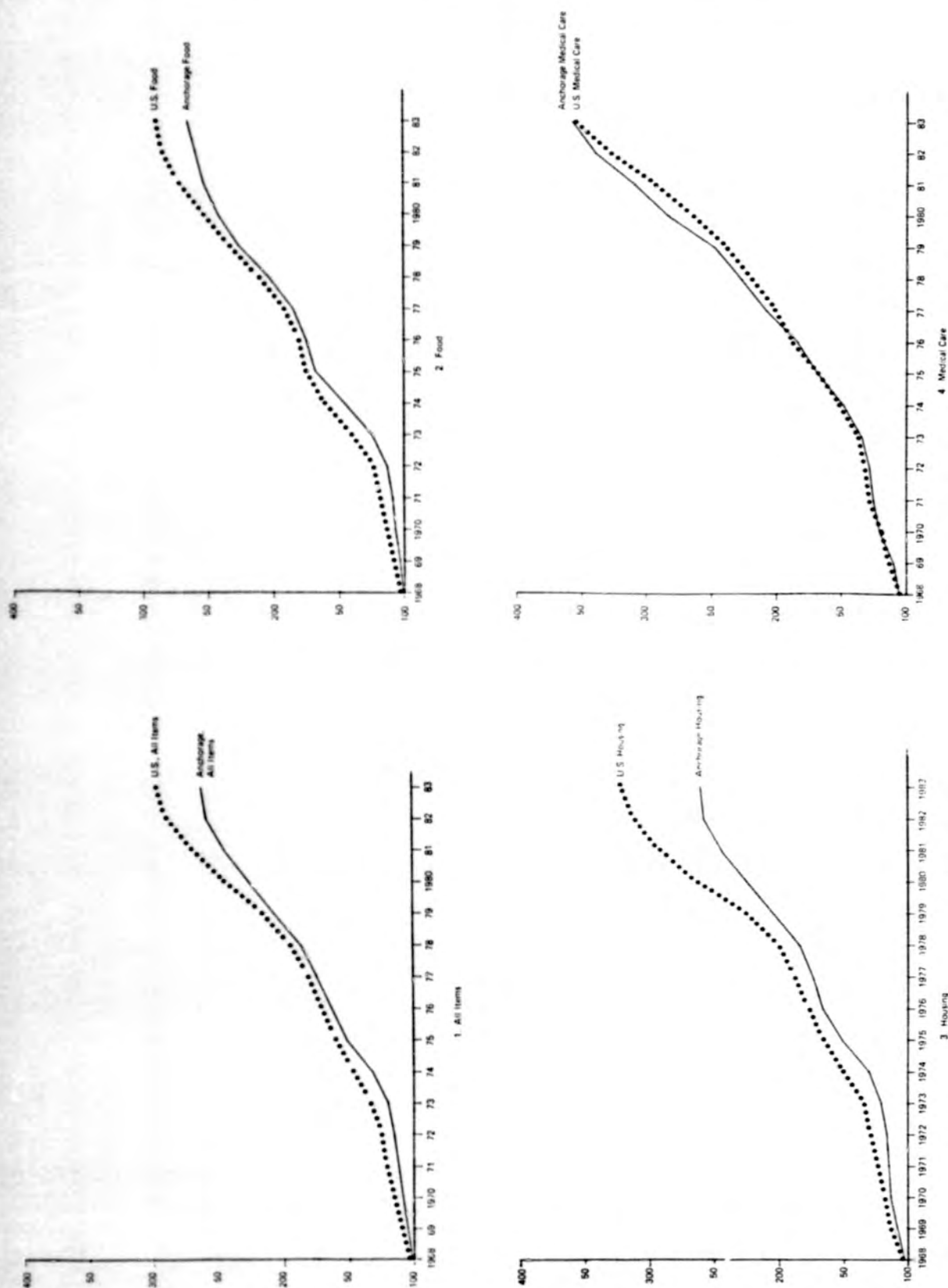


Figure 2. Growth in the Anchorage and U.S. Average Consumer Price Indexes, 1967-1983
(1967 = 100)

TABLE 2

Anchorage and U.S. Urban Average Budgets for a Four-Person Family at Three Standards of Living, Autumn 1981

		1 High Standard of Living	2 Anchorage/ U.S. Ratio	3 Intermediate Standard of Living	4 Anchorage/ U.S. Ratio	5 Low Standard of Living	6 Anchorage/ U.S. Ratio
Total Budget ^a	Anchorage	\$45,119	119	\$31,890	126	\$22,939	150
	U.S.	38,060	100	25,407	100	15,323	100
Food	Anchorage	8,077	110	6,586	113	5,377	118
	U.S.	7,366	100	5,843	100	4,545	100
Housing	Anchorage	11,380	135	7,865	142	5,492	195
	U.S.	8,423	100	5,546	100	2,817	100
Transportation	Anchorage	3,484	113	2,949	124	2,198	168
	U.S.	3,075	100	2,372	100	1,740	100
Clothing	Anchorage	2,096	108	1,541	116	1,124	120
	U.S.	1,947	100	1,333	100	937	100
Medical Care	Anchorage	2,388	159	2,308	160	2,304	160
	U.S.	1,505	100	1,443	100	1,436	100
Personal Income Taxes ^b	Anchorage	10,565	113	5,491	124	2,924	183
	U.S.	9,340	100	4,443	100	1,596	100

^aSome budget categories have been omitted here; therefore, costs of categories included will not total overall budget costs.

^bPersonal income tax category includes federal, state, and local income tax payments for the U.S.; in Anchorage in 1981 the only income taxes residents paid were federal.

Source: U.S. Bureau of Labor Statistics.

require essentially the same amount of medical care. Therefore, the family with an income of \$23,000 was assumed to pay as much for medical care as a family with an income of \$45,000.⁸

Medical costs in the budgets include personal

⁸The budgets assumed that the family at the low standard, while having a smaller income than families at the other standards, paid its own medical costs and did not qualify for help under government programs.

payments for health insurance, and for expenses not covered by insurance at the time the budgets were developed in the 1960s. These noncovered items include part of the cost of visits to doctors and dentists, prescription drugs, and other items. Such expenses may have no longer represented typical family medical costs by 1981, since in recent years health insurance has covered more kinds of medical costs. Still, the figures do indicate that medical costs—whether paid for by insurance companies or

individuals—are much higher in Anchorage than in the country as a whole. (Table 19 provides another measure of medical costs in Alaska.)

Income Taxes. A third costly item in the Anchorage budgets for 1981 was personal income taxes. Anchorage families at all three standards paid substantially more in personal income taxes than did their counterparts in the average U.S. city. As Table 2 shows, *Anchorage families at the high, moderate, and low standards, respectively, paid 13 percent, 24 percent, and 83 percent more in personal income taxes in 1981 than did families at the same standards in other cities.* These differences are particularly striking because the Anchorage figures include only federal income taxes—there were no state or local income taxes in Anchorage that year—while the national figures include state and local as well as federal tax payments.

Federal income taxes hit Alaskans hard because the progressive tax system, under which higher incomes are taxed at a higher rate, does not take into account Alaska's higher living costs. Thus, an Alaska family with an income of about \$32,000 in 1981 was taxed at a higher rate than a typical U.S. family with an income of \$25,000, although the two incomes were roughly equivalent in buying power.

Although this system affects all Alaska families, it is especially hard on low-income families. This is true because the income needed to maintain a low standard of living in Alaska is so much larger than that needed to maintain the same low standard in other U.S. cities. As Table 2 shows, Anchorage families at the low standard of living in 1981 needed

TABLE 3

Federal Taxes as Percentage of Total Family Budgets* at Three Standards of Living, Anchorage and U.S. Average 1981

	U.S.	Anchorage	Relative Tax Burden, Anchorage/U.S.
Low Budget	8.4%	12.7%	1.51
Intermed. Budget	14.1	17.2	1.22
High Budget	20.1	23.4	1.16

*Based on income figures from the Bureau of Labor Statistics' *Urban Family Budgets for Selected Cities*, Autumn 1981. See Table 2 for overall budget figures. In calculating federal taxes that would be due on these incomes, we assumed that all taxpayers would take the standard deduction rather than itemize deductions.

TABLE 4

Ratios of Anchorage/U.S. Average Costs at Three Standards of Living, 1967 and 1981 (U.S. Average = 100)

	Low 1967 1981		Intermediate 1967 1981		High 1967 1981	
Total budget costs	155	150	141	126	132	119
Food	132	118	126	113	124	110
Housing	198	195	163	142	149	135
Clothing	113	120	111	116	103	108
Medical care	136	160	136	160	136	159
Personal income taxes	248	183	191	124	165	113

Source: U.S. Bureau of Labor Statistics, *Annual Family Budgets for a Four-Person Family at Three Standards of Living*, 1967 and 1981.

an income 50 percent higher than their counterparts in the lower 48; families at the moderate standard in Anchorage needed an income about 26 percent higher than their equivalent in other cities; and families at the high standard in Anchorage needed an income about 20 percent higher than elsewhere.

Table 3 illustrates the effects of the federal tax system; it shows what percentages of their incomes families paid in 1981 federal income taxes at the three standards of living in Anchorage and in the U.S. as a whole. At the high standard of living, the Anchorage family spent 25.4 percent of its budget for federal taxes, as compared with 20.1 percent for families in the U.S. as a whole. At the moderate standard, the Anchorage family paid 17.2 percent of its budget in federal taxes, as compared with 14.1 percent by its U.S. counterpart. And at the low standard, the Anchorage family paid 12.7 percent of its income for federal taxes, as compared with 8.4 percent for families at the same standard elsewhere.

Notice that the Anchorage family at the lowest standard of living carried the highest relative tax burden—51 percent more than its average U.S. counterpart.

Aside from costs of housing, taxes, and medical care, other kinds of costs included in the 1981 family budgets generally ranged from about 10 to 25 percent higher in Anchorage than in other areas of the country.

Table 4 and Figure 3 show how Anchorage costs at the three standards of living changed relative to

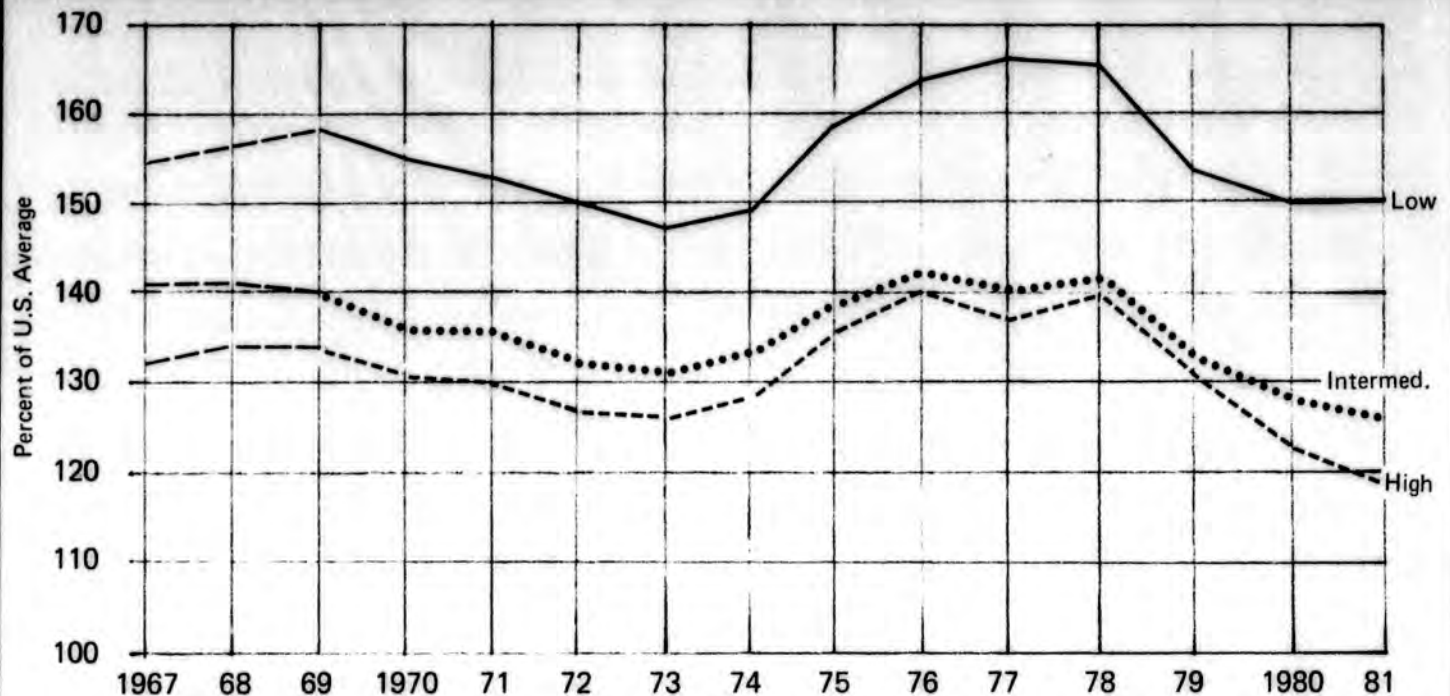


Figure 3. Ratios of Anchorage/U.S. Urban Average Costs of Budgets at Three Levels of Living for a Four-Person Family, 1967-1981
(U.S. Urban Average = 100)

Source: U.S. Bureau of Labor Statistics, "Indexes of Comparative Costs Based on Three Standards of Living for a Four-Person Family," 1967-1981, with the exception of the year 1968, for which no budgets were done. For this figure, probable ratios for 1968 were computed through the use of the Anchorage Consumer Price Index.

U.S. average costs over the life of the budget series.

At the start of the series in 1967, costs for the Anchorage family were 55 percent higher than the national average at the low standard, 41 percent higher at the moderate standard, and 32 percent higher at the high standard. In 1967, as was still true in 1981, costs of housing, medical care, and personal income taxes were among the highest relative costs Anchorage residents faced. But between 1967 and 1981, Anchorage housing at the moderate and high standards became less expensive relative to U.S. average costs. At the same time, however, medical costs at all three standards became more expensive in Anchorage compared to other areas of the country. Personal income taxes, while still much higher, were not nearly as far above U.S. average taxes in 1981 as they had been in 1967; this relative decline was due in part to elimination of the Alaska state income tax in 1980. Food was also relatively less expensive in Anchorage at all three standards by 1981 (see also Table 15).

Figure 3 shows how relative Anchorage-U.S. costs changed year by year from 1967 through 1981. During the late 1960s and early 1970s, life in Anchorage became relatively less expensive at all three standards—as we would expect, since prices (as recorded by the consumer price indexes) were rising faster nationwide than in Anchorage during that period.

Then came the years of pipeline construction, accompanied by high inflation in Anchorage. The trend of the preceding years was reversed in the mid-1970s, as costs of maintaining all three standards of living in Anchorage became higher relative to the U.S. average. But it was at the low standard that the effects were greatest; the figure shows that costs of maintaining a low standard of living in Anchorage soared to about 65 percent above U.S. average costs. This substantial effect at the low standard occurred mainly because rents in Anchorage increased so fast during that period. Prices of houses in Anchorage were also affected by the pipeline boom, but not

as much as rents.

After the pipeline was complete, inflation in Anchorage again fell below the national rate, and once again relative costs at all three standards began to decline. This decline continued through 1981, except at the low standard, where Anchorage costs remained at about 50 percent above U.S. average costs in both 1980 and 1981. One of the main factors that kept the relative costs of the low standard so high was that Anchorage rents in 1980 were still much higher than in other areas—and they increased sharply in the early 1980s.

We don't know how relative costs have changed since the family budget series ended; the Bureau of Labor Statistics has not announced any plans to begin reissuing these budgets that provided the only comprehensive comparison of living costs between any Alaska community and other U.S. places. We do, however, have more current information on prices of some items in Alaska towns and in other U.S. communities; and we present that information in the following sections.

Miscellaneous Prices, Alaska and the U.S.

The following tables show price differences between various items in Alaska and elsewhere in the 1980s. These tables do not tell us how overall living costs vary between, say, Anchorage, and Barrow, but they do show us how much prices differ for specific items around the state.

Transportation Costs.⁹ The costs of transporting goods to and within Alaska of course contribute to the state's higher prices. *But the kinds of goods shipped, how and in what quantities they are transported, and where in Alaska they are shipped all influence how much transportation costs add to the final prices of the items.*

About four tons of goods for each Alaskan are shipped from the lower 48 each year. Almost all these goods—as much as 99 percent—come to the state by water, which is the cheapest means of transportation. Port communities in southcentral and southeast Alaska enjoy the state's lowest shipping costs; Anchorage in particular can take advantage of the reduced costs of shipping goods in large quantities.

In ports in western Alaska, several factors drive up prices of goods that arrive by water. Because these ports are generally shallow, goods have to be lightered in—which can add one or two dollars in transport

⁹This discussion of transportation costs is based on information from *An Alaska Census of Transportation*, by John T. Gray and J. Phillip Rowe, Institute of Social and Economic Research, March 1982; and additional information provided by John Gray, manager of marketing and sales for the Alaska Railroad.

TABLE 5

Rates for Transporting Goods by Water,^a
Seattle to Selected Alaska Communities,
February 1984

	Anchorage	Fairbanks (\$ per 100 lbs.)	Kenai
Foodstuffs ^b			
45,000 lbs.	\$5.73	\$8.99	\$7.68
900,000 lbs.	5.41	8.67	7.34
Machinery			
20,000 lbs.	19.83	26.99	—
70,000 lbs.	10.34	13.44	—
126,000 lbs.	7.78	11.09	11.37
Dept. Store Merchandise ^c			
17,000 lbs.	18.71	24.63	—
70,000 lbs.	10.03	12.93	12.07
Iron and Steel ^d			
29,000 lbs.	14.80	20.04	17.82
84,000 lbs.	8.20	11.66	9.41
Lumber			
125,000 lbs.	8.50	10.31	10.06
2,000,000 lbs.	3.50	5.12	5.00

^aIncluding additional costs of transporting goods from port to final destination when applicable.

^bSpecifically, beverages; costs of transporting other foodstuffs vary.

^cIncludes most kinds of items carried in department stores.

^dStructural iron and steel.

Sources: Totem Ocean Trailer Express; Pacific Western Lines.

costs for each hundred pounds. Also, towns in western Alaska are small, which means they order in small quantities and cannot take advantage of discounts for larger orders. Finally, the Bering Sea is ice-free only part of the year, but there are year-round costs of maintaining the port facilities.

No scheduled barges serve the farthest north coastal communities, although the petroleum companies operating on the North Slope do take advantage of the brief ice-free period in late summer to transport heavy equipment and supplies by barge.

A large share of goods that arrive in Alaska by water are transported by truck or rail to their final

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

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costs for each hundred pounds. Also, towns in western Alaska are small, which means they order in small quantities and cannot take advantage of discounts for larger orders. Finally, the Bering Sea is ice-free only part of the year, but there are year-round costs of maintaining the port facilities.

No scheduled barges serve the farthest north coastal communities, although the petroleum companies operating on the North Slope do take advantage of the brief ice-free period in late summer to transport heavy equipment and supplies by barge.

A large share of goods that arrive in Alaska by water are transported by truck or rail to their final

destinations in southcentral and portions of interior Alaska, but must be flown in to many remote communities.

How much transportation costs add to the final price of goods delivered to the state's largest communities varies greatly among items. They add less to the final price of such small, lightweight items as clothes, than to the price of large, heavy items like construction materials and cars. This is because thousands of blouses, for instance, might weigh the same as one car; in final sales, the transportation costs can be allocated among the many blouses, while the final price of the single car would include all the transportation costs. This is one of the factors that contributed to the relatively higher prices of housing than of clothes or food that we saw in the annual family budgets for Anchorage.

Table 5 shows sample costs of transporting various goods by water from Seattle to Anchorage and added transportation costs to Fairbanks and Kenai. The tariff for transporting one hundred pounds of food is considerably less than for shipping the same weight of lumber or machinery. Also, transportation costs decline significantly when larger quantities are shipped. For instance, if a buyer had ordered 17,000 pounds of department store merchandise shipped from Seattle to Anchorage in early 1984, he would have paid \$18.71 for each one hundred pounds. If, however, he had ordered 70,000

TABLE 6

**Air Freight and Parcel Post Rates,
Anchorage to Selected Alaska Locations
March 1984
(per 100 lbs.)**

From Anchorage to:	Air Freight	Parcel Post* (4th Class)
Barrow	\$46.45	\$9.14
Bethel	31.45	7.74
Dillingham	28.55	7.74
Kotzebue	35.00	9.14
Nome	35.00	9.14
Fairbanks	36.00	9.14
Kenai	23.00	7.74
Kodiak	31.00	7.74

*Parcel post (4th Class) rate for 100 pounds packaged in two 50-pound parcels.

Sources: Wien Air Alaska, Alaska Airlines, Alaska Aeronautical Industries, and U.S. Postal Service.

TABLE 7

**Round-Trip Air Fares,* Alaska Locations to
Seattle, December 1980 and January 1984**

From	Jan. 1984	Dec. 1980	Percent Increase
Anchorage	\$568	\$370	54%
Kenai	574	370	55
Fairbanks	696	475	47
McGrath	688	502	37
Juneau	416	298	40
Ketchikan	328	237	38
Bethel	768	474	62
St. Marys	956	612	56
Dillingham	768	500	54
Cold Bay	840	605	39
Kotzebue	930	644	44
Barrow	982	697	41
Nome	930	644	44

*Coach class or least expensive regular fare; does not reflect any special discount fares such as super-saver fares.

Sources: Wien Air Alaska, Western Airlines, Alaska Airlines.

pounds, he would have paid only \$10.03 per hundred pounds.

Lighter goods are often transported by air within Alaska, particularly to the more remote communities. Table 6 shows sample rates for shipping one hundred pounds by air freight or parcel post from Anchorage to other Alaska locations in 1984. The parcel post rate is by far the cheaper in every instance; parcel post is a particular bargain for Alaskans in the farthest north communities. The costs of shipping one hundred pounds by parcel post from Anchorage to other Alaska communities is at most one-third the cost of a similar shipment by air freight, and in some cases as little as 20 percent. For example, residents of Barrow would pay \$46.45 to ship one hundred pounds by air freight from Anchorage, but only \$9.14 if they used parcel post. Not all kinds of things can be shipped by parcel post—the U.S. Postal Service restricts the weight and dimensions of packages it accepts. Still, a 1981 ISER study estimated that 70 percent of consumer goods that arrive by air in rural Alaska communities (excluding regional centers) come via parcel post.

Alaskans fly more than other Americans. Some Alaska towns can be reached only by air, and most travel outside Alaska is of necessity by air. Table 7 shows the comparative costs in early 1984 for resi-

dents of various Alaska towns to fly to Seattle, the nearest city in the lower 48. It also shows the increase in air fares in the past several years.

Regular round-trip air fares (not including any special fares) from many Alaska communities to Seattle increased from 40 to 60 percent between 1980 and 1984. Residents of southeast Alaska, which is closest to Seattle, pay the lowest fares; Anchorage and other southcentral residents pay the next lowest fares, and those in the western and northern areas the highest. In early 1984, residents of Nome and Kotzebue in northwestern Alaska paid \$930 to fly to Seattle and back—which was more than twice as much as Juneau residents would have paid for a similar trip. Alaskans living in Barrow, at the northern tip of the state, paid nearly \$1,000 to fly to Seattle and back.

Housing Prices. As previously stated, the Bureau of Labor Statistics' annual family budgets cited housing as one of the most expensive items in Anchorage, relative to U.S. average costs. (Tables 9 through 12 show information on Alaska housing costs from different sources.)

The 1980 census showed that 64.4 percent of houses in America were occupied by owners; in Alaska that proportion was 58.3 percent and in Anchorage 56.5 percent. This lower percentage in Alaska probably reflects both the high price of houses here and the transiency of the state population; many people stay in Alaska for only a short time. Also, Alaska's population is younger than the U.S. average, and younger people in general are less able to afford homes.

Table 8 shows some of the characteristics of houses in Alaska and in the country as a whole at the time of the 1980 census. *Alaska houses in general are newer but more crowded and much more likely to be without plumbing than other U.S. houses.* The table shows that more than half the houses in Alaska in 1980 had been built in the previous 10 years, while

TABLE 8

Housing Characteristics, Alaska and U.S. Average, 1980

	% built between 1970-1980	% lacking complete plumbing	% w/more than one person/room
Alaska	52.7%	10.4%	10.1%
Anchorage	55.8	1.4	4.4
U.S.	26.2	2.2	4.5

Source: U.S. Department of Commerce, Bureau of the Census, 1980 census.

TABLE 9

Median Value of Owner-Occupied Houses, Alaska and U.S., 1970 and 1980

	1970	1980	Percent Increase, 1970-1980	1980 Values as Percentage of U.S. Average (U.S. = 100)
Alaska	\$23,100	\$76,300	+230%	161
Anchorage	32,400	89,200	+175	188
U.S. Average	17,000	47,200	+178	100
U.S. Urban Avg.	18,100	52,200	+188	111

Source: U.S. Department of Commerce, Bureau of the Census, 1980 census.

in the entire U.S. about one-quarter of all houses had been built between 1970 and 1980. More than 10 percent of houses in Alaska in 1980 lacked plumbing, as compared with about 2 percent nationwide. Roughly 10 percent of Alaska houses were occupied by more than one person per room, as compared with 4.5 percent across the country. Most of the small houses without plumbing are in rural Alaska; in some census divisions in 1980, 75 percent or more of houses had no plumbing. In Anchorage, the percentage is closer to the U.S. average.

Table 9 compares the median values of single-family homes in Alaska and the rest of the country in 1980 and shows how much those values changed between 1970 and 1980. *The median value of homes in the U.S. was \$47,000 in 1980; in cities, the median value was more than \$52,000. In Alaska at this time, the median value of homes was about \$76,000, and about \$89,000 in Anchorage.*

Table 9 also shows that the median value of houses in Alaska increased 230 percent between 1970 and 1980 as compared with about 178 percent across the country. In Anchorage, however, house values went up only about 175 percent as compared with 188 percent in other U.S. cities.

Table 10 gives us an indication of how house values changed in Anchorage and around the country between 1980 and 1983; this table shows not the value of all existing homes, but rather just the median prices of houses that were actually sold in 1980 and 1983.

Notice that the median value of all U.S. homes in 1980, as reported by owners, was considerably below the median price of houses actually sold that year—while in Anchorage the 1980 figures for all

TABLE 10

**Median Price of Houses Sold,^a
Anchorage and U.S., 1980 and 1983**

	1980	1983	% Change 1980-83
Anchorage	\$89,500 ^b	\$115,936 ^b	+29.5%
U.S.	62,200	70,300	+13.0

^aThese figures are median prices that existing single-family houses (excluding condominiums) sold for in Anchorage and in the U.S. as a whole in 1980 and 1983; they do not necessarily represent values of houses that were not on the market during that period.

^bEstimated.

Sources: Anchorage Multiple Listing Service; National Association of Realtors.

homes and for houses sold were very close. In Anchorage, houses are generally newer, there is frequent turnover in home ownership, and homeowners are more likely to know the market values of their houses. In the country as a whole in 1980, some homeowners, particularly those who had lived in the same house for a number of years, might not have been aware of the actual market value of their homes and so underestimated them. The substantial difference in the 1980 U.S. figures for all homes and for just houses sold could have also resulted from the high national interest rates that year; since only wealthier Americans could afford to buy houses, the houses sold tended to be more expensive than the average U.S. house.

The median price of houses sold across the U.S. in 1983 was \$70,300, as compared with nearly \$116,000 in Anchorage. Between 1980 and 1983, house prices went up about 13 percent nationally and nearly 30 percent in Anchorage.

These figures make sense if we remember that the housing market in Anchorage in the early 1980s was much different than in other areas of the country. At the beginning of the 1980s, interest rates on home mortgage loans nationwide were at record highs. These very high mortgage rates priced many Americans out of the market and held down increases in house prices.

At the same time, the Alaska state government was subsidizing mortgage rates. The state made home loans available through the Alaska Housing Finance Corporation at several percent-

age points below the national rate. And Anchorage's population was growing quickly in the early 1980s—some estimates say by as much as 25 percent in 3 years. This combination of favorable interest rates and a growing population created an active housing market with rapidly rising prices.

But Table 10 only shows the prices houses sold for, not of the overall costs of buying houses in Anchorage and elsewhere. While sales prices in Anchorage are considerably higher, mortgage interest rates are higher elsewhere. An owner's monthly costs are determined not only by the price of the house but the interest rate on the mortgage loan and the size of the down payment. Also, these figures do not take into account possible differences in the quality, size, and other factors of houses sold.

Table 11 shows how median monthly rents in Alaska and other states compared at the time of the 1980 census, and how those rents had changed between 1970 and 1980.

In 1980 the median monthly rent in Alaska was \$340 and in the city of Anchorage \$360. These figures compare with 1980 median rents of \$198 in the U.S. as a whole, and \$205 in U.S. cities. Rents rose faster across the country than they did in Alaska between 1970 and 1980; still, in 1980, rents in Alaska were 70 percent above—and in Anchorage 80 percent above—the national median. At the time of the census, rents in Anchorage had not changed much in several years. Builders reacted to the apartment shortages of the mid-1970s by building many new apartments in Anchorage; in the economic slowdown that followed pipeline construction, many of those apartments were vacant.

Soon after the census, Anchorage's economy began to pick up again, and many people moved to

TABLE 11

**Median Monthly Rents, Alaska and U.S. Average
1970 and 1980**

	1970	1980	Percent Increase, 1970-1980	1980 Rents as % of U.S. (U.S. Avg. = 100)
Alaska	\$171	\$340	+99%	172
Anchorage	199	360	+81	182
U.S. Average	89	198	+122	100
U.S. Urban Avg.	92	205	+123	104

Source: U.S. Department of Commerce, Bureau of the Census, 1980 census.

Anchorage. The apartment vacancy rate dropped quickly and rents went up. Table 12 shows how rents increased in Anchorage and nationally between 1980 and 1983. During the first three years of the 1980s, rents in Anchorage went up more than 50 percent, as compared with about a 25-percent increase nationwide. The biggest increase in Anchorage was between 1981 and 1982, when rents jumped more than 20 percent.

So we know that rents in Anchorage were not only far above the national average in 1980, but have since increased much faster than in other areas of the country. These high rents are difficult for the poorer families in Anchorage, most of whom are renters. Many apartments were built in Anchorage in the past few years, and rents in the city had correspondingly stabilized as of early 1984.

Construction Costs. Building in Alaska has always been very expensive; tables 13 and 14 show several indexes of cost differentials for public works and other large construction projects in Alaska and elsewhere.

Table 13 shows regional cost differentials developed by the U.S. Army Corps of Engineers and the Alaska Department of Transportation and Public Facilities. The Corps of Engineers estimated that large construction projects in Washington, D.C. would cost about half of what they would in Anchorage, while costs in Barrow and in the Aleutian Islands would be double those of Anchorage. Construction costs in other Alaska communities ranged from 10 to 85 percent above Anchorage costs.

The state Department of Transportation and Public Facilities estimated that large projects cost about the same in Juneau and Fairbanks as in Anchorage, while projects on the North Slope were about three times as expensive as in Anchorage. The department put costs in large western villages at 50

TABLE 12

Increase in Residential Rent,*
Anchorage and U.S. City Average, 1980-1983
(1967 = 100)

	1980	1981	1982	1983	Percent Increase
U.S. Average	191.6	208.2	224.0	236.9	23.6%
Anchorage	158.3	169.1	206.6	239.3	+51.6%

*As measured by the Consumer Price Indexes for the U.S. city average and Anchorage.

TABLE 13

Regional Cost Differentials
for Public Works Projects, c. 1980
(Anchorage = 100)

Places	U.S. Department of Defense*	Alaska Department of Transportation & Public Facilities
Washington, D.C.	53	
Anchorage	100	100
Barrow	205	
Barter Island	189	
Bethel		150
Cold Bay	158	
Fairbanks	111	106
Fort Yukon	158	
Juneau	95	102
Kenai Peninsula	111	
Kodiak	132	134
Kotzebue	184	
King Salmon	137	
Nome	184	
Sitka		134
Whittier	100	
Regions		
Aleutian Islands	200	225
Arctic Slope Villages		294
Northern Interior Villages		267
Southcentral Village		132
Southeastern Village		181
Western: Large Village		153
Coastal Village		244

*This index uses Washington, D.C. costs as a base; we have modified it to show Anchorage costs as the base.

Sources: "Assessing the Economic Impacts of Capital Expenditures," ISER Working Paper by Scott Goldsmith and Phillip Rowe, prepared for State of Alaska, Division of Policy Development and Planning, from construction indexes prepared by U.S. Army Corps of Engineers and Alaska Department of Transportation and Public Facilities.

percent above Anchorage costs, but costs in smaller, more isolated western villages at 150 percent above Anchorage's.

Table 14 shows material and labor cost differences for large construction projects in Anchorage, Fairbanks, and other U.S. cities. Developed by private industry, the index in Table 14 uses construction costs in Boston as a base.

Costs of both materials and labor in Anchorage and Fairbanks were rated at 45 percent above costs in Boston in 1984. U.S. cities outside Alaska showed relatively little difference in costs of materials, but a wide difference in costs of labor. For example, material costs in the Table 14 sample varied from a

TABLE 14

Cost Differentials for Large Construction Projects* in Anchorage, Fairbanks, and Other U.S. Cities, 1984
(Boston = 100)

	Labor	Materials
Boston	100	100
Anchorage	146	145
Fairbanks	146	145
Washington, D.C.	86	95
Los Angeles	125	103
San Francisco	136	104
Dallas	83	93
Seattle	113	91

*Includes only costs of labor and materials for public works and other heavy construction projects. Excludes costs of land and equipment, and does not necessarily represent cost differentials for smaller construction projects.

Source: *Dodge Manual for Public Works and Heavy Construction*, McGraw-Hill, 1984.

low of 9 percent below Boston costs in Seattle to a high of 4 percent above in San Francisco. Labor costs, on the other hand, varied from 17 percent below Boston costs in Dallas, to a high of 36 percent above in San Francisco.

Table 14 includes just a few U.S. cities, but enough to show the substantial construction cost differences between Alaska cities and other U.S. cities.

Food Costs. Food in Alaska's larger cities costs more than in the country as a whole, although not so much more as housing. But Alaskans living in remote villages in northern and western Alaska commonly pay twice as much or more for similar foods as do residents of Anchorage, Fairbanks, or Juneau.

Using Anchorage costs as a base, Table 15 compares weekly food costs in early 1984 for a family of four in various Alaska places and nationwide. These figures don't show what families actually spend for food, but rather the costs of buying the approximate 100 items included in the federal government's low-cost food plan. These foods are intended to provide adequate nutrition for a family for a week. Some of the items in the plan, especially fresh fruits and vegetables, are not always available in Alaska towns. Therefore, the University of Alaska's Cooperative Extension Service, which surveys food

costs around the state, modifies the plan as necessary for Alaska.

Table 15 shows that in early 1984 the foods included in this plan cost only 2 percent more in Anchorage than in the country as a whole, while in other Alaska communities costs ranged from about 10 to nearly 100 percent above U.S. average costs. Food costs in Anchorage relative to costs in other areas of the country have been declining for several years; growing markets and improved methods of transportation have helped bring down the relative costs of food in Anchorage.

Electric Rates. Electricity is one of the few things that in previous years has actually cost Anchorage residents less than their counterparts in the lower 48. This has been true in part because electricity for Anchorage is generated by natural gas, which in the past has been supplied at fairly low rates under long-term contracts from the nearby Cook Inlet

TABLE 15

Weekly Costs of Food for a Family of Four Under Low-Cost Plan,* Selected Communities, March 1984

	\$	Costs as % of U.S. (U.S. = 100)
U.S. Average	\$ 78.50	100%
Anchorage	80.46	102
Fairbanks	86.93	111
Juneau	93.97	120
Kenai	88.58	113
Kodiak	108.72	139
McGrath	155.60	198
Bethel	143.11	182
Tok	120.74	154
Nome	136.36	174

*These figures do not represent what families in various communities actually spend for food for a week, but rather what it would cost to buy foods the U.S. Department of Agriculture has determined would provide adequate nutrition for a family with two elementary school children eating at home for a week. The University of Alaska's Cooperative Extension Service, which surveys food costs in selected Alaska communities, modifies the items in the food plan somewhat, since in general, fewer items and fewer kinds of fresh fruit and vegetables are available in Alaska than in other states.

Source: Cooperative Extension Service, University of Alaska and U.S. Department of Agriculture.

gas fields. But costs of electricity have increased sharply in Anchorage in the past two years; by the end of 1983 they were near the national average.

Table 16 compares costs of 500 kilowatt hours of electricity in Anchorage and in the country as a whole in 1982 and 1983. In 1982, Anchorage residents paid \$29.95 for 500 kilowatt hours of electricity (kwh), or about 80 percent of the national average cost of \$37.26. By 1983, however, costs of electricity in Anchorage increased to \$35.64 per 500 kwh or about 93 percent of U.S. average costs. And it seems likely that the cost of electricity in Anchorage will rise substantially in the coming years as the long-term contracts expire and costs of Cook Inlet gas rise.

Outside Anchorage, many Alaska communities—particularly the smallest ones—generate electricity with fuel oil. Therefore, electric rates in Alaska's remote villages are vastly higher than the Anchorage and national rates. Table 17 shows that costs of 500 kwh of electricity in a number of Alaska towns in early 1984 varied from \$35.64 in Anchorage to \$284 in Bettles, above the Arctic Circle.

In many Alaska communities, the state government subsidizes electric rates through its Power Cost Assistance Program. Under that program, the state pays part of the electric bills of utility customers in areas where isolation and other factors make electricity very expensive. In early 1984, the state paid anywhere from half a cent to 30 cents per kwh to various utilities around Alaska; the subsidy applies only up to 600 kwh per customer each month.¹⁰

Table 17 shows electric costs with and without the program. In Bettles, where the unsubsidized rate would have been \$284 for 500 kwh, the bill was reduced to \$137 with state aid. That reduced bill was still nearly four times the Anchorage cost. In other communities in 1984, the cost of 500 kwh was commonly more than double the Anchorage rate.

Table 18 shows the average monthly consumption of electricity per residential customer in the various regions of Alaska in 1982, the most recent year for which such figures are available. Monthly use of electricity ranged from 955 kwh per customer in southcentral Alaska to 275 kwh in the farthest north regions.

Hospital Costs. Medical help is expensive everywhere in the country, and even more so in Alaska. Analysts cite several possible factors that have contributed to soaring U.S. medical costs in the past

¹⁰The 1984 Alaska Legislature revised this program, so that in the future state subsidies will be used to make power costs around the state equal or close to the mean of the cost per kilowatt hour in Anchorage, Fairbanks, and Juneau.

TABLE 16

Residential Electric Rates, Anchorage and U.S. Average, 1982, 1983

	1982 (500 kwh) Anchorage as % of U.S. Average		1983 Anchorage as % of U.S. Average	
U.S. Average	\$37.26	100	\$38.45*	100
Anchorage	29.95	81	35.64	93

*Estimated, based on the 3.2 percent increase in residential electric rates recorded in the U.S. city average consumer price index for all urban consumers, annual average, between 1982 and 1983.

decade, including introduction of new and extremely costly equipment; lack of competition in provision of medical services; fee-for-service methods of payment to doctors; and lack of incentive for many Americans to try to hold down their medical costs, since most costs are covered by private insurance or government programs. Alaska's high medical costs are also due at least in part to the same kinds of things that increase other state costs—including smaller markets, transportation costs, and high construction costs.

Table 19 compares the costs of hospital stays in Alaska and other states. These figures include charges for rooms and other hospital services. In 1982—the most recent year for which figures are available—hospital patients in Alaska paid an average \$530 per day, compared with \$393 nationally. But although Alaska's hospitals were among the most expensive in 1982, others were even more so in the District of Columbia, California, and—the most expensive—Nevada, where hospital patients paid about \$680 daily.

The least expensive states in which to be hospitalized in 1982 were Montana, North Dakota, and South Dakota, where daily charges totaled about \$250.

Between 1972 and 1982, the costs of staying in hospitals increased dramatically in all states—nearly 300 percent nationwide and 270 percent in Alaska. The largest increase occurred in Nevada, where hospital costs rose more than 450 percent.

So although hospital charges in Alaska remained among the highest in 1982, they did not increase as fast during the past decade as they did in other states. The Anchorage consumer price index and the annual family budgets both show, however, that overall

TABLE 17

Costs of 500 Kilowatt Hours of Electricity, Selected Alaska Communities, March 1984

	Electric Bill, ^a 500 KWH	Power Cost Assistance ^b (cents/KWH)	Electric Bill, 500 KWH, with Power Cost Assistance	Adjusted Costs as Percentage of Anchorage (Anch. = 100)
Anchorage	35.64	(None)	—	100
Juneau	39.95	(None)	—	112
Fairbanks	70.80	(None)	—	199
Homer	49.02	(None)	—	138
Ft. Yukon	177.90	18.6	84.90	238
Bethel	96.99	2.38	85.09	239
AVEC Villages ^c	240.70	23.69	122.25	343
Barrow	66.00	(None)	—	185
Bettles	284.00	29.45	136.75	384
Valdez	80.30	(None)	—	225
Glennallen	99.80	(None)	—	280
Egegik	215.15	27.58	77.25	217
Kotzebue	123.95	8.27	82.60	232

^aIncludes, where applicable, monthly customer charges and surcharges.

^bThe Power Cost Assistance Program is administered by the Alaska Public Utilities Commission. The program pays a portion of the costs per kilowatt hour of electricity—up to 600 kilowatt hours per month—for customers of regulated utilities which have very high rates because of geographic isolation or other factors. In early 1984 the program paid from 0.359 cents to 29.45 cents per kilowatt hour to qualified utilities around the state.

^cIncludes a number of villages in southwest Alaska.

Source: Alaska Public Utilities Commission, "Electric Rate Schedule," March 1984.

medical costs in Anchorage increased as fast or faster than the national rate over most of the past decade and a half.

Alaska Living Cost Differences

The most troublesome thing about comparing living costs among Alaska towns—aside from the difficulties of getting cost information in small, remote places—is that there is no real comparison between life in urban and rural Alaska. Urban Alaskans can live in more or less the same kinds of houses, buy most of the same foods, and enjoy services similar to those available elsewhere in the country. Many rural Alaskans, by contrast, live in small, crowded houses—often without plumbing—and have limited access to the kinds of things most Americans take for granted. Many live where they do mainly because remote Alaska places are so different from the ordinary American town. Also, unlike most of their urban neighbors, many rural Alaskans hunt

and fish for much of their food.

Cost indexes generally compare the costs of the same or similar items in various communities. Many items are not available at all in rural Alaska, and urban and rural Alaskans have different opinions about what they need to maintain a good standard of living. So anyone attempting to compare living costs around Alaska faces substantial difficulties in deciding how to measure those costs.

The state government and the University of Alaska both recognize differences in living costs around the state by paying different wages for the same jobs in various regions. Several state agencies also recognize cost differences in calculating payments under state programs. Within the past 10 years or so, the state has made several studies of living costs around Alaska, the most comprehensive in 1972.¹¹

¹¹State of Alaska, Department of Administration, Division of Personnel, *Survey of Housing and Food Costs*, December 1972.

TABLE 18

**Average Monthly Residential Use of Electricity,
Regions of Alaska, 1982**
(in kilowatt hours)

Southeast Alaska	796
Small villages	374
Juneau	932
Southcentral Alaska	955
Anchorage	978
Homer	1,066
Glennallen	398
Valdez	581
Interior Alaska	706
Fairbanks	775
Ft. Yukon	158
Bettles	196
Arctic/Northwest	275
Barrow	460
Kotzebue	463
Small villages	196
Southwest	421
Bethel	425
Egegik	264

Source: U.S. Department of Energy, Alaska Power Administration, *Alaska Electric Power Statistics*, 1960-1982, August 1983.

In a number of cases, the studies substantially disagreed about cost differences among Alaska communities. A 1981 study done for the University of Alaska reported, for instance, that previous studies had estimated living costs in Bethel at anywhere from 1 to 55 percent above Anchorage costs.¹² Part of this disparity has been due to the different ways in which the various studies defined and measured living costs.

Table 20 shows the range of salary differentials currently paid by the state government and the University of Alaska. Anchorage is used as the base for the salary schedule in both cases, but beyond Anchorage the two scales often disagree. The state pays employees in Palmer 3.6 percent more than Anchorage workers, while the university pays its employees the same in both places. In Kodiak, the state pays 7 percent more than in Anchorage, while

¹²Homan-McDowell, *A Study of Area Differentials for Alaska Community College Locations*. Prepared for the Legislative Budget and Audit Committee, April 30, 1981.

the university pays Kodiak workers 15 percent more. State workers in Fairbanks are paid 15 percent more than Anchorage workers for the same jobs, while the university pays its Fairbanks employees 10 percent more. State and university jobs in Barrow pay the highest differential above Anchorage: about 37 percent more and 40 percent more, respectively.

The state government is now preparing to undertake a new study of living costs around the state, with the results to be used to update its salary differentials.

Alaska and U.S. Incomes

Alaska is known for its high wages—and many Alaskans certainly do earn more than the average American. But incomes of all Alaskans are affected by the state's high prices, and in any case, incomes are not universally high in Alaska. Earnings vary greatly among various kinds of households, in different regions of the state, and among occupations.¹³

¹³These income figures include only cash received by households and individuals; there are a number of nonmonetary benefits and services that have cash value but are not considered income. These would include, for instance, the reduced electric bills made possible for rural Alaskans under the state's Power Cost Assistance program.

TABLE 19

**Daily Per Patient Revenue^a in Community^b
Hospitals, U.S. Average and Selected States,
1972 and 1982**

	1972	1982	Percent Increase, 1972-1982	1982 Costs as % of U.S. Average
U.S. Average	\$99.97	\$393.11	293%	100
States with Highest Costs				
Alaska	\$144.24	\$530.18	268%	135%
California	128.88	621.14	382	158
Dist. of Columbia	111.38	572.84	405	143
Nevada	121.81	680.52	459	173
States with Lowest Costs				
S. Dakota	\$69.61	\$252.54	262%	64%
N. Dakota	80.13	265.13	231	67
Montana	73.99	258.96	250	66
Mississippi	71.16	281.04	295	71

^aIncludes revenues hospitals collect not only from room charges but for other services they provide to patients.

^bExcludes federal hospitals.

Source: American Hospital Association, *Hospital Statistics*, 1983 edition.

TABLE 20

**State and University of Alaska,
Regional Pay Differentials, 1984
(Anchorage = 100)**

	State ^a	University ^b
Anchorage		
Juneau	100	100
Ketchikan		
Palmer	103.6	100
Petersburg		
Sitka	103.6	105
Kodiak	107.3	115
Fairbanks	114.9	110
Aleutian Islands	128.1	130
Barrow	137.1	140

^aPay differentials at entry level for a range 15 job. The State of Alaska classifies jobs by "ranges," with most jobs falling between ranges 5 and 27. Many clerical jobs begin around range 5, and professional and technical jobs at higher ranges. Pay differentials for jobs at different ranges vary slightly.

^bIncludes not only communities where there are university and community college campuses, but also any communities in which the university holds classes or conducts other activities.

Sources: Alaska Department of Administration, Division of Personnel; University of Alaska.

55 percent below the state figure.

The Bristol Bay and the North Slope divisions are the exceptions to the general pattern of low household incomes in rural Alaska. In a good season, local fishermen who take salmon from the rich Bristol Bay fishery earn good incomes; on the North Slope, the local government has been able to use its huge Prudhoe Bay tax base to create many well-paid local jobs. Elsewhere in rural Alaska, tax bases are small, jobs are few, and incomes are generally low.

In urban Alaska in 1979, household incomes were generally at or near the state median. In the Anchorage, Sitka, Ketchikan, Valdez-Cordova, and Juneau division, incomes were above the state median, with the highest in Juneau at 23 percent above the Alaska median. In the Fairbanks, Kenai Peninsula, and Wrangell-Petersburg areas, household incomes were slightly below the state median.

Table 23 provides another measure of the income differences around the state—the percentages of Alaska families with incomes below the federal poverty line at the time of the census. *The 1980 census found 9.6 percent of American families to be poor by federal standards.* In Alaska, 8.6 percent of families were ranked as poor by those same national standards. But the federal government recognized that living costs were higher in Alaska, as well as in Hawaii, and therefore set poverty levels for these two states at 25 percent above those for the rest of the country. *Nearly 12 percent of Alaska families had incomes at or below 125 percent of the federal poverty level in 1979.*

As discussed earlier, many costs in Alaska—

Household and Family Incomes

Table 21 compares median household incomes in Alaska and the entire U.S. at the time of the 1980 census. *For 1979, households in Alaska reported a median income of \$25,282—about 50 percent more than the national median of \$16,841.* But Alaska incomes varied greatly. The median income of homeowners in 1979 was \$32,561—much higher than the state median and nearly double the national figure. In contrast, the median household income of renters was only \$17,491, just slightly above the U.S. median. And the 1979 median income of Alaska households headed by women with children was only \$11,255—less than half the state median and only 67 percent of the national figure.

Table 22 shows that large variations in household incomes also exist in different areas of the state. The areas with the highest and lowest household incomes at the time of the census were both in rural southwest Alaska: the highest was in the Bristol Bay region, at 36 percent above the state median; the lowest was in the nearby Wade Hampton areas, at

TABLE 21

**Median Household Income, Alaska and U.S.,
1979**

		Percent of U.S. Average (U.S. = 100)
U.S. Average	\$16,841	100%
Alaska	25,282	150
Owner-occupied households	32,561	193
Renter-occupied households	17,491	104
Households headed by women with children under 18	11,255	67

Source: U.S. Department of Commerce, Bureau of the Census, 1980 Census.

TABLE 22

Median Household Income, Alaska Census Areas, 1979

		Percentage of State Median
Alaska	\$25,282	100%
Aleutian Islands	20,234	80
Anchorage	27,350	108
Bethel	13,904	55
Bristol Bay	34,429	136
Dillingham	18,684	74
Fairbanks	23,377	93
Haines	21,397	85
Juneau	31,019	123
Kenai Peninsula	23,695	94
Ketchikan Gateway	26,470	105
Kobuk	17,625	70
Kodiak Island	26,164	103
Matanuska Susitna	22,927	91
Nome	14,688	58
North Slope	31,023	123
Prince of Wales	21,699	86
Sitka	30,823	122
Skagway-Yakutat-Angoon	20,436	81
Southeast Fairbanks	14,455	57
Valdez-Cordova	28,360	112
Wade Hampton	11,493	45
Wrangell-Petersburg	24,395	96
Yukon-Koyukuk	12,020	48

Source: U.S. Department of Commerce, Bureau of the Census, 1980 Census.

particularly in rural areas—are substantially more than 25 percent above U.S. averages. Therefore, the last column of Table 23 shows how many Alaska families would have been considered poor in 1979, if we increase the national figures by 50 percent to more accurately reflect the state's higher costs. *More than 18 percent of Alaska families had incomes at or below 150 percent of the federal poverty level in 1979.*

Looking at the census divisions around Alaska, we see that even with no adjustment in the federal poverty figures, one-quarter or more of families in some areas had incomes low enough to rank them as poor. These census divisions were the Bethel, Dillingham, Wade Hampton divisions in southwest Alaska; and the Nome, Kobuk, and Yukon-Koyukuk divisions in northwest and interior Alaska.

If we increase the poverty levels to 125 percent of the national figure, we see that in the poorest

regions of the state one-third or more of all families would have been considered poor in 1979. And when we increase the poverty standard to 150 percent of the national level, nearly half the families in a few census divisions would have been poor that year. In most urban areas of the state, the percentages of families considered poor in 1979 were near the national average, even with adjustments for Alaska's higher costs.

Per Capita Incomes

The previous tables showed household incomes as reported by Alaskans during the 1980 census.

TABLE 23

Families with Incomes Below the Poverty Level,* U.S. and Alaska Census Divisions, 1979
(Percentages)

	100% of Poverty Level	125% of Poverty Level	150% of Poverty Level
U.S.	9.6%	N/A	N/A
Alaska	8.6	11.7	18.2
Aleutian Islands	9.6	11.7	20.0
Anchorage	6.1	8.5	13.3
Bethel	28.3	36.2	47.8
Bristol Bay Borough	—	2.3	6.1
Dillingham	24.2	29.3	32.3
Fairbanks	8.1	11.9	18.7
Haines	10.0	12.3	21.9
Juneau	3.3	4.5	7.4
Kenai Peninsula	8.8	12.8	19.0
Ketchikan Gateway	5.6	6.8	11.8
Kobuk	24.5	31.3	42.9
Kodiak Island	7.5	10.7	17.5
Matanuska-Susitna	11.0	12.3	18.7
Nome	25.0	31.2	41.7
North Slope	10.8	13.2	16.6
Prince of Wales	10.8	13.8	18.2
Sitka	4.3	5.9	8.7
Skagway-Yakutat-Angoon	10.0	17.2	24.2
Southeast Fairbanks	13.6	22.9	31.8
Valdez-Cordova	7.9	11.6	19.4
Wade Hampton	36.3	45.6	60.7
Wrangell-Petersburg	5.4	7.3	11.5
Yukon-Koyukuk	25.8	34.1	44.9

*The poverty level for families and individuals is established each year by the federal government; the figures for Alaska and Hawaii are set 25 percent higher than those for other states.

Source: U.S. Department of Commerce, Bureau of the Census, 1980 census.

Tables 23 and 24 and Figure 4 show a different measure of personal income—per capita personal income. The federal Bureau of Economic Analysis arrives at these figures by totalling all personal income Alaskans receive annually, and dividing by the current population. Obviously the accuracy of these figures depends on the accuracy of the population figures. Some Alaskans believe the bureau may have overestimated the state's per capita income at times, particularly during construction of the trans-Alaska pipeline in the mid-1970s. This overestimation could have happened if the bureau credited to Alaskans some income that was actually earned by the many nonresidents who worked on the pipeline project.¹⁴

Table 24 shows 1982 per capita income figures for Alaska census divisions—the most recent census division breakdowns available in early 1984. These figures show, as did the earlier household income figures from the census, large differences in income around the state.

In 1982, the average U.S. per capita income was \$11,100, while in Alaska the figure was \$16,598—about 50 percent higher. Per capita incomes around the state that year varied from a high of more than \$21,000 on the North Slope, to a low of less than \$6,000 in the Wade Hampton division.

Per capita incomes increased substantially in Alaska between 1981 and 1982, due partly to the fact that the state government in 1982 issued checks for \$1,000 to everyone who had lived in the state at least six months.¹⁵ At the same time in the rest of the country, the national recession held down growth in income.

Even with the jump in Alaska per capita incomes in 1982, one-quarter of the 29 areas reported in Table 24 had incomes below the national average in 1982—and this with no adjustment for Alaska's higher costs.

Table 25, which does take those higher costs into account, offers three comparisons of Alaska and U.S. per capita income. The first is a straightforward comparison of per capita incomes from 1972 through 1983. Income in Alaska during those years was higher than the national average. The smallest difference occurred in 1972, when Alaska's per capita income was only 17 percent above the national average. The greatest margin occurred in 1976, the height of

¹⁴The Bureau of Economic Analysis does attempt to exclude income earned by nonresidents working in Alaska, but some economists believe the bureau's exclusion method may not be accurate.

¹⁵These were payments under the state's permanent fund distribution plan, which since 1982 has annually paid individual Alaskans a portion of the interest from the state's Permanent Fund; this fund is made up of a percentage of the state's oil revenues.

TABLE 24

Per Capita Personal Income, Alaska Census Divisions* and U.S. Average, 1982

	Per Capita Incomes	Incomes as Percent of U.S. Average (U.S. = 100)
U.S. Average	\$11,100	100%
Alaska	16,598	150
Aleutian Islands	12,637	114
Anchorage	18,429	166
Angoon	6,996	63
Barrow-North Slope	21,387	193
Bethel	8,938	81
Bristol Bay Borough	14,647	132
Bristol Bay	9,836	89
Cordova/McCarthy	14,236	128
Fairbanks	18,381	166
Haines	12,377	112
Juneau	19,889	179
Kenai/Cook Inlet	13,394	121
Ketchikan	17,365	156
Kobuk	10,416	94
Kodiak	15,770	142
Kuskokwim	7,218	65
Matanuska-Susitna	13,874	125
Nome	10,627	96
Outer Ketchikan	12,145	109
Prince of Wales	13,504	122
Seward	15,289	138
Sitka	14,746	133
Skagway-Yakutat	12,080	109
Southeast Fairbanks	11,193	101
Upper Yukon	15,954	144
Valdez/Chitina/Whittier	16,243	146
Wade Hampton	5,787	52
Wrangell-Petersburg	14,056	127
Yukon-Koyukuk	15,937	144

*Census division as they existed before the 1980 census; in 1980 the number of census divisions in Alaska was reduced from 29 to 23.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

pipeline construction, when the Alaska figure reached 68 percent above the U.S. average. The gap between incomes in Alaska and other states narrowed in the later 1970s, with Alaska's per capita income falling to about 30 percent above the national average by 1979.

The margin widened again in the 1980s, as state spending of its huge oil revenues spurred economic growth in Alaska. At the same time, the national

TABLE 25

Per Capita Personal Income, Alaska and the United States, Selected Years, 1972-1982

	Per Capita Income (Current \$)								
	1972	1976	1977	1978	1979	1980	1981	1982	1983
Alaska	\$5,285	\$10,725	\$10,968	\$10,957	\$11,344	\$12,916	\$14,904	\$16,598	\$16,820
United States	4,515	6,367	6,984	7,776	8,657	9,503	10,582	11,100	11,675
Per Capita Disposable ^a Income									
Alaska	\$4,383	\$8,705	\$8,904	\$9,039	\$9,136	\$10,665	\$12,142	\$13,312	N/A
United States	3,846	5,468	5,957	6,615	7,320	8,025	8,897	9,375	N/A
Real ^b Per Capita Disposable Income (1967 base)									
Alaska	\$2,539	\$3,480	\$3,316	\$3,232	\$2,994	\$3,160	\$3,346	\$3,631	N/A
United States	3,069	3,207	3,282	3,387	3,362	3,249	3,267	3,248	N/A

^aPer capita income minus federal, state, and local income-related taxes and other personal taxes and payments.

^bDisposable income, adjusted to eliminate effects of inflation in both Alaska and the U.S. as a whole and to reflect Alaska's higher living costs. The base year for both adjustments is 1967. Income figures for Alaska are first deflated by 41 percent, which was the 1967 difference in the cost of maintaining an intermediate standard of living for a family of four in Anchorage as compared with the U.S. average, as reported in the Bureau of Labor Statistics' 1967 *Urban Family Budgets*. Figures for Alaska are also deflated by increases in the Anchorage Consumer Price Index, and figures for the U.S. are deflated by increases in the U.S. average CPI.

Source: ISER MAP data base.

recession held down growth in personal income in the U.S. as a whole.

In 1982, Alaska's per capita income climbed to about 50 percent above the national average; the difference in 1983 was somewhat smaller, with Alaska's per capita income at \$16,820, about 44 percent above the national average of \$11,675. Per capita incomes in Alaska changed little between 1982 and 1983.

The second set of numbers in Table 25 shows disposable per capita income in Alaska and the U.S. over the past decade. Disposable income is what taxpayers actually have to spend, after paying their income and other personal taxes. Incomes of all Americans are of course reduced by taxes, but incomes of Alaskans are reduced more than those of other Americans because Alaskans pay disproportionately high federal income taxes (see Table 3). So, for example, while Alaska's total per capita income was 17 percent above the national average in 1972, its disposable income was just 13 percent above the U.S. average. In 1982, total per capita income in Alaska

was 50 percent above the national average, but the state's disposable income was about 42 percent higher than disposable income in the country as a whole.

The third set of numbers in this table is disposable income adjusted for both inflation and Alaska's higher costs.¹⁶ These figures are intended to compare the buying power of Alaskans with that of other Americans over the past decade, when taxes, inflation, and living costs are taken into account. *Real disposable incomes of Alaskans were actually lower than those of other Americans in a number of years from 1972 through 1983.* In 1976 and 1977, real disposable income of Alaskans was above the national average, but it again dropped below at the end of the decade. In 1981 and 1982, real income of Alaskans once more rose above the national average, but the differences were modest as compared with the differences in the unadjusted incomes. *We calculated real disposable income of Alaskans at about 12 percent above the national average in 1982.*

¹⁶See note b, Table 25.

Figure 4 shows the annual rate of change from 1967 through 1982 in the real disposable incomes discussed above. Alaska's up-and-down economy is apparent in this figure—the year-to-year changes in income in Alaska are much more dramatic than in the country as a whole. *The highest annual increase in Alaska during that period took place between 1975 and 1976—the years of pipeline construction—when real disposable income jumped almost 15 percent. The greatest loss in Alaska was between 1978 and 1979—after pipeline construction ended—when real disposable income dropped about 7 percent.*

The greatest annual gain in the entire nation during that period took place between 1972 and 1973, when growth in disposable income exceeded inflation by 5 percent. The biggest loss occurred between 1979 and 1980—a period of very high inflation—when Americans lost more than 3 percent in buying power.

The annual figures for the early 1980s clearly show the differences in the economies of Alaska and the rest of the nation. State spending of huge oil revenues in Alaska boosted economic activity and personal incomes, while the country as a whole saw a serious recession.

Earnings by Occupation. In Alaska, as in other states, large differences exist in the kinds of jobs men and women hold, and in what they are paid for those jobs.

Table 26 shows percentages of men and women in various occupations in Alaska and in the entire U.S. at the time of the 1980 census. *By far the largest share of Alaska's working women—nearly 40 percent—held administrative support jobs in 1980; these included jobs as secretaries, typists, and clerks. Among Alaska men who held jobs in 1980, two types of occupations were equally common—about 20 percent worked in executive and managerial occupations, while another 20 percent worked in production, crafts, and repair occupations; these included jobs as mechanics and oilfield and construction workers.*

Nearly 20 percent of women who worked in Alaska in 1980 held jobs in the executive and managerial occupations; another 13 percent worked in various special professions (including law and teaching). About 10 percent worked in sales jobs and another 11 percent in service jobs. Relatively few Alaska women worked in other occupations.

About 15 percent of men who worked in Alaska in 1980 were in special professions, and another 12 percent worked as laborers, heavy equipment operators, or in related occupations. Other employed men were spread fairly evenly among the remaining occupations listed in Table 26, but with the smallest

TABLE 26

Occupations of Alaska and U.S. Workers, 1979
(Percentage Distribution)

	Women		Men	
	Ak. 100%	U.S. 100%	Ak. 100%	U.S. 100%
All Workers*				
Exec., Admin., Mgrl. Occup.	18.8%	7.4%	20.0%	12.7
Professional Specialty Occup.	13.1	14.1	15.3	10.9
Technicians & Related Support Occup.	3.2	3.1	6.2	3.0
Sales Occupations	9.4	11.3	8.1	9.1
Administrative Support Occup.	39.4	31.2	7.2	7.0
Service Occupations	11.2	18.0	8.7	9.3
Farming, Forestry, Fishing	0.5	0.9	2.3	4.3
Precision Production, Craft, & Repair Occupations	1.8	2.4	20.0	20.7
Operators, Fabricators, Laborers	2.6	11.5	12.0	22.9

*Numbers may not add to 100 because of rounding.

Source: U.S. Department of Commerce, Bureau of the Census, 1980 Census, *Detailed Population Characteristics*, Alaska.

proportion working as farmers, loggers, and fishermen.

The biggest differences among occupations of Alaska women and all U.S. women in 1980 were that a much larger percentage of Alaska women worked as managers and executives than was true nationwide; and a much smaller percentage of women in Alaska worked as operators or fabricators.

Alaska women appear to have been more successful than women across the country in getting executive and managerial jobs; also, the high proportions of Alaska women working in such jobs and in administrative support jobs probably indicates the large proportion of government office jobs in Alaska. Most female operators and fabricators in the U.S. in 1980 likely worked in various kinds of manufacturing, whereas Alaska has little manufacturing.

The biggest differences in occupations of Alaska men and all U.S. men were that more Alaskans worked in executive and managerial jobs, and fewer worked as operators or fabricators. Again, as with women, these differences probably indicate the large number of government jobs in Alaska, and the lack of manufacturing jobs. Also, substantially more Alaska men worked in law, teaching, medicine, and other professions than was true nationwide.

Table 27 shows 1979 median earnings by occupation of men and women in Alaska and in the western region of the U.S.; comparable figures for all U.S. workers were not available as of this writing. Although these figures are now several years old, the