

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672
6112 HOUSE STATE AFFAIRS

5/6

13. Wang VS-100 I.O.P. maintenance	360
14. Wang VS-100 Memory maintenance	720
15. Wang VS-100 Disk Drive maintenance	2,256
16. DOR's additional office space requirements	<u>102,354</u>

TOTAL CONTRACTUAL \$402.9

c) Supplies:

Computer, microfilming, duplicating, general consumption \$5.5

d) Equipment:

1) Kodak film cabinet	\$1,025
2) Kodak film carousel	225
3) Wang VS-100 IOP (2)	7,200
4) Wang VS-100 Memory (6 MB)	32,400
5) Wang VS-100 disk drive (628 MB)	27,000
6) Wang Disk Packs (8)	4,800
7) IBM Control Unit	8,000
8) Additional systems furniture	72,827
9) Operational seating	4,750
10) File cabinets, calculators, etc.	<u>5,000</u>

TOTAL Equipment \$163.2

TOTAL EXPENDITURES \$1,110.6

3. Funding - General funds

4. Section Cost Analysis - N/A

Computations - N/A

Economic Impact - N/A

Impact on Local Government - N/A

FY91

1. Positions:

A. Data Processing:

1 PFT Analyst/Programmer V, R21,
@ \$4,856/Mo including salary and
benefits for 12 months = \$58,272

2 PFT Analyst/Programmer IV, R19,
@ \$4,281/Mo each including salary
and benefits for 12 months = 102,744

2 PFT Analyst/Programmer III, R17,
@ \$3,730/Mo each including salary
and benefits for 12 months = 89,520

The above analyst programmer team will design, program, and maintain the two major systems mentioned above, including all subsystems and interfaces with the existing Revenue systems and the Alaska State Accounting System.

These systems will provide for a minimum of the following:

Alaska Individual Income Tax Withholding System

- * Online system comparable to the federal system with monthly deposits, quarterly returns, and an annual reconciliation.
- * Direct deposit system at a "lock-box" bank by employers.
- * Automatic generation of:
 - quarterly packets of:
 - * monthly deposit coupons
 - * quarterly tax returns
 - notices of tax deficiencies, penalty and interest
 - standard correspondence
 - management reporting data.
- * Interface with accounts receivable system and Alaska Individual Income Tax Return Processing System.

Alaska Individual Income Tax Return Processing System

- * document locator number system
- * return data capture
- * online systems
 - access/inquiry
 - address changes
 - status change system
 - generation of out cards
 - use of microfilm vs hard copy for review
 - automated calculation checks
 - generation of reduced refund notices with appeal rights
 - generation of automated billings for deficiencies, penalty and interest with appeal rights

- * interface with accounts receivable system (A/R)
- * interface with AIITWHS to verify claimed withholding history file
- * possibility of multi-year file for easy access to information on prior year activity, etc.
- * check writing for refunds
- * management reporting data

B. Document Processing:

1. Mailroom

1 PFT Clerk IV, R9, @ \$2,343/Mo
including salary and benefits for
12 months = \$28,116

1 PFT Clerk II, R7, @ \$2,118/Mo
including salary and benefits
for 6 months = 12,708

These positions will augment the existing mailroom staff to perform the task of handling, opening, sorting, and distributing an additional:

- * approximately 275,000 Individual Income tax returns filed per year.
- * approximately 70,000 pieces of mail due to the Individual Income Tax Withholding System.
- * posting, handling and sorting of additional outgoing mail as follows:
 - approximately 7,000 missing information letters, billing notices, etc.

2. Validation

1 PFT Data Processing Clerk I,
R8, @ \$2,222/Mo including
salary and benefits for 6 months = \$13,332

This position will manually validate all the Alaska Withholding and Individual Income Tax Returns accompanied with a payment.

- * separate checks and returns
- * validate checks and returns
- * forward checks to Treasury
- * forward returns to microfilming

3. Manual Review

1 PFT Tax Examiner III, R14, @
\$3,124/Mo including salary and
benefits for 12 months = \$37,488

2 PFT Document Processor I, R7, @
\$2,118/Mo each including salary and
benefits for 12 months = 50,832

4 PFT Document Processor I, R7, @
\$2,118/Mo each including salary
and benefits for 6 months = 50,832

20 TEMP Document Processor I, R7, @
\$1,569/Mo each including salary and
benefits for 6 months = 188,280

These positions will manually review all Withholding and Individual Income Tax returns filed based on a predetermined criterion.

- * identify incomplete returns
- * send out automatically generated missing information letters
- * identify returns for desk examination

4. Microfilming

1 PFT Document Processor I, R7 @
\$2,118/Mo including salary and
benefits for 6 months = \$12,708

This position will augment the existing microfilm staff to microfilm, assign document locator numbers, and date stamp 100% of Withholding and Individual Income Tax returns filed.

5. Data Capture

1 PFT Data Processing Clerk III, R11
@ \$2,613/Mo including salary and
benefits for 6 months = \$15,678

2 PFT Data Processing Clerk I, R8,
@ \$2,222/Mo each including salary
and benefits for 12 months = 53,328

1 PFT Data Processing Clerk I, R8
@ \$2,222/Mo including salary and
benefits for 6 months = 13,332

7 TEMP Data Processing Clerk I,
R8 @ \$1,657/Mo each including
salary and benefits for 6 months = 69,594

These positions will augment the existing Data Capturing staff to data capture and verify captured data of 100% of Withholding and Individual Income Tax returns filed.

C. General Departmental Support Services

1 PFT Chief, Income Tax Operations,
R23, @ \$5,558/Mo including salary
and benefits for 12 months = \$66,696

1 PFT Personnel Assistant II, R14,
 @ \$3,115/Mo including salary and
 benefits for 12 months = 37,380

1 PFT Personnel Assistant I, R12,
 @ \$2,773/Mo including salary and
 benefits for 12 months = 33,270

2 PFT Accounting Clerk III, R10,
 @ \$2,468/Mo each including salary
 and benefits for 12 months = 59,232

1 PFT Clerk Typist III, R8, @
 \$2,222/Mo including salary and
 benefits for 12 months = 26,664

1 PFT Publications Specialist I,
 R13, @ \$2,915/Mo including salary
 and benefits for 12 months = 34,980

1 PFT Supply Officer II, R16,
 @ \$3,515/Mo including salary and
 benefits for 12 months = 42,180

These positions will augment the existing general administration support staff for the additional programs and related 100+ new employees.

- * Personnel:
 - classification of positions and respond to reclassification requests
 - maintain payroll and leave records
 - process registers, and arrange interviews
 - handle grievances, information requests, typing tests, etc.
- * Fiscal:
 - increase in travel requests
 - general distributions
 - handling increase in cancelled warrants
- * Supply and purchasing:
 - increase in supply orders for paper intensive organization
 - Purchases increase:
 - * general equipment
 - * computer terminals, printers
 - * maintenance contracts
 - * general office supplies
 - Property Control (terminals, furniture, calculators, etc. will increase.
- * Forms management:
 - preparation of Individual Income Tax booklet each year (considerably more complex than PFD booklet)

- preparation of employment withholding forms
- miscellaneous support forms:
 - * missing information letter
 - * denial forms
 - * check stock (refunds)

* General:

- general supervision and management of major additional line program in division, in addition to:
 - * permanent fund dividend program
 - * shared taxes
 - * administrative services to the department

TOTAL PERSONAL SERVICES

\$1,097.1

2. Other Expenditures:

a) Travel:

training, increased EEO travel, data processing coordination

\$8.0

b) Contractual:

1. 11 Wang 4250 workstations	\$66,792
2. 11 Wang emulator boards	8,855
3. 9 Wang 4230 workstations	48,600
4. 1 Wang DWS 55 printer	3,636
5. Printing - tax booklets, "L" letters, W/H forms, check stock, envelopes, etc.	202,000
6. Postage - booklets, letters, W/H forms, etc.	95,475
7. 2 Kodak Microfilmers with maintenance	30,336
8. 2 Kodak Reader/Printers	13,704
9. IBM Copier with maintenance	10,308
10. 20 phones, centrex costs, local and long distance	26,960
11. Risk management	600
12. Pitney Bowes 6500 System with maintenance	7,284
13. Chargeback for computer time from DOA	286,000
14. Wang Disk Pack cleaning	700
15. IBM Control Unit maintenance	600
16. Wang VS-100 I.O.P maintenance	360
17. Wang VS-100 Memory maintenance	720
18. Wang VS-100 Disk Drive maintenance	2,256
19. Wang/IBM remote access maintenance	240
20. Wang/IBM development package (NCTRON-CAP) with maintenance	15,000

21. 2 Borroughs EP 301 with maintenance	3,000
22. DOR's additional office space requirements	<u>204,708</u>

TOTAL CONTRACTUAL \$1,028.1

c) Supplies:

Computer, microfilm, duplicating, general consumption	\$18.0
--	--------

d) Equipment:

1. Kodak film carrousel	\$ 225
2. Additional systems furniture	137,988
3. Operational seating	9,000
4. File cabinets, calculators, etc.	<u>11,000</u>

TOTAL Equipment \$158.2

TOTAL EXPENDITURES \$2,309.4

3. Funding - General funds

4. Section Cost Analysis - N/A

Computations - N/A

Economic Impact - N/A

Impact on Local Government - N/A

FY92 - FY94

1. Positions:

A. Data Processing:

1 PFT Analyst/Programmer V, R21,
@ \$4,856/Mo including salary and
benefits for 12 months = \$58,272

2 PFT Analyst/Programmer IV, R19,
@ \$4,281/Mo each including salary
and benefits for 12 months = 102,744

1 PFT Analyst/Programmer III, R17,
@ \$3,730/Mo each including salary
and benefits for 12 months = 44,760

The above analyst programmer team will design, program, and maintain the two major systems mentioned above, including all subsystems and interfaces with the existing Revenue systems and the Alaska State Accounting System.

These systems will provide for a minimum of the following:

Alaska Individual Income Tax Withholding System

- * Online system comparable to the federal system with monthly deposits, quarterly returns, and an annual reconciliation.
- * Direct deposit system at a "lock-box" bank by employers.
- * Automatic generation of:
 - quarterly packets of:
 - * monthly deposit coupons
 - * quarterly tax returns
 - notices of tax deficiencies, penalty and interest
 - standard correspondence
 - management reporting data.
- * Interface with accounts receivable system and Alaska Individual Income Tax Return Processing System.

Alaska Individual Income Tax Return Processing System

- * document locator number system
- * return data capture
- * online systems
 - access/inquiry
 - address changes
 - status change system
 - generation of out cards
 - use of microfilm vs hard copy for review
 - automated calculation checks
 - generation of reduced refund notices with appeal rights
 - generation of automated billings for deficiencies, penalty and interest with appeal rights

- * interface with accounts receivable system (A/R)
- * interface with AIITWHS to verify claimed withholding history file
- * possibility of multi-year file for easy access to information on prior year activity, etc.
- * check writing for refunds
- * management reporting data

B. Document Processing:

1. Mailroom

1 PFT Clerk IV, R9, @ \$2,343/Mo
including salary and benefits for
12 months = \$28,116

1 PFT Clerk II, R7, @ \$2,118/Mo
including salary and benefits
for 12 months = 25,416

These positions will augment the existing mailroom staff to perform the task of handling, opening, sorting, and distributing an additional:

- * approximately 275,000 Individual Income tax returns filed per year.
- * approximately 70,000 pieces of mail due to the Individual Income Tax Withholding System.
- * posting, handling and sorting of additional outgoing mail as follows:
 - approximately 7,000 missing information letters, billing notices, etc.

2. Validation

1 PFT Data Processing Clerk I,
@ \$2,222/Mo including salary
and benefits for 12 months = \$26,664

This position will manually validate all the Alaska Withholding and Individual Income Tax Returns accompanied with a payment.

- * separate checks and returns
- * validate checks and returns
- * forward checks to Treasury
- * forward returns to microfilming

3. Manual Review

1 PFT Tax Examiner III, R14, @
\$3,124/Mo including salary and
benefits for 12 months = \$37,488

6 PFT Document Processor I, R7, @
\$2,118/Mo each including salary and
benefits for 12 months = 152,496

20 TEMP Document Processor I, R7, @
\$1,569/Mo each including salary and
benefits for 6 months = 188,280

These positions will manually review all Withholding and Individual Income Tax returns filed based on a predetermined criterion.

- * identify incomplete returns
- * send out automatically generated missing information letters
- * identify returns for desk examination

4. Microfilming

1 PFT Document Processor I, R7 @
\$2,118/Mo including salary and
benefits for 12 months = \$25,416

This position will augment the existing microfilm staff to microfilm, assign document locator numbers, and date stamp 100% of Withholding and Individual Income Tax returns filed.

5. Data Capture

1 PFT Data Processing Clerk III, R11
@ \$2,613/Mo including salary and
benefits for 12 months = \$31,356

3 PFT Data Processing Clerk I, R8,
@ \$2,222/Mo each including salary
and benefits for 12 months = 79,992

7 TEMP Data Processing Clerk I,
R8 @ \$1,657/Mo each including
salary and benefits for 6 months = 69,594

These positions will augment the existing Data Capturing staff to data capture and verify captured data of 100% of Withholding and Individual Income Tax returns filed.

C. General Departmental Support Services

1 PFT Chief, Income Tax Operations,
R23, @ \$5,558/Mo including salary
and benefits for 12 months = \$66,696

1 PFT Personnel Assistant II, R14,
@ \$3,115/Mo including salary and
benefits for 12 months = 37,380

1 PFT Personnel Assistant I, R12,
@ \$2,773/Mo including salary and
benefits for 12 months = 33,270

2 PFT Accounting Clerk III, R10,
@ \$2,468/Mo each including salary
and benefits for 12 months = 59,232

1 PFT Clerk Typist III, R8, @
\$2,222/Mo including salary and
benefits for 12 months = 26,664

1 PFT Publications Specialist I,
R13, @ \$2,915/Mo including salary
and benefits for 12 months = 34,980

1 PFT Supply Officer II, R16,
@ \$3,515/Mo including salary and
benefits for 12 months = 42,180

These positions will augment the existing general administration support staff for the additional programs and related 100+ new employees.

* Personnel:

- classification of positions and respond to reclassification requests
- maintain payroll and leave records
- process registers, and arrange interviews
- handle grievances, information requests, typing tests, etc.

* Fiscal:

- increase in travel requests
- general distributions
- handling increase in cancelled warrants

* Supply and purchasing:

- increase in supply orders for paper intensive organization
- Purchases increase:
 - * general equipment
 - * computer terminals, printers
 - * maintenance contracts
 - * general office supplies
- Property Control (terminals, furniture, calculators, etc. will increase.

* Forms management:

- preparation of Individual Income Tax booklet each year (considerably more complex than PFD booklet)
- preparation of employment withholding forms
- miscellaneous support forms:
 - * missing information letter
 - * denial forms
 - * check stock (refunds)

- * General:
 - general supervision and management of major additional line program in division, in addition to:
 - * permanent fund dividend program
 - * shared taxes
 - * administrative services to the department

TOTAL PERSONAL SERVICES \$1,171.0

2. Other Expenditures:

a) Travel:

training, increased EEO travel, data processing coordination \$8.0

b) Contractual:

1. 11 Wang 4250 workstations	\$66,792
2. 11 Wang emulator boards	8,855
3. 9 Wang 4230 workstations	48,600
4. 1 Wang DWS 55 printer	3,636
5. Printing - tax booklets, "L" letters, W/H forms, check stock, envelopes, etc.	186,000
6. Postage - booklets, letters, W/H forms, etc.	80,475
7. 2 Kodak Microfilmers with maintenance	30,336
8. 2 Kodak Reader/Printers	13,704
9. IBM Copier with maintenance	10,308
10. 20 phones, centrex costs, local and long distance	26,960
11. Risk management	600
12. Pitney Bowes 6500 system with maintenance	7,284
13. Chargeback for computer time from DOA	357,500
14. Wang Disk Pack cleaning	700
15. IBM Control Unit maintenance	600
16. Wang VS-100 I.O.P maintenance	360
17. Wang VS-100 Memory maintenance	720
18. Wang VS-100 Disk Drive maintenance	2,256
19. Wang/IBM development package (NETRON-CAP) with maintenance	15,000
20. Wang/IBM remote access maintenance	240
21. 2 Borroughs EP 301 with maintenance	3,000
22. DOR's additional office space requirements	<u>204,708</u>

TOTAL CONTRACTUAL \$1,068.6

c) Supplies:

Computer, microfilm, duplicating,
general consumption

\$18.0

d) Equipment: None.

TOTAL EXPENDITURES

\$2,265.6

3. Funding - General funds

4. Section Cost Analysis - N/A

Computations - N/A

Economic Impact - N/A

Impact on Local Government - N/A

FISCAL NOTE

REQUEST: _____

Revision Date: _____
Title: An act relating to the taxation of income derived by individuals
Sponsor: Koponen, Spohnholz, Ulmer et.al
Requestor: State Affairs and Finance

Agency Affected: Revenue
BRU: Commissioner's Office (Research)
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
OPERATING						
PERSONAL SERVICES	54.6	54.6	54.6	54.6	54.6	54.6
TRAVEL	1.5	1.5	1.5	1.5	1.5	1.5
CONTRACTUAL	39.9	28.6	28.6	28.6	28.6	28.6
SUPPLIES	.9	.9	.9	.9	.9	.9
EQUIPMENT	6.8	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	103.7	85.6	85.6	85.6	85.6	85.6
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	103.7	85.6	85.6	85.6	85.6	85.6
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel
Division: Income and Excise Audit

Phone: (907) 465-2320
Date: April 10, 1989

Approved by Commissioner: _____
Agency: _____

Date: _____

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Continuation of Fiscal Note/Bill Analysis

Individual Income Tax

Assumptions:

1. The Research Section will be responsible for economic and statistical reports on the Individual Income Tax.
2. The Research Section will forecast tax revenues and respond to requests from the Governor's Office, the Legislature and the Public for current and historical statistical information.
3. The Research Section will prepare fiscal notes on revenue impacts of any proposed changes to income tax law.
4. Assumes that duties begin at the start of FY90. Items with a asterisk (*) are costs for the first year only.

1. Positions

Research

1 PFT, Economist II, R 20 at \$4,550/mo.
including salary and benefits for
12 months

Total Personal Services

\$54.6

The above position will do all analysis, program development and coordination of research on the individual income tax. These duties include forecasting economic conditions and tax revenues. Other duties will include development and maintenance of data bases to support the research and forecasting efforts, the preparation of fiscal notes, policy analyses, and coordination of research needs with those of tax administrators.

This work will provide the following information:

1. Income and tax information by income class.
2. The ability to estimate revenue impacts of any significant change in tax structure - rates, income classes, exemptions and deductions.
3. If zip code information is available it should be possible to present such data on a geographic basis.

2. Other Expenditures

a. Travel

Assume 3 trips in-state per year for
coordination, public information, testimony \$1.5

b. Contractual

1. Economic Consulting during model development
15 days at \$750/day 11.3*
2. Phone, centrex, local and long
distance charges .6
3. Chargeback for computer time from DOA 28.0

c. Supplies

Duplication, general consumption, mailing .7
Books, technical journals .2

d. Equipment

1. Wang APC, VS Communication Board and
30mb Hard Disk 6.5*
2. Desk Calculator .3*

Total Expenditure First Year \$103.7

Total Expenditure Subsequent Years \$85.6

3. Funding - General Funds

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An act relating to the taxation of income derived by individuals
Sponsor: Koponen, Spohnholz, Ulmer et.al
Requestor: State Affairs and Finance

Agency Affected: Revenue
BRU: Treasury
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
OPERATING						
PERSONAL SERVICES	32.8	46.4	46.4	46.4	46.4	46.4
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	44.6	89.1	89.1	89.1	89.1	89.1
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	77.4	135.5	135.5	135.5	135.5	135.5
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	77.4	135.5	135.5	135.5	135.5	135.5
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	77.4	135.5	135.5	135.5	135.5	135.5

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME	1	1	1	1	1	1
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel
Division: Income and Excise Audit

Phone: (907) 465-2320
Date: April 10, 1989

Approved by Commissioner: _____
Agency: _____

Date: _____

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

DEPARTMENT OF REVENUE
TREASURY DIVISION

FISCAL NOTE ANALYSIS

ASSUMPTIONS:

1. Cash Management Section will develop the RFP and the contract to lockbox the monthly employers' withholding tax deposits. 17,500 payments per month.
2. Cash Management Section will perform the depository functions of the remittances attached to individual tax returns. 100,000 per year.
3. Cash Management Section will process all returned items (NSF checks, etc.). 1,500 per year.
4. Processing and deposit of penalty and interest payments.
5. Cash Management Section will provide the accounting to AKSAS and reconciliation between the bank, AKSAS, and the Department of Revenue's system for the tax payments on a consolidated basis.

COSTS:

<u>Personal Services</u>	<u>FY 19 90</u>	<u>FY 19 91</u>
Accounting Technician I \$2,718 X 12 mo	19.0*	32.6
Accounting Clerk II \$2,310 X 6 mo	13.8	13.8
Lockbox contract	<u>44.6</u>	<u>89.1</u>
TOTAL	<u>\$77.4</u>	<u>\$135.5</u>

* 7 months in FY 1988

DEVELOPMENT TIME:

		<u>Completion Date</u>
Technical Analysis of the required system	4 months	10/89
Lockbox Contract	3 months	12/89
In-house training of depository procedures	2 weeks	12/89
In-house training of accounting procedures	2 weeks	12/89

STATE OF ALASKA THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465-3800

LEGISLATIVE AFFAIRS AGENCY

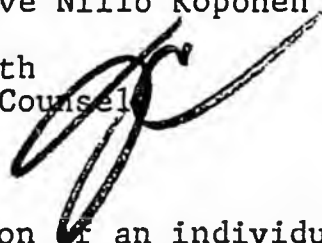
MEMORANDUM

March 27, 1989

SUBJECT: House Bill 252, imposing an individual income tax, work - sectional analysis

TO: Representative Niilo Koponen

FROM: Jack Chenoweth
Legislative Counsel



This bill proposes imposition of an individual income tax. It is based on CSHB 154 (State Affairs) of the 1987 session, a committee substitute that was in turn based on Governor Cowper's initial bill. (The governor's comments applicable to the legislation he sponsored appear on pp. 347 - 350 of the 1987 House Journal.) The legislation re-inserts individual income tax-related provisions--and related provisions applicable to fiduciary (i.e. trust and estate) income--into the state's Net Income Tax Act, AS 43.20.

In the following summary, I address the sections in order of their apparent significance rather than strictly in numerical order.

Bill section 1 adds subsections to AS 43.20.011 setting out the methods of determining tax liability. The rates are set out in four different filing statuses--joint returns (subsection (h)), head of household returns (subsection (i)), returns of married persons filing separate returns (subsection (j)), and all other persons (subsection (g))-- and for determining nonresident and part-year resident tax liability. Another subsection, subsection (l), directs that the taxpayer's filing status is to follow the same as elected on the taxpayer's federal income tax return. Under the bill, the filing status determines how much income is taxed in each of the two brackets, 3.2% and 5.7%. The bill follows the example of the governor's submission by replacing the approach used in the prior individual income tax to reduce the disparity in the treatment that had favored nonresidents over residents.

Bill section 5 adds subsections to AS 43.20.031 to outline methods of determining a taxpayer's gross income, adjusted gross income, and taxable income. The taxpayer's gross income will match the taxpayer's federal gross income with the two exceptions proposed in subsection (j):

-- cost-of-living allowances exempt from federal income taxation are added to the state tax base;

-- interest on state and municipal obligations that would normally be exempt from taxation is also added to the tax base for state income tax purposes.

Subsection (k) enumerates allowable adjustments to gross income. To determine taxable income, subsection (m) authorizes certain deductions from adjusted gross income. Originally, the governor proposed recognizing the personal exemptions authorized by federal law. In this version, in addition to that deduction, an alternative is offered-- exemption of the amount permitted by applicable federal poverty level guidelines computed and reported for Alaska. Subsection (l) disallows these exemptions for trust and estate income. Subsection (n) sets out applicable definitions for this section.

Bill sections 6 - 8 are interrelated. Bill sections 6 and 8 add provisions relating to tax calculations for nonresidents and part-year residents, while bill section 7 extends taxation to income derived from salary and wages in the state and estate and trust income. The inclusion of the material in bill sections 6 and 8 is intended to parallel related provisions in AS 43.20.011, applicable to the calculation of income, and AS 43.20.031, applicable to determination of adjusted gross income and of exemptions by nonresidents and part-year residents.

Bill section 9 addresses allowable tax credits. As with Governor Cowper's bill, this section authorizes, as credits against the individual income tax of a resident, taxes payable to another state or territory, and also authorizes the taxpayer to set off expected payment of a permanent fund dividend receivable against the individual income tax liability. In addition to the credits recommended in the governor's legislation, this section adds as allowable credits

(1) the taxes that are paid to Alaska municipal governments--motor vehicle registration, sales and use, and property--and

(2) a "renter's credit" calculated and applied substantially as the renter's credit allowed by the Department of Community and Regional Affairs for senior citizens under AS 29.45.040.

A related section, bill section 11, directs the commissioner of revenue to prepare a deduction guide to assist the taxpayer to calculate the sales and use tax credits related to municipal sales and use tax levies that this bill authorizes.

Current law provides an exemption from state and municipal taxation for longevity bonus payments. Bill section 14 deletes the exemption from the state income tax, making longevity bonus payments subject to state individual income taxation.

*

Several sections are essentially procedural.

Under bill section 3, the state individual income tax is made due and payable at the same time as the federal individual income tax.

Amending AS 43.20.030(d), bill section 4 would require that every taxpayer file a copy of the federal return with his or her state tax return. The section also prescribes when the taxpayer would be required to file an amended state income tax return if the taxpayer or the IRS determined an adjustment of the taxpayer's federal income tax liability.

Bill section 12 establishes new responsibilities on employers, directing withholding of taxes from employees, submission of withholding reports, remittance of the amounts withheld, and preparation and furnishing of wage and tax statements.

*

The remainder of the bill makes essential-drafting, technical, and conforming changes.

Representative Niilo Koponen
Page 4
March 27, 1989

Bill section 2 makes a conforming change to add references to the additions and amendments made elsewhere in the legislation. Bill section 10 makes a technical revision based on current bill drafting practices. Bill section 13 restores pertinent definitions relating to terms used in the amendments and additions made in the legislation.

The provisions repealed by bill section 15 delete the tax credits for political contributions and child care (AS 43.-20.013) now under suspension; a related provision (AS 43.05.-085) addressing preparation of lists of contributors claiming a credit under that section; and a conflicting provision (AS 43.20.012) stating that the Alaska Net Income Tax Act is not applicable to individuals and fiduciaries;

*

As to the legislation's taking effect, taken together, bill sections 16 and 17 make the bill effective January 1, 1990, and applicable to income earned on and after that date.

JC:kb
WKK3/039

Item 4

Alaska State Legislature
Representative Niilo Koponen

Pouch V
Juneau, Alaska 99811
(907) 465-4992

House District 21

119 N. Cushman, Suite 207
Fairbanks, Alaska 99701
(907) 456-8172

MEMORANDUM

TO: Fiscal Policy Working Group
FROM: Rep. Koponen *AK*
RE: income tax scenarios
DATE: 1/31/89

Rep. Swackhammer asked that this office provide figures demonstrating the impact upon individual households of an income tax proposal I currently have in draft form. The following are eight such examples.

For simplicity I have used taxable income rather than gross or adjusted gross income in computing final taxes. Also, all residents are assumed to live in Anchorage. Property tax is calculated at the 1987 rate of 13.39 mils. This also assumes no sales tax.

1. 30 yr. old single construction worker from Washington state. His share of rent for 4 mos. is \$150/mo. giving him a rental credit of \$20/mo. (\$150 @ 13.39%). Taxable income from all sources as reported to IRS, \$60,000. Fraction of income derived from Alaskan sources as determined in sec.1 (k): 1/3.

tax on income	\$30,000 @ 3.2%	960	
	\$30,000 @ 5.7%	<u>1,710</u>	
		2,670	
		<u>x .33</u>	
		881.1	881
credits	rent		<u>(80)</u>
total tax:			801

2. Couple, in their 70's. Both receive longevity bonus (\$250/mo.) and Permanent Fund dividend (\$900/yr.). They are exempt from property tax. Taxable income, \$12,000. They elect to credit their PF dividend check against their tax.

tax on income	\$12,000 @ 3.2%		384
total tax:			384
total received from state:	PF dividend		1,416
	Longevity bonus	<u>6,000</u>	<u>7,416</u>

3. Couple, in their 40's, two children, both work, filing jointly. Combined taxable income of \$80,000 (incl. PF dividend). Property tax on home, \$2,500. Auto registration tax, 2 cars, one new, one 4yrs. old, \$90.

tax on income:	\$50,000 @ 3.2%	1,600	
	\$30,000 @ 5.7%	<u>1,710</u>	
		3,310	3,310
credits:	property tax	(2,500)	
	auto	<u>(90)</u>	
		(2,590)	<u>(2,590)</u>
total tax:			720

4. Married couple, in their twenties, two children, both work. Combined taxable incomes, \$38,000 (incl. PF dividend). Rent home, assume \$87.04/mo. tax credit (rent, \$650/mo. x 13.39%). Auto reg. tax, one 3 yr. old car, \$40.

tax on income	\$38,000 @ 3.2%		1,216
credits	rent	(1,044)	
	auto	<u>(40)</u>	
		(1,084)	<u>(1,084)</u>
total tax:			132

5. Limited Entry fisherman from Bellingham, WA. Married, filing separately. Earns \$80,000 taxable in season. No local taxes paid.

tax on income	\$25,000 @ 3.2%	800	
	\$55,000 @ 5.7	<u>3,135</u>	
		3,935	<u>3,935</u>
total tax:			3,935

6. North slope construction worker from Oklahoma City, OK. Single. Earns \$60,000/yr. taxable. No local taxes paid.

tax on income	\$30,000 @ 3.2%	960	
	\$30,000 @ 5.7%	<u>1,710</u>	
		2,670	<u>2,670</u>
total tax:			2,670

7. Single mother, on AFDC, 2 children. 3 PF dividend checks (\$2,700/yr.). Eight weeks summer work, minimum wage (8wks @ \$154/wk. = \$1,232). Falls below federal poverty guidelines.

total tax: 0

8. Married couple, self-employed entrepreneurs. Filing jointly. Combined incomes, all sources, \$150,000. Prop. tax, \$3,200. Auto reg. tax (two cars, new, one motorcycle, \$128). Pers. Prop. tax on airplane, \$800. 1yr old recreational motor home, \$50.

tax on income:	\$50,000 @ 3.2%	1,600	
	\$100,000 @ 5.7%	<u>5,700</u>	
		7,300	7,300
credits:	property tax	(3,200)	
	auto	(128)	
	pers. prop. tax	<u>(850)</u>	
		(4,178)	<u>(4,178)</u>
total tax:			3,122

Wanted: A business of his own



By Barb Kinney

CAPITAL HOLIDAY: Mark Nelson and Tina Janso on vacation last month in Washington, D.C.

Nelson's finances

Assets

Checking accounts	\$1,350
Money market fund	92,000
Municipal bonds	8,900
Real estate	146,000
401(k) retirement plan	14,000
Individual retirement account	21,700
Mortgage note	18,000
Furnishings	2,000
Misc. (coin collection, guns, tools)	14,000
Pickup truck and car	7,500
Total	\$325,450

Liabilities

Real estate loans	\$79,000
Net worth	\$246,450

Annual income

Salary	\$64,000
Plumbing work	3,000

Source: USA TODAY research

Interest	5,650
Alaska state resident dividend	800
Net rental income	(800)
Total	\$72,650

Annual expenses

Food	1,200
Clothes	600
Telephone	1,800
Cleaners	120
Auto expenses	900
Car Insurance	240
Entertainment	1,800
Vacations	2,400
Donations to church and charity	300
Medical expenses	240
Gifts	900
Misc. personal expenses	240
Federal income taxes	13,800
Social Security	3,605
Available for savings	45,505
Total	\$72,650

By Jim Henderson
USA TODAY

Mark Nelson is ready to begin Stage 2 of his life's dream of owning and running his own business.

Stage 1 was to make as much money as quickly as possible so he could buy a business. Stage 2 is finding and buying one.

At 28, Nelson has a net worth of nearly a quarter of a million dollars, and it's getting fatter by the day.

After graduating in 1983 from the University of Idaho with a degree in accounting and finance, he headed to Alaska from his hometown of Lewiston, Idaho, to make big bucks in the oil boom.

He spent a year in the offices of an oil firm in Anchorage and then transferred in Prudhoe Bay, north of the Arctic Circle.

He's an administration manager for Alaska Petroleum Contractors Inc. His work schedule: three weeks on — 12 hours a day,

seven days a week — then three weeks off. His salary: \$64,000 a year.

"The beauty of my job is that I'm not only paid a good salary, but for the six months a year I'm up there, all my living expenses are paid for." Back in Lewiston, he lives with his mother and stepfather and works as a plumber. His stepfather owns a plumbing business.

He has invested in three rental properties in the Lewiston area: a duplex, a commercial building that houses a real estate office and a sign-making company, and a condominium that he owns in partnership with his mother, a Realtor.

"Real estate values haven't gone through the roof in Lewiston like they have in California and the East Coast, but they're pretty stable and have gone up a little each year," he says.

The properties are worth about \$146,000. He paid a total of \$127,000 for them and owes \$79,000 on mortgages.

During the past two years, Mark has been spending more of his time off traveling. He also has fallen in love. He met Tina Janso, 26, of Copenhagen, Denmark, in 1981 when he spent a summer backpacking in Europe. They plan to get married next spring. Tina will move to the USA. They plan to work together in Alaska while they research a business to buy, then work in it together.

Mark has been to the Soviet Union, China, Hong Kong, Japan, and Africa. "But I try to do it as cheaply as possible," he says. "Backpacks and youth hostels." His company-paid plane flights to Prudhoe Bay qualify him for frequent flier mileage.

Besides real estate, most of his money is invested in a money market mutual fund and tax-free municipal bonds, bought through his father, a broker for D.A. Davidson & Co., a regional brokerage based in Great Falls, Mont.

Mark is "wide open" about what kind of business he wants. "I want to go about it the right way and take my time searching for the right business. I don't mind working hard, and I figure if things don't work out I'll still be young enough for a comeback." His only criteria at this point: "Some place warmer than Alaska, and no rat-race cities like L.A. or New York."



By John Sherlock, USA TODAY

Under the draft proposal, Mr. Nelson would pay Alaska approximately \$2,842 on income earned in the state.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

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

January 23, 1989

MEMORANDUM

TO: Representative Niilo Koponen

ATTN: Dana Owen

FROM: Gretchen Keiser *G. Keiser*
Legislative Analyst

RE: State Individual Income Tax Proposal
Research Request 89.118

You asked us to review your state individual income tax proposal and provide information on the following:

- who would pay (excluding those below the federal poverty level),
- what the individual tax liability would be, and
- how much revenue the tax would generate.

The first section of this memorandum outlines the tax proposal and compares it with similar individual income tax legislation (HB 154) introduced by Governor Cowper in 1987. The second section presents a rough estimate of the proposal's revenue-generating potential and individual tax liability. My estimate is based on Alaska Department of Revenue calculations for HB 154 prepared in 1987, adjusted for differences in your current proposal.¹

INDIVIDUAL INCOME TAX PROPOSAL

The proposed individual income tax is piggybacked on the current federal tax. Adjustments to the federal definition of gross income broaden the state tax base while allowable deductions generally follow the federal tax code. Personal exemptions of \$3,000 are subtracted from the adjusted gross income to yield the taxable income of each taxpayer. You propose a two-tiered tax rate structure with higher income brackets being taxed at a higher rate, as follows:

¹Due to staff constraints, the Department of Revenue is unable to calculate new estimates for your proposed tax at this time.

<u>Taxpayer Status</u>	<u>Taxable Income</u>	<u>Tax Rate</u>
Individual	\$31 - \$29,999 \$30,000 or more	3.2% \$960 + 5.7% of income in excess of \$30,000
Married, Joint Return	\$31 - \$49,999 \$50,000 or more	3.2% \$1,600 + 5.7% of income in excess of \$50,000
Head of Household	\$31 - \$39,999 \$40,000 or more	3.2% \$1,280 + 5.7% of income in excess of \$40,000
Married, Separate	\$31 - \$24,999 \$25,000 or more	3.2% \$800 + 5.7% of income in excess of \$25,000

Tax credits would be allowed for income tax imposed by another state or territory of the United States and for property, sales, use and motor vehicle registration taxes imposed by a municipality under AS 29.45. Other provisions would 1) require collection of the tax by an employer, 2) direct the DOR to issue sales and use tax deduction guides, and 3) eliminate the exemption of the Alaska longevity bonus from state tax [AS 47.45.120(a)].

Governor Cowper's 1987 individual income tax legislation (HB 154; Attachment A) is similar to your proposal, except for a few key provisions, as follows:

- the longevity bonus is not included in gross income,
- allowable deductions include permanent fund dividends, and
- tax credits are not allowed for municipal property, sales, use and motor vehicle registration taxes.

REVENUE POTENTIAL AND TAX LIABILITY

In December 1987, the DOR estimated that an individual income tax, as outlined in HB 154 but including permanent fund dividends in taxable income, would generate about \$265 million in FY 89. Table 1 summarizes the DOR estimates of the number of returns, taxable income, tax liability and effective tax rate by adjusted gross income groups. For example, the 32,523 taxpayers (13.7 percent of total returns) with adjusted gross incomes between \$20,001 and \$30,000 would have an average taxable income of \$17,811 and pay an average of \$548 in state income taxes. As a group, they would have taxable income of about \$58 million and would pay about \$18 million in state income taxes.

TABLE 1
ALASKA DEPARTMENT OF REVENUE FY 89 ESTIMATES OF A STATE INDIVIDUAL INCOME TAX

Adjusted Gross Income Group	----- Tax Returns -----		----- Taxable Income -----		----- Tax Liability -----		Effective Tax Rate (Average)
	Number	% of Total	Sum (Millions)	Average	Sum (Millions)	Average	
Loss	3,233	1.4	0	0	0	0	0
\$0 to \$10,000	53,240	22.4	\$11.25	\$2,114	\$3.49	\$66	0.90
\$10,001 to \$20,000	46,007	19.3	42.72	9,287	13.2	287	1.9
\$20,001 to \$30,000	32,523	13.7	57.92	17,811	17.81	548	2.09
\$30,001 to \$40,000	24,743	10.4	66.2	26,758	20.89	845	2.18
\$40,001 to \$50,000	19,427	8.2	70.09	36,083	23.17	1,193	2.28
\$50,001 to \$60,000	15,252	6.4	69.62	45,650	23.34	1,531	2.24
\$60,001 to \$70,000	11,432	4.8	63.53	55,578	22.39	1,959	2.31
\$70,001 to \$80,000	8,566		56.09	65,484	21.22	2,478	2.47
\$80,001 to \$90,000	6,267	2.6	47.17	75,281	18.75	2,992	2.61
\$90,001 to \$100,000	4,374	1.8	37.28	85,238	15.32	3,503	2.68
\$100,001 to \$150,000	8,940	3.8	97.62	109,201	42.72	4,779	2.83
\$150,001 to \$200,000	2,408	1.0	38.9	161,550	18.3	7,601	3.2
\$200,001 to \$300,000	1,153	0.5	26.4	228,977	12.83	11,131	3.47
\$300,001 to \$400,000	301	0.1	9.98	331,932	4.99	16,607	3.58
Over \$400,000	236	0.1	13.51	572,682	7.05	29,905	3.87
Total	238,102	100.1	\$708.28		\$265.47		

Note: Unpublished estimates prepared by the Alaska Department of Revenue in December 1987 using their income tax model. The estimates are based on 1986 federal individual income tax data and the September 1987 petroleum revenue forecast.

Prepared by the House Research Agency, January 1989 (89.118).

Representative Koponen
January 23, 1989
Page 4

The DOR estimated that 27,872 nonresidents and part-time residents--about 12 percent of the total number of tax returns--would pay \$16.2 million--about six percent of the total tax burden.

Your current individual income tax proposal would likely generate less state revenue than that estimated by DOR in 1987. The following factors affect the revenue estimate:

- The September 1987 petroleum revenue forecast used as the basis of the economic scenario in generating the above income tax estimate projected considerably higher crude oil prices than the recent October 1988 forecast. The average Alaska North Slope wellhead in 1990 was projected to be \$12.05/barrel in the September 1987 forecast and \$7.00/barrel in the October 1988 forecast. Recent increases in crude oil prices, however, appear to improve the near-term outlook for state petroleum revenues.
- Unlike the 1987 DOR estimate, your proposal would allow taxpayers credits for property, sales, use and motor vehicle registration taxes paid to Alaska municipalities. The deductibility of municipal taxes erodes the tax base of the state, and represents a leakage of tax dollars from the state to local governments. For example, a 1986 DOR study of several income tax alternatives indicated about a \$7 million leakage from municipal property taxes under one alternative which generated about \$428 million.² The portion of municipal sales taxes--totaling about \$35 million in 1987--paid by Alaskans and allowable as tax credits would further reduce the revenue generated under your proposal.³
- The Alaska Department of Labor's most recent population estimates show a loss of about 10,000 people between July 1, 1986 and July 1, 1987. It is likely that new individual income tax revenue estimates, if based on 1987 rather than 1986 federal tax returns, would be lower because of a probable reduction in the number of taxpayers.
- Your proposal would exempt people whose income falls below the federal poverty levels. It is difficult to estimate the revenue effect of this exemption because there are no recent figures for the number of Alaska taxpayers with cash income below the federal

²"Individual Income Tax Report," December 31, 1986 memorandum from Mary Ellen Frank, David Tonkovich and Al Zangri to Vince Wright, Chief of Research, Alaska Department of Revenue. The municipal property tax leakage figure is estimated for the moderate economic scenario under tax alternative two.

³"Alaska Taxable 1987," Alaska Department of Community and Regional Affairs, p 111.

Representative Koponen
January 23, 1989
Page 5

poverty levels (Attachment B provides the current poverty income guidelines for Alaska published by the U.S. Department of Health and Human Services).⁴ It is likely, however, that many taxpayers of the low adjusted gross income group (\$0 to \$10,000) in the DOR 1987 income tax estimate--with an average taxable income of \$2,114--would be exempt. These taxpayers' estimated tax burden of \$3.5 million would have only a slight effect on the total estimated revenues.

To estimate net state revenue generated from a state individual income tax, one must account for the cost of administering the tax program. A fiscal note prepared by the Alaska Department of Revenue in 1987 shows an administrative cost of about \$1.8 million in the first year and averaging \$4.2 million in annual costs thereafter (Attachment C).

A factor which would increase the revenue estimate is the tax liability generated by the Alaska longevity bonus. If we assume that the average Alaska senior would have taxable income falling under the lower 3.2 percent tax rate, an annual bonus of \$3,000 (\$250/month times 12 months) would create a tax liability of \$96 per senior. Assuming all participants would pay taxes (i.e., roughly 17,000), about \$1.6 million in state income tax revenues would be generated.

In summary, several factors would lower the previously mentioned DOR revenue estimate of \$265 million. It appears likely that the state individual income tax in your proposal would generate somewhat less than \$250 million in annual tax revenues. Although the estimates are rough, I hope this memorandum provides useful information. Please contact me if you have any questions.

Attachments

⁴The most recent comprehensive statewide figures for poor Alaskans are those in the 1980 Census, which are based on 1979 income. At that time, a total of 41,615 Alaskans were reported as below the federal poverty levels.

ATTACHMENT A

Governor Cowper's 1987 Individual Income Tax Legislation (HB 154)

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE
2 CS FOR HOUSE BILL NO. 154 (State Affairs)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the taxation of income; relating
7 to individual tax credits; and providing for an
8 effective date."

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

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

11 (g) There is imposed for each taxable year upon the taxable
12 income of every resident, nonresident, and part-year resident indi-
13 vidual and fiduciary of the state, except those subject to the rates
14 in (h), (i), and (j) of this section, a tax computed according to the
15 following table:

16 If the taxable income is:	Then the tax is:
17 Over \$31 but less than \$30,000	3.2 percent of taxable income
18 \$30,000 or more	\$960 plus 5.7 percent of the 19 excess over \$30,000.

20 (h) There is imposed for each taxable year upon the taxable
21 income of every resident, nonresident, and part-year resident married
22 individual who makes a single return jointly with a spouse, as provid-
23 ed in 26 U.S.C. 6013 (Internal Revenue Code), and upon every resident,
24 nonresident, and part-year resident surviving spouse, as defined in 26
25 U.S.C. 2(a) (Internal Revenue Code), a tax computed according to the
26 following table:

27 If the taxable income is:	Then the tax is:
28 Over \$31 but less than \$50,000	3.2 percent of taxable income
29 \$50,000 or more	\$1,600 plus 5.7 percent of the

1 excess over \$50,000.

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

6	If the taxable income is:	Then the tax is:
7	Over \$31 but less than \$40,000	3.2 percent of taxable income
8	\$40,000 or more	\$1,280 plus 5.7 percent of the
9		excess over \$40,000.

10 (j) There is imposed for each taxable year upon the taxable
11 income of every resident, nonresident, and part-year resident married
12 individual who does not make a single return jointly with a spouse a
13 tax computed according to the following table:

14	If the taxable income is:	Then the tax is:
15	Over \$31 but less than \$25,000	3.2 percent of taxable income
16	\$25,000 or more	\$800 plus 5.7 percent of the
17		excess over \$25,000.

18 (k) In (g), (h), (i), and (j) of this section, the tax on a
19 nonresident or part-year resident individual or fiduciary is the tax
20 computed on taxable income from all sources, multiplied by a fraction
21 the numerator of which is adjusted gross income from sources in the
22 state and the denominator of which is adjusted gross income from all
23 sources.

24 (l) An individual shall determine the tax under this section
25 using the same filing status as used on the individual's federal
26 return.

27 * Sec. 2. AS 43.20.030(a) is amended to read:

28 (a) Every individual, fiduciary, and [IF A PARTNERSHIP WHICH HAS
29 A CORPORATION AS A PARTNER OR A] corporation [IS] required to make a

1 return under the provisions of the Internal Revenue Code [, IT] shall
2 at the same time file with the department a return setting out

3 (1) the amount of tax due under this chapter, less allow-
4 able credits and payments claimed against the tax; and

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

7 * Sec. 3. AS 43.20.030(d) is amended to read:

8 (d) A taxpayer [, UPON REQUEST BY THE DEPARTMENT,] shall file
9 with the return [FURNISH TO THE DEPARTMENT] a [TRUE AND] correct copy
10 of the tax return [WHICH THE TAXPAYER HAS] filed with the United
11 States Internal Revenue Service. Every taxpayer shall file an amended
12 return with the department, and remit any additional tax and interest
13 due [NOTIFY THE DEPARTMENT IN WRITING OF ANY ALTERATION IN, OR MODI-
14 FICATION OF, THE TAXPAYER'S FEDERAL INCOME TAX RETURN AND OF A RECOM-
15 PUTATION OF TAX OR DETERMINATION OF DEFICIENCY (WHETHER WITH OR WITH-
16 OUT ASSESSMENT). A FULL STATEMENT OF THE FACTS SHALL ACCOMPANY THIS
17 NOTICE. THE NOTICE SHALL BE FILED] within 60 days after the final
18 determination of the taxpayer's federal tax liability [MODIFICATION,
19 RECOMPUTATION OR DEFICIENCY, AND THE TAXPAYER SHALL PAY THE ADDITIONAL
20 TAX OR PENALTY UNDER THIS CHAPTER]. For purposes of this section, a
21 final determination means [SHALL MEAN] the time that an amended feder-
22 al return is filed or the date a federal [A NOTICE OF DEFICIENCY OR
23 AN] assessment is made [MAILED TO THE TAXPAYER BY THE INTERNAL REVENUE
24 SERVICE, EXCEPT THAT IN NO EVENT WILL THERE BE A FINAL DETERMINATION
25 FOR PURPOSES OF THIS SECTION UNTIL THE TAXPAYER HAS EXHAUSTED RIGHTS
26 OF APPEAL UNDER FEDERAL LAW].

27 * Sec. 4. AS 43.20.031 is amended by adding new subsections to read:

28 (j) The gross income of an individual or a fiduciary is gross
29 income as defined in 26 U.S.C. 61 (Internal Revenue Code), and

1 includes those items specifically included in gross income under 26
2 U.S.C. 71 - 26 U.S.C. 89 (Subtitle A, Ch. 1B, Part II of the Internal
3 Revenue Code) and excludes those items specifically excluded from
4 gross income under 26 U.S.C. 101 - 26 U.S.C. 135 (Subtitle A, Ch. 1B,
5 Part III of the Internal Revenue Code), with the following modifica-
6 tions:

7 (1) a taxpayer who receives a cost-of-living allowance that
8 is exempt from federal income tax shall determine and include that
9 amount as part of the taxpayer's income as if the cost-of-living
10 allowance were not exempt;

11 (2) a taxpayer who receives interest upon obligations of a
12 state, or interest upon obligations of a political or municipal subdi-
13 vision of a state, that is exempt from federal income tax shall deter-
14 mine and include that amount as part of the taxpayer's income as if
15 the interest were not exempt;

16 (3) gross income does not include longevity bonuses re-
17 ceived under AS 47.45.

18 (k) The following adjustments to the gross income of an indi-
19 vidual or fiduciary are allowed as deductions in arriving at adjusted
20 gross income under this section:

21 (1) the deductions allowable under 26 U.S.C. 67 (Internal
22 Revenue Code)

23 (A) attributable to a trade or business carried on by
24 a taxpayer;

25 (B) from the sale or exchange of property;

26 (C) attributable to property held for the production
27 of rents or royalties;

28 (D) for the premature withdrawal of money from time
29 savings accounts or deposits;

- 1 (E) for alimony;
2 (2) interest received on obligations of the United States;
3 (3) refunds of state income taxes included in gross income;
4 (4) permanent fund dividends paid under AS 43.23.055.

5 (1) The taxable income of a fiduciary is its adjusted gross
6 income. The taxable income of an individual taxpayer is the taxpay-
7 er's adjusted gross income less personal exemptions. An individual
8 taxpayer may deduct from adjusted gross income the number of personal
9 exemptions to which the taxpayer is entitled under 26 U.S.C. 151
10 (Internal Revenue Code). The exemption amount is \$3,000 and is not
11 adjusted for inflation.

12 (m) In this section, "individual" means a resident, nonresident,
13 or part-year resident individual, and "fiduciary" means a resident,
14 nonresident, or part-year resident fiduciary.

15 * Sec. 5. AS 43.20 is amended by adding a new section to read:

16 Sec. 43.20.032. TAX CALCULATION FOR NONRESIDENTS AND PART-YEAR
17 RESIDENTS AND FIDUCIARIES. (a) In computing the tax of a nonresident
18 or part-year resident individual or fiduciary under AS 43.20.011(k),
19 the part of the adjusted gross income attributable to sources in the
20 state is determined under AS 43.20.040.

21 (b) In computing adjusted gross income attributable to sources
22 in the state for a nonresident or part-year resident individual or
23 fiduciary, deductions and adjustments are allowed only to the extent
24 that they are connected with income that arises from sources in the
25 state or property having a situs for taxation in the state.

26 * Sec. 6. AS 43.20.040(b) is amended to read:

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

29 (1) owning or operating business facilities or property in

1 the state;

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

4 (3) [REPEALED

5 (4)] a partnership that [WHICH] transacts business in the
6 state;

7 (4) [(5)] a corporation that [WHICH] transacts business in
8 the state and that [WHICH] has elected to file federal returns under
9 26 U.S.C. 1361 - 1379 (Subtitle A, Ch. 1, Subchapter S, Internal
10 Revenue Code) [SUBCHAPTER S OF THE INTERNAL REVENUE CODE];

11 (5) [(6) REPEALED

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

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

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

17 * Sec. 7. AS 43.20.040 is amended by adding a new subsection to read:

18 (d) With regard to the tax under AS 43.20.011(g) - (j), if a
19 business, trade, or profession, other than the rendering of purely
20 personal services, is carried on partly inside and partly outside the
21 state, the income from sources in the state must be determined as
22 provided in AS 43.19.

23 * Sec. 8. AS 43.20 is amended by adding a new section to read:

24 Sec. 43.20.062. CREDITS AGAINST TAX. (a) A resident is al-
25 lowed, as a credit against the tax otherwise due under this chapter,
26 the amount of income tax imposed on the taxpayer for the taxable year
27 by another state or territory of the United States on income derived
28 from sources in the other state or territory that is also subject to
29 tax under this chapter.

1 (b) The credit allowed in (a) of this section is limited to that
2 proportion of the tax computed under this chapter that the taxable
3 income from the other state or territory bears to total taxable in-
4 come. The credit may not exceed the actual tax paid to the other
5 state or territory.

6 (c) The amounts deducted and withheld as taxes under this chap-
7 ter during a calendar year are allowed as credits to the taxpayer
8 against the tax imposed by this chapter.

9 (d) A taxpayer who qualifies for receipt of the Alaska permanent
10 fund dividend under AS 43.23 may, under regulations adopted by the
11 department, request the department to apply the dividend as a credit
12 against the tax imposed by this chapter.

13 * Sec. 9. AS 43.20.065 is amended to read:

14 Sec. 43.20.065. ALLOCATION AND APPORTIONMENT. A corporate
15 taxpayer who has income from business activity that [WHICH] is taxable
16 both inside and outside the state or income from other sources both
17 inside and outside the state shall allocate and apportion net income
18 as provided in the Multistate Tax Compact (AS 43.19), or as provided
19 by this chapter.

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

21 Sec. 43.20.171. COLLECTION OF INCOME AT SOURCE. (a) Every
22 employer making payment of wages or salaries shall deduct and withhold
23 an amount of tax computed in a manner to approximate the amount of tax
24 due on those wages under this chapter for that year. The employer
25 shall remit withheld taxes to the department, together with a return
26 or report prescribed by the department, at the time or times required
27 by the department by regulation. The department shall publish the
28 rate of withholding required by this section. Every employer making a
29 deduction and a withholding shall furnish to the employee no later

1 than January 31 of the succeeding year, or within 30 days after ter-
2 mination of employment, whichever is earlier, a written statement on a
3 form prescribed by the department showing

4 (1) the name and taxpayer identification number of the
5 employer;

6 (2) the name and social security number of the employee;

7 (3) the total amount of wages and other compensation; and

8 (4) the total amount deducted and withheld as tax.

9 (b) Every employer making payments of wages or salaries earned
10 in the state, regardless of the place where the payment is made,

11 (1) is liable for the payment of the tax required to be
12 deducted and withheld under this section and is not liable to an
13 individual for the amount of the payment; and

14 (2) shall make return of and pay to the department the
15 amount of tax levied that the employer is required to deduct and
16 withhold under this chapter.

17 (c) An employer who fails to comply with this section is subject
18 to the penalties set out in AS 43.05.220(d).

19 (d) If the employer is the United States or the state or a
20 political subdivision of the state, or an agency or instrumentality of
21 one or more of those entities, the return of the amount deducted and
22 withheld on wages or salaries may be made by an officer of the employ-
23 er having control of the payment of the wages or salaries or who is
24 appropriately designated for that purpose.

25 (e) In this section, "wages," "employee," and "employer" have
26 the meanings attributed to them under 26 U.S.C. 1 - 9602 (Internal
27 Revenue Code).

28 * Sec. 11. AS 43.20.340 is amended by adding new paragraphs to read:

29 (12) "fiduciary" means an estate, a trust, a guardian,

1 trustee, executor, administrator, receiver, conservator, or a person
2 acting in a fiduciary capacity for another or for the estate of a
3 deceased person;

4 (13) "individual" means a natural person, married or un-
5 married, adult or minor, subject to payment of an income tax under 26
6 U.S.C. 1 - 9602 (Internal Revenue Code);

7 (14) "domicile" means the location of an individual's true,
8 fixed, permanent home and principal establishment, to which the indi-
9 vidual intends to return from a temporary or transitory absence;

10 (15) "nonresident" means an individual who is not a resident
11 or part-year resident;

12 (16) "residence" means actual physical presence in the state
13 and is determined without regard to a person's domicile;

14 (17) "resident" means an individual who, during the taxable
15 year, was domiciled in the state or resided in the state for the
16 entire taxable year; an individual does not lose resident status
17 simply by reason of attending an educational institution or by serving
18 in the armed forces.

19 * Sec. 12. AS 43.05.085, AS 43.20.012 and 43.20.013 are repealed.

20 * Sec. 13. Sections 1 - 12 of this Act apply to income received after
21 December 31, 1987.

22 * Sec. 14. This Act takes effect January 1, 1988.

ATTACHMENT B

**U.S. Department of Health & Human Services
Poverty Income Guidelines**

Occasionally: Estimated Annual Burden: 2.625 hours.

OMB Desk Officer: Shannah Koss-McCallum.

As mentioned above, copies of the information collection clearance packages can be obtained by calling the Reports Clearance Officer, on one of the following numbers:

PHS: 202-245-2100
HCFA: 301-594-1238
SSA: 301-965-4149

Written comments and recommendations for the proposed information collections should be sent directly to the appropriate OMB Desk Officer designated above at the following address: OMB Reports Management Branch, New Executive Office Building, Room 3208, Washington, DC 20503. ATTN: (name of OMB Desk Officer).

Date: February 8, 1988.

James F. Trickett,

Deputy Assistant Secretary, Administrative and Management Services

[FR Doc 88-3065 Filed 2-11-88 8:45 am]

BILLING CODE 4150-04-M

Annual Update of the Poverty Income Guidelines

AGENCY: Department of Health and Human Services.

ACTION: Notice.

SUMMARY: This notice provides an update of the poverty income guidelines to account for last year's increase in the Consumer Price Index.

DATE: February 12, 1988.

ADDRESS: Office of the Assistant Secretary for Planning and Evaluation, Department of Health and Human Services, Washington, DC 20201.

FOR FURTHER INFORMATION CONTACT: For information about the poverty income guidelines in general, contact Joan Turek-Brezina (telephone: (202) 245-6141).

Questions about applying these guidelines to a particular program should be referred to the Federal office which is responsible for that program.

For information about the Hill-Burton Uncompensated Services Program (no-fee or reduced-fee hospital care at certain hospitals for certain persons unable to pay for such care), contact the Office of the Director, Division of Facilities Compliance (telephone (301) 443-6512) (As set by 42 CFR 124.505(b), the effective date of these guidelines for facilities obligated under the Hill-Burton Uncompensated Services Program is 60 days from the date of this publication.)

For information about the estimated number of persons with incomes below the Federal Government's statistical poverty thresholds, contact John McNeil, Chief, Poverty and Wealth Statistics Branch, U.S. Bureau of the Census (telephone: (301) 763-7946).

This notice provides the 1988 update of the poverty income guidelines required by sections 65L and 673(2) of the Omnibus Budget Reconciliation Act of 1981 (Pub. L. 97-35). As required by the statute, this update reflects last year's change in the Consumer Price Index (CPI-U); it was accomplished using the same methodology used in previous years.

These poverty income guidelines are used as an eligibility criterion by a number of Federal programs. The guidelines are a simplified version of the Federal Government's statistical poverty thresholds used by the Bureau of the Census to prepare its statistical estimates of the number of persons and families in poverty. The *poverty income guidelines* issued by the Department of Health and Human Services (formerly by the Community Services Administration) are used for administrative purposes—for instance, for determining whether a person or family is financially eligible for assistance or services under a particular Federal program. The *poverty thresholds* are used primarily for statistical purposes.

In certain cases, as noted in the relevant authorizing legislation or program regulations, a program uses the poverty income guidelines as only one of several eligibility criteria, or uses a modification of the guidelines (for example, 130 percent or 185 percent of the guidelines). Some other programs, while not using the guidelines as a criterion of individual eligibility, use them for the purpose of giving priority to lower-income persons or families in the provision of assistance or services. In some cases, these poverty income guidelines may not become effective for a particular program until a regulation or notice specifically applying to the program in question has been issued.

The poverty guidelines given below are applicable to both farm and nonfarm families.

The following definitions (derived for the most part from language used in U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 158 and earlier reports in the same series) are made available for use in connection with the poverty income guidelines. Programs may use somewhat different definitions.

(a) *Family*: A family is a group of two or more persons related by birth,

marriage, or adoption who reside together; all such related persons are considered as members of one family. For instance, if an older married couple their daughter and her husband and two children, and the older couple's nephew all lived in the same house, they would all be considered members of a single family. If a household includes more than one family and/or more than one unrelated individual, the poverty guidelines are applied separately to each family and/or unrelated individual and not to the household as a whole.

(b) *Family unit of size one*. In conjunction with the poverty income guidelines, a family unit of size one is an unrelated individual (as defined by the Census Bureau)—that is, a person 15 years old or over (other than an inmate of an institution) who is not living with any relatives. An unrelated individual may be the sole occupant of a housing unit, or may be residing in a housing unit (or in group quarters such as a rooming house) in which one or more persons also reside who are not related to the individual in question by birth, marriage, or adoption. (Examples of unrelated individuals residing with others include a lodger, a foster child, a ward, or an employee.)

(c) *Income*. Refers to total annual cash receipts before taxes from all sources, with the exceptions noted below. Income data for a part of a year may be annualized in order to determine eligibility—for instance, by multiplying by four the amount of income received during the most recent three months. Income includes money wages and salaries before any deductions. Income also includes net receipts from nonfarm or farm self-employment (receipts from a person's own business or from an owned or rented farm after deductions for business or farm expenses). Income includes regular payments from social security, railroad retirement, unemployment compensation, strike benefits from union funds, workers' compensation, veterans' payments, public assistance (including Aid to Families with Dependent Children, Supplemental Security Income, and non-Federally-funded General Assistance or General Relief money payments), training stipends, alimony, child support, and military family allotments or other regular support from an absent family member or someone not living in the household; private pensions, government employee pensions (including military retirement pay), and regular insurance or annuity payments, college or university scholarships, grants, fellowships, and assistantships and dividends, interest, net rental

Income, net royalties, periodic receipts from estates or trusts, and net gambling or lottery winnings.

As defined here, income does not include the following types of money received: capital gains; any assets drawn down as withdrawals from a bank, the sale of property, a house, or a car; one-time payments from a welfare agency to a family or person who is in temporary financial difficulty; tax refunds, gifts, loans, lump-sum inheritances, one-time insurance payments, or compensation for injury. Also excluded are noncash benefits, such as the employer-paid or union-paid portion of health insurance or other employee fringe benefits, food or housing received in lieu of wages, the value of food and fuel produced and consumed on farms, the imputed value of rent from owner-occupied nonfarm or farm housing, and such Federal noncash benefit programs as Medicare, Medicaid, Food Stamps, school lunches, and housing assistance.

1988 Poverty Income Guidelines for all States (Except Alaska and Hawaii) and the District of Columbia

Size of family unit	Poverty guideline
1	\$5,770
2	7,730
3	9,690
4	11,650
5	13,610
6	15,570
7	17,530
8	19,490

For family units with more than 8 members, add \$1,960 for each additional member.

Poverty Income Guidelines for Alaska

Size of family unit	Poverty guideline
1	\$7,210
2	9,660
3	12,110
4	14,560
5	17,010
6	19,460
7	21,910
8	24,360

For family units with more than 8 members, add \$2,430 for each additional member.

Poverty Income Guidelines for Hawaii

Size of family unit	Poverty guideline
1	\$6,650
2	8,900

Size of family unit	Poverty guideline
3	11,150
4	13,400
5	15,650
6	17,900
7	20,150
8	22,400

For family units with more than 8 members, add \$2,250 for each additional member.

Dated February 8, 1988.

Otis R. Bowen,

Secretary of Health and Human Services
[FR Doc. 88-3051 Filed 2-11-88; 8:45 am]
BILLING CODE 4510-04-M

Food and Drug Administration

(Docket No. 78N-0434)

Mattox & Moore, Inc., Esmopal; Opportunity for Hearing

AGENCY: Food and Drug Administration.
ACTION: Notice.

SUMMARY: The Food and Drug Administration (FDA), Center for Veterinary Medicine (CVM), is amending its notice of opportunity for hearing on a proposal to withdraw approval of the new animal drug application (NADA) for Esmopal submitted by Mattox & Moore, Inc. Esmopal contains 10 milligrams of estradiol monopalmitate and is approved for injection into roasting chickens to produce more uniform fat distribution and to improve finish. The proposed withdrawal is based upon, among other things, the sponsor's failure to submit residue data required to support continued approval of its NADA, despite repeated requests from the agency that the sponsor submit such data.

DATES: A written appearance requesting a hearing by March 14, 1988; data, information, and analysis on which the request for hearing relies by April 12, 1988.

ADDRESS: Written appearance, data, and analysis to the Dockets Management Branch (HFA-305), Food and Drug Administration, Rm. 4-62, 5600 Fishers Lane, Rockville, MD 20857.

FOR FURTHER INFORMATION CONTACT: Robert W. Benson, Center for Veterinary Medicine (HFV-102), Food and Drug Administration, 5600 Fishers Lanes, Rockville, MD 20857, 301-443-1500.

SUPPLEMENTARY INFORMATION:

I. The January 1979 Notices

In the Federal Register of January 5, 1979 (44 FR 1462, 1463), CVM (formerly the Bureau of Veterinary Medicine) issued two notices of opportunity for hearing. One notice of opportunity for hearing (44 FR 1463) was on a proposal to withdraw approval of three NADA's: (1) NADA 13-187, submitted by Mattox & Moore, Inc. (Mattox & Moore), 1503 East Riverside Dr., Indianapolis, IN 46207, for Esmopal, discussed below; (2) NADA 9-576, submitted by Syntex Laboratories, Inc. (Syntex), 3401 Hillview Dr., Palo Alto, CA 94304, for Synovex-S, a product containing estradiol benzoate and progesterone and implanted subcutaneously in the ear of steers for growth promotion and feed efficiency; and (3) NADA 11-427, submitted by Syntex for Synovex H, a product containing estradiol benzoate and testosterone propionate and implanted subcutaneously in the ear of heifers for growth promotion and feed efficiency. The other notice of opportunity for hearing (44 FR 1462) was on a proposal to refuse to approve NADA 110-315, submitted by Ivy-Gene Co., Inc. (Ivy-Gene) (formerly Ivy-Reed Co., Inc.), 2871 Tilden St. NW., Washington, DC 20008, for STEER-oid, a product containing estradiol benzoate and progesterone and proposed for subcutaneous implantation in the ear of steers for growth promotion and feed efficiency.

This notice amends the January 1979 notice of opportunity for hearing on CVM's proposal to withdraw approval of the NADA for Esmopal, the Mattox & Moore product. Esmopal (21 CFR 522.844) contains 10 milligrams (mg) of estradiol monopalmitate and is approved for injection into roasting chickens to produce more uniform fat distribution and to improve finish. The drug is not to be used within 6 weeks of slaughter (21 CFR 522.844).

The January 1979 notices of opportunity for hearing were based in relevant part on the conclusions of CVM (1) that the drugs in question were not shown to be safe for use in food-producing animals because estradiol has the potential to cause carcinogenic effects, and (2) that none of the analytical methods then available was adequate to demonstrate that use of the drugs would not result in unsafe residues in human food. CVM proposed to withdraw approval of the NADA's for Esmopal, Synovex-S, and Synovex-H under section 512(e)(1)(B) of the Federal Food, Drug and Cosmetic Act (the act) (21 U.S.C. 360b(e)(1)(B)). That section.

AK 1987: 6860 18,700
9240 21,400
11620 23,520 + 238014 900
4550
16,380

ATTACHMENT C
1987 Fiscal Note for HB 154

detailed information

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 148/HB 154

Publish Date: _____

REQUEST

Revision Date: 3/13/87

Title: An act relating to the taxation of income derived by individuals

Sponsor: Governor

Requestor: _____

Agency Affected: Revenue

BRU: Audit, Enforcement, Pub. Svcs., Admn

Svcs., Commissioner, Treasury, Research

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	892.1	2265.3	2662.9	2673.7	2685.0
TRAVEL	-	46.4	73.5	84.2	84.5	84.9
CONTRACTUAL	-	645.8	1415.4	1538.9	1544.0	1547.9
SUPPLIES	-	11.7	37.5	39.9	40.4	40.9
EQUIPMENT	-	221.1	289.1	78.3	52.0	52.0
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	1817.1	4080.8	4404.2	4394.6	4410.7
CAPITAL	-	-	-	-	-	-
REVENUE	-	83,000	255,000	269,000	282,000	290,000

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	1817.1	4080.8	4304.2	4294.6	4310.7
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	100.0	100.0	100.0
TOTAL	-	1817.1	4080.8	4404.2	4304.6	4410.7

POSITIONS:

FULL-TIME	-	33	64	67	67	67
PART-TIME	-	1	4	4	4	4
TEMPORARY	-	0	27	27	27	27

ANALYSIS: Attach a separate page if necessary

Prepared By: Steven E. Kettel

Division: Audit

Phone: 465-2320

Date: 3/13/87

Approved by Commissioner: _____

Agency: _____

Date: _____

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

Senate Secretary

page ____ of ____

6-0323A
Chenoweth
1/20/89

1 IN THE HOUSE

2

HOUSE BILL NO.

By: KOPONEN

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the taxation of income and to individual tax credits; and providing for an effective date."

7

8

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

10

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

11

(g) There is imposed for each taxable year upon the taxable income of every resident, nonresident, and part-year resident individual and fiduciary of the state, except those subject to the rates in (h), (i), and (j) of this section, a tax computed according to the following table:

12

13

14

15

16

If the taxable income is:	Then the tax is:
Over \$31 but less than \$30,000	3.2 percent of taxable income
\$30,000 or more	\$960 plus 5.7 percent of the excess over \$30,000.

17

18

19

20

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

21

22

23

24

25

26

27

If the taxable income is:	Then the tax is:
Over \$31 but less than \$50,000	3.2 percent of taxable income
\$50,000 or more	\$1,600 plus 5.7 percent of the

28

29

excess over \$50,000.

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

If the taxable income is:	Then the tax is:
Over \$31 but less than \$40,000	3.2 percent of taxable income
\$40,000 or more	\$1,280 plus 5.7 percent of the excess over \$40,000.

(j) There is imposed for each taxable year upon the taxable income of every resident, nonresident, and part-year resident married individual who does not make a single return jointly with a spouse a tax computed according to the following table:

If the taxable income is:	Then the tax is:
Over \$31 but less than \$25,000	3.2 percent of taxable income
\$25,000 or more	\$800 plus 5.7 percent of the excess over \$25,000.

(k) In (g) - (j) of this section, the tax on a nonresident or part-year resident individual or fiduciary is the tax computed on taxable income from all sources, multiplied by a fraction the numerator of which is adjusted gross income from sources in the state and the denominator of which is adjusted gross income from all sources.

(l) An individual shall determine the tax under this section using the same filing status as used on the individual's federal return.

* Sec. 2. AS 43.20.030(e) is amended to read:

(a) An individual, fiduciary, [IF A] corporation, or [A] partnership that has a corporation as a partner, that is required to make a return under the provisions of the Internal Revenue Code, 'IT' shall

1 file with the department [, WITHIN 30 DAYS AFTER THE FEDERAL RETURN IS
2 REQUIRED TO BE FILED,] a return setting out

3 (1) the amount of tax due under this chapter, less allow-
4 able credits and payments claimed against the tax; and

5 (2) other information for the purpose of carrying out the
6 provisions of this chapter that the department requires.

7 * Sec. 3. AS 43.20.030(c) is amended to read:

8 (c) The [NOTWITHSTANDING (A) OF THIS SECTION, THE] total amount
9 of tax imposed by this chapter is due and payable to the department at
10 the same time and in the same manner as the tax payable to the United
11 States Internal Revenue Service.

12 * Sec. 4. AS 43.20.030(d) is amended to read:

13 (d) A taxpayer [, UPON REQUEST BY THE DEPARTMENT,] shall file
14 with the return [FURNISH TO THE DEPARTMENT] a [TRUE AND] correct copy
15 of the taxpayer's tax return [WHICH THE TAXPAYER HAS] filed with the
16 United States Internal Revenue Service for the taxable year. Every
17 taxpayer shall file an amended return with the department, and remit
18 any additional tax and interest due [NOTIFY THE DEPARTMENT IN WRITING
19 OF ANY ALTERATION IN, OR MODIFICATION OF, THE TAXPAYER'S FEDERAL
20 INCOME TAX RETURN AND OF A RECOMPUTATION OF TAX OR DETERMINATION OF
21 DEFICIENCY (WHETHER WITH OR WITHOUT ASSESSMENT). A FULL STATEMENT OF
22 THE FACTS SHALL ACCOMPANY THIS NOTICE. THE NOTICE SHALL BE FILED]
23 within 60 days after the final determination of the taxpayer's federal
24 tax liability [MODIFICATION, RECOMPUTATION OR DEFICIENCY, AND THE
25 TAXPAYER SHALL PAY THE ADDITIONAL TAX OR PENALTY UNDER THIS CHAPTER].
26 For purposes of this section, a final determination means [SHALL MEAN]
27 the time that an amended federal return is filed or the date a federal
28 [A NOTICE OF DEFICIENCY OR AN] assessment is made [MAILED TO THE
29 TAXPAYER BY THE INTERNAL REVENUE SERVICE, EXCEPT THAT IN NO EVENT WILL

1 THERE BE A FINAL DETERMINATION FOR PURPOSES OF THIS SECTION UNTIL TH
2 TAXPAYER HAS EXHAUSTED RIGHTS OF APPEAL UNDER FEDERAL LAW].

3 * Sec. 5. AS 43.20.031 is amended by adding new subsections to read:

4 (j) The gross income of an individual or a fiduciary is gross
5 income as defined in 26 U.S.C. 61 (Internal Revenue Code), and in-
6 cludes those items specifically included in gross income under 26
7 U.S.C. 71 - 26 U.S.C. 90 (Subtitle A, Ch. 1B, Part II of the Internal
8 Revenue Code) and excludes those items specifically excluded from
9 gross income under 26 U.S.C. 101 - 26 U.S.C. 135 (Subtitle A, Ch. 1B,
10 Part III of the Internal Revenue Code), with the following modifica-
11 tions:

12 (1) a taxpayer who receives a cost-of-living allowance that
13 is exempt from federal income tax shall determine and include that
14 amount as part of the taxpayer's income as if the cost-of-living
15 allowance were not exempt;

16 (2) a taxpayer who receives interest upon obligations of a
17 state, or interest upon obligations of a political or municipal subdivi-
18 sion of a state, that is exempt from federal income tax shall deter-
19 mine and include that amount as part of the taxpayer's income as if
20 the interest were not exempt.

21 (k) The following adjustments to the gross income of an indi-
22 vidual or fiduciary are allowed as deductions in arriving at adjusted
23 gross income under this section:

24 (1) the deductions allowable under 26 U.S.C. 62 (Internal
25 Revenue Code)

26 (A) attributable to a trade or business carried on by
27 a taxpayer;

28 (B) from the sale or exchange of property;

29 (C) attributable to property held for the production

1 of rents or royalties;

2 (D) for the premature withdrawal of money from time
3 savings accounts or deposits;

4 (E) for alimony;

5 (2) interest received on obligations of the United States;

6 (3) refunds of state income taxes included in gross income.

7 (1) The taxable income of a fiduciary is its adjusted gross
8 income.

9 (m) The taxable income of an individual taxpayer is the taxpay-
10 er's adjusted gross income, less personal exemptions. An individual
11 taxpayer may deduct from adjusted gross income an amount that is the
12 greater of

13 (1) the number of personal exemptions to which the taxpayer
14 is entitled under 26 U.S.C. 151 (Internal Revenue Code) multiplied by
15 the amount per exemption authorized by that section, limited to \$3,000
16 per exemption, and not adjusted for inflation; or

17 (2) an amount of the taxpayer's income equal to 100 percent
18 of the federal poverty level guidelines for the tax year applicable to
19 the number of exemptions claimed by the taxpayer; the federal poverty
20 level guidelines are those computed for Alaska and reported as re-
21 quired by 42 U.S.C. 9847 and 42 U.S.C. 9902(2) (Omnibus Budget Rec-
22 onciliation Act of 1981).

23 (n) In this section, "individual" means a resident, nonresident,
24 or part-year resident individual, and "fiduciary" means a resident,
25 nonresident, or part-year resident fiduciary.

26 * Sec. 6. AS 43.20 is amended by adding a new section to read:

27 Sec. 43.20.032. TAX CALCULATION FOR NONRESIDENTS AND PART-YEAR
28 RESIDENTS AND FIDUCIARIES. (a) In computing the tax of a nonresi-
29 dent, a part-year resident individual, or a fiduciary under

1 AS 43.20.011(k), the part of the adjusted gross income attributable to
2 sources in the state is determined under AS 43.20.040.

3 (b) In computing adjusted gross income attributable to source
4 in the state for a nonresident, a part-year resident individual, or a
5 fiduciary, deductions and adjustments are allowed only to the extent
6 that they are connected with income that arises from sources in the
7 state or property having a situs for taxation in the state.

8 (c) In computing the personal exemptions authorized by AS 43.-
9 20.031(m), a nonresident or part-year resident is allowed a prorated
10 deduction in the ratio provided by this subsection. The ratio for
11 prorating is the taxpayer's adjusted gross income from Alaska sources
12 divided by the taxpayer's adjusted gross income from all sources. The
13 ratio may not exceed 100 percent. For purposes of this subsection,
14 the adjusted gross income means the taxpayer's gross income as defined
15 by 26 U.S.C. 62, modified by AS 43.20.031(j) and (k).

16 * Sec. 7. AS 43.20.040(b) is amended to read:

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

19 (1) owning or operating business facilities or property in
20 the state;

21 (2) conducting business, farming, or fishing operations in
22 the state;

23 (3) [REPEALED]

24 (4) a partnership that [WHICH] transacts business in the
25 state;

26 (4) [(5)] a corporation that [WHICH] transacts business in
27 the state and that [WHICH] has elected to file federal returns under
28 26 U.S.C. 1361 - 1379 (Subtitle A, Ch. 1S, Internal Revenue Code)
29 [SUBCHAPTER S OF THE INTERNAL REVENUE CODE];

1 (5) [(6) REPEALED

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

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

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

7 * Sec. 8 AS 43.20.040 is amended by adding a new subsection to read:

8 (d) With regard to the tax under AS 43.20.011(g) - (j), if a
9 business, trade, or profession, other than the rendering of purely
10 personal services, is carried on partly inside and partly outside the
11 state, the income from sources in the state is determined under
12 AS 43.19 (Multistate Tax Compact).

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

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

20 (b) The credit allowed in (a) of this section is limited to that
21 proportion of the tax computed under this chapter that the taxable
22 income from the other state or territory bears to total taxable in-
23 come. The credit may not exceed the actual tax paid to the other
24 state or territory.

25 (c) The amounts deducted and withheld as taxes under this chap-
26 ter during a calendar year are allowed as credits to the taxpayer
27 against the tax imposed by this chapter.

28 (d) A taxpayer who qualifies for receipt of the Alaska permanent
29 fund dividend under AS 43.23 may, under regulations adopted by the

1 department, request the department to apply the dividend as a cred
2 against the tax imposed by this chapter.

3 (e) If paid by the taxpayer during the same taxable year, and
4 not used by the taxpayer as a deduction for the tax, a taxpayer
5 allowed as a credit against the tax due under AS 43.20.011(g) - (i)
6 for a taxable year the

7 (1) motor vehicle registration tax levied by a municipality
8 under AS 28.10.431;

9 (2) sales and use tax levied by a municipality in the state
10 under AS 29.45.650 - 29.45.710; and

11 (3) property tax levied by a municipality in the state
12 under AS 29.45.010 - 29.45.250 or 29.45.550 - 29.45.600.

13 (f) If paid by the taxpayer during the same taxable year, and if
14 not used by the taxpayer as a deduction for the tax, a taxpayer who
15 rents a domicile in a municipality that levies a property tax, and
16 occupies it as a permanent place of abode is entitled to a renter's
17 credit against the tax due under AS 43.20.011(g) - (j) for a taxable
18 year for a portion of the rent paid on that residence. The amount of
19 the renter's credit is determined by calculating a property tax equiv-
20 alent percentage at the rate of one percent per mill of property tax
21 levied on the residence and by applying the property tax equivalent
22 percentage to the amount of rent paid by the taxpayer on the resi-
23 dence. The renter's credit claimed may not exceed 20 percent of the
24 taxpayer's rent.

25 * Sec. 10. AS 43.20.065 is amended to read:

26 Sec. 43.20.065. ALLOCATION AND APPORTIONMENT. A corporate
27 taxpayer who has income from business activity that [WHICH] is taxable
28 both inside and outside the state or income from other sources both
29 inside and outside the state shall allocate and apportion net income

1 under AS 43.19 (Multistate Tax Compact), or as provided by this cha
2 ter.

3 * Sec. 11. AS 43.20.160 is amended by adding a new subsection to read
4 (f) The commissioner shall adopt and publish sales and use t
5 deduction guides for the purpose of aiding the taxpayer in calculati
6 allowable sales and use tax deductions. The guides shall be based o
7 the amount of income, size of family, and rate of tax. The guide
8 adopted by the commissioner do not preclude a taxpayer from claimin
9 as a deduction the amount of sales and use taxes that the taxpaye
10 actually paid.

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

12 Sec. 43.20.171. COLLECTION OF INCOME AT SOURCE. (a) Ever
13 employer making payment of wages or salaries shall deduct and withhol
14 an amount of tax computed in a manner to approximate the amount of ta
15 due on those wages under this chapter for that year. The employe
16 shall remit withheld taxes to the department, together with a retur
17 or report prescribed by the department, at the time or times require
18 by the department by regulation. The department shall publish the
19 rate of withholding required by this section. Every employer making a
20 deduction and a withholding shall furnish to the employee no later
21 than January 31 of the succeeding year, or within 30 days after ter-
22 mination of employment, whichever is earlier, a written statement on a
23 form prescribed by the department showing

24 (1) the name and taxpayer identification number of the
25 employer;

26 (2) the name and social security number of the employee;

27 (3) the total amount of wages and other compensation; and

28 (4) the total amount deducted and withheld as tax.

29 (b) Every employer making payments of wages or salaries earned

1 in the state, regardless of the place where the payment is made,

2 (1) is liable for the payment of the tax required to be
3 deducted and withheld under this section and is not liable to a
4 individual for the amount of the payment; and

5 (2) shall make return of and pay to the department the
6 amount of tax levied that the employer is required to deduct and
7 withhold under this chapter.

8 (c) An employer who fails to comply with this section is subject
9 to the penalties set out in AS 43.05.220(d).

10 (d) If the employer is the United States or the state or a
11 political subdivision of the state, or an agency or instrumentality of
12 one or more of those entities, the return of the amount deducted and
13 withheld on wages or salaries may be made by an officer of the employ-
14 er having control of the payment of the wages or salaries or who is
15 appropriately designated for that purpose.

16 (e) In this section, "employee," "employer," and "wages" have
17 the meanings attributed to them under 26 U.S.C. (Internal Revenue
18 Code).

19 * Sec. 13. AS 43.20.340 is amended to read:

20 Sec. 43.20.340. DEFINITIONS. In this chapter

21 (1) "bank" means a financial institution, including a
22 national banking association;

23 (2) "corporation" includes an association, joint-stock
24 company, and an insurance company;

25 (3) "department" means the Department of Revenue;

26 (4) "domicile" means the location of an individual's true,
27 fixed, permanent home and principal establishment, to which the indi-
28 vidual intends to return from a temporary or transitory absence;

29 (5) "fiduciary" means an estate, a trust, a guardian,

1 trustee, executor, administrator, receiver, conservator, or a person
2 acting in a fiduciary capacity for another or for the estate of a
3 deceased person;

4 (6) "fiscal year" means an accounting period of 12 months
5 ending on the last day of a month other than December;

6 (7) [(5)] "includes" and "including" when used in a defini-
7 tion do not exclude other things otherwise within the meaning of the
8 word defined;

9 (8) "individual" means a natural person, married or un-
10 married, adult or minor, subject to payment of an income tax under 26
11 U.S.C. (Internal Revenue Code);

12 (9) [(6)] "Internal Revenue Code" means the Internal Reven-
13 nue Code of the United States (26 U.S.C.) as the code exists now or as
14 hereafter amended, as the code and amendments apply to the normal
15 taxes and surtax on net incomes, which amendments are operative for
16 the purposes of this chapter as of the time they became operative or
17 will become operative under federal law;

18 (10) "nonresident" means an individual who is not a resident
19 or part-year resident;

20 (11) [(7)] "part-year resident" means an individual who
21 enters or leaves the state during the taxable year and who has resided
22 or was domiciled in the state for a period of less than 12 months
23 during the taxable year;

24 (12) [(8)] "person" means an individual, a trust or estate,
25 or partnership, or a corporation;

26 (13) "resident" means an individual who, during the taxable
27 year, was domiciled in the state or resided in the state for the
28 entire taxable year; an individual does not lose resident status
29 simply by reason of attending an educational institution or by serving

1 in the armed forces;

2 (14) [(9)] "taxable year" means the calendar year or th
3 fiscal year ending during the calendar year upon the basis of whic
4 the net income is computed under this chapter; "taxable year" in
5 cludes, in the case of a return made for a fractional part of a year
6 under this chapter, the period for which the return is made;

7 (15) [(10)] "taxpayer" means a person subject to a tax im-
8 posed by this chapter;

9 (16) [(11)] "trade or business" includes the engaging in or
10 carrying on of a trade, business, profession, vocation, employment,
11 and rendition of services or commercial activity and includes the
12 performance of the function of a public office.

13 * Sec. 14. AS 47.45.120(a) is amended to read:

14 (a) Bonuses received under this chapter are exempt from all
15 municipal [STATE AND POLITICAL SUBDIVISION] taxes except sales and use
16 taxes. [NO BONUS RECEIVED UNDER THIS CHAPTER MAY BE EXEMPT FROM A
17 FEDERAL TAX REQUIREMENT.]

18 * Sec. 15. AS 43.05.085, AS 43.20.012 and 43.20.013 are repealed.

19 * Sec. 16. Sections 1 - 14 of this Act apply to income received after
20 December 31, 1989.

21 * Sec. 17. This Act takes effect January 1, 1990.
22
23
24
25
26
27
28
29

TAXES STATE BY STATE

Here's how to read this table, which provides the latest available information on income taxes (1988) and sales and estate taxes (1989) in all 50 states and the District of Columbia. The first two columns show the relative weight of each state's tax burden. The numbers apply to a family

of four with earned income of \$61,372 (the average household income for Money readers). To calculate the family's combined 1988 tax burden for each state, including income, sales and gasoline taxes, we assumed \$2,248 in capital gains, \$1,199 in interest income, \$300 in divi-

State	Total annual tax (\$) on typical household	Rank by size of tax bill	Tax on earned income (\$)				Sales tax (%)		Death tax (\$)		Comments
			For singles earning \$35,000	For two-income marrieds earning \$50,000	\$75,000	\$100,000	State	Highest combined state and local	Spouse	Child	
Alabama	\$2,540	26	\$1,118	\$1,598	\$2,373	\$3,149	4%	9%	None	None	Top rate: 5% on taxable income over \$4,000
Alaska	196	49	None	None	None	None	0.00	6.00	None	None	Most tax revenue comes from oil company taxes.
Arizona	2,400	29	1,300	1,664	2,633	3,601	5.00	8.00	None	None	Top rate: 8% on taxable income over \$14,748
Arkansas	2,923	17	1,372	1,686	3,058	4,461	4.00	8.00	None	None	Top rate: 7% on taxable income over \$25,000
California	2,577	25	1,455	1,350	3,198	5,151	6.00	7.00	None	None	Top rate: 9.3% on taxable income over \$50,104
Colorado	2,394	30	1,268	1,558	2,535	3,510	3.00	8.00	None	None	Rate is a flat 5% of federal taxable income, with some modifications.
Connecticut	300	45	None	None	None	None	8.00	8.00	\$0	\$37,875	Flat rate on capital gains is 7% and top rate on interest and dividends, 12%.
Delaware	2,777	20	1,497	1,750	3,219	4,752	0.00	0.00	0	31,250	Top rate: 7.7% of taxable income over \$40,000
District of Columbia	4,036	3	2,196	2,691	4,595	6,591	6.00	6.00	None	None	Top rate: 9.5% on taxable income over \$20,000
Florida	164	50	None	None	None	None	6.00	7.00	None	None	Florida gets most of its tax revenue from sales, use and admissions taxes.
Georgia	3,034	14	1,484	1,900	3,160	4,420	4.00	6.00	None	None	Top rate: 6% on taxable income over \$10,000
Hawaii	4,463	1	2,416	2,854	4,949	7,049	4.00	4.00	None	None	Top rate: 10% on taxable income over \$40,400
Idaho	3,744	5	2,000	2,290	3,988	5,710	5.00	5.00	None	None	Top rate: 8.2% on taxable income over \$40,000
Illinois	1,715	38	850	1,150	1,775	2,400	6.25	8.00	None	None	Rate is a flat 2.5% of federal adjusted gross income, with some modifications.
Indiana	2,268	32	1,156	1,564	2,414	3,264	5.00	5.00	0	24,950	Rate is a flat 3.4% of federal adjusted gross income, with some modifications.
Iowa	2,721	23	1,413	1,877	3,145	4,401	4.00	5.00	0	39,825	Top rate: 9.98% on taxable income over \$45,000
Kansas	2,453	28	1,319	1,386	2,489	3,602	4.25	6.25	0	21,750	Top rate: 5.3% on taxable income over \$35,000
Kentucky	2,479	27	1,259	1,710	2,679	3,575	5.00	5.00	0	45,350	Top rate: 6% on taxable income over \$8,000. In addition, Louisville levies a flat 2.2%.
Louisiana	1,887	37	735	945	1,505	2,065	4.00	8.00	17,050	17,050	Top rate: 6% on taxable income over \$51,000
Maine	3,498	10	1,859	2,282	3,960	5,640	5.00	5.00	None	None	Top rate: 8% on taxable income over \$30,000
Maryland	3,782	4	2,040	2,670	4,245	5,820	5.00	5.00	6,000	6,000	Local surcharges result in a top rate of 7.5% on taxable income over \$3,000.
Massachusetts	2,944	16	1,539	2,024	3,246	4,480	5.00	5.00	23,500	55,500	Taxable earned income is taxed at a flat 5%; dividends, interest and capital gains at 10%.
Michigan	2,846	19	1,527	1,969	3,119	4,269	4.00	4.00	0	33,700	State rate is a flat 4.6% of taxable income. Detroit taxpayers pay an additional 3%.
Minnesota	3,548	9	1,936	2,360	4,036	5,720	6.00	7.00	None	None	Top rate: 8% of taxable income over \$19,000, with an added 0.5% on certain high incomes
Mississippi	2,331	31	1,020	1,175	2,225	3,275	6.00	6.00	0	8,400	Top rate: 5% on taxable income over \$10,000
Missouri	2,598	24	1,180	1,586	2,518	3,450	4.225	7.225	None	None	Top state rate: 6% on taxable income over \$9,000. In addition, Kansas City and St. Louis levy a flat 1%.

dead income, \$4,992 spent on food, \$1,034 on clothing and 940 gallons of gasoline consumed. We also assumed that one spouse brings in 70% of the income and the other spouse 30%. We itemized where permitted.

The tax liabilities in the four columns under "Tax on earned income (\$)" are based on different levels of gross earned income.

The death tax columns give the amount of tax that would be paid in states that levy either an estate tax (a

tax calculated on the value of the estate of the decedent) or an inheritance tax (a tax on what an heir receives).

"None" indicates that a state levies no earned income or death taxes of its own. "0" means that no tax is due in this particular case.

Income tax rates in the comments column are 1988 rates for married couples filing jointly. Unless otherwise noted, these rates apply to both earned and unearned income.

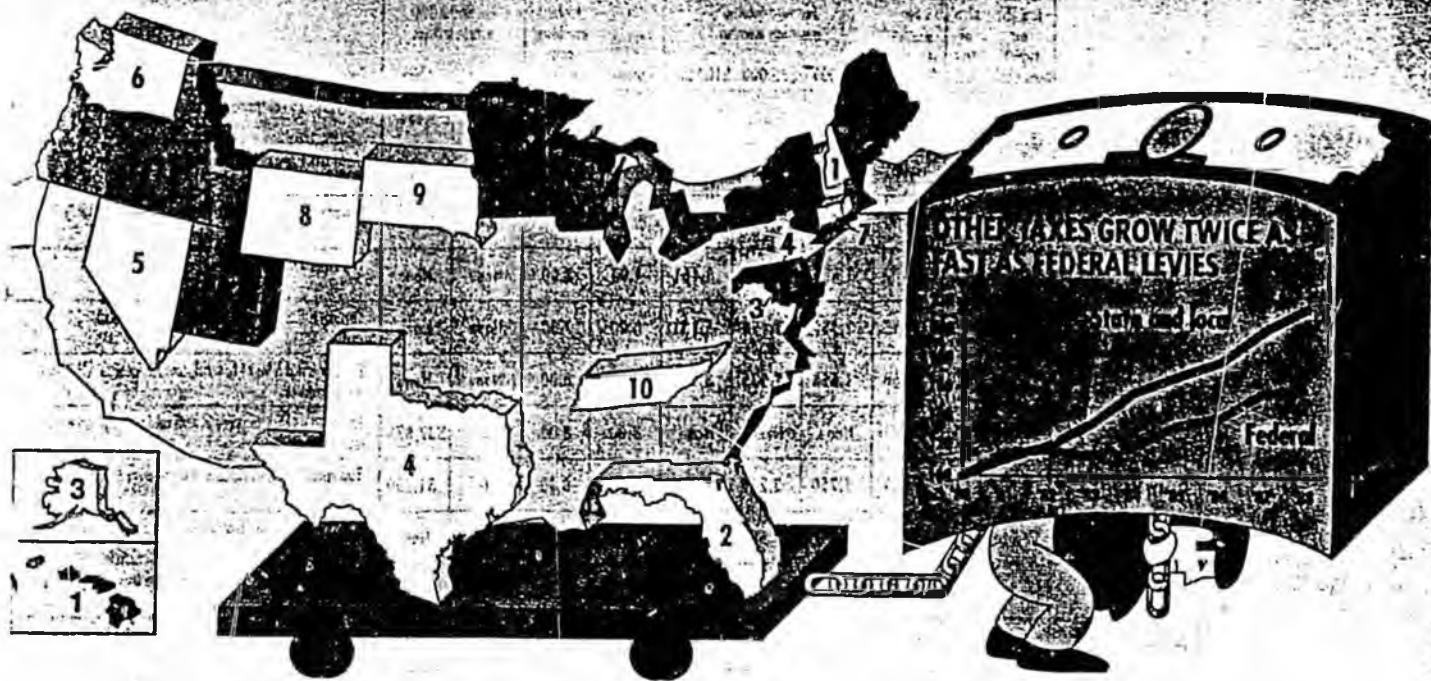
State	Total annual tax (\$) on typical household	Rank by size of tax bill	Tax on earned income (\$)				Sales tax (%)		Death tax (\$)		Comments
			For singles earning \$35,000	For two-income marrieds earning \$50,000	\$75,000	\$100,000	State	Highest combined state and local	Spouse	Child	
Alabama	\$2,993	15	\$1,617	\$1,916	\$3,445	\$4,981	0%	0%	\$0	\$0	Top rate: 11% on taxable income over \$50,000
Nebraska	2,215	33	1,093	1,323	2,492	3,731	4.00	5.50	0	5,850	Top rate: 5.9% on taxable income over \$45,000
Nevada	231	47	None	None	None	None	5.75	6.00	None	None	Sales, gambling and gas taxes are the biggest sources of tax revenue.
New Hampshire	132	51	None	None	None	None	0.00	0.00	0	0	Dividends and interest over \$2,400 are taxed at 5%.
New Jersey	1,614	39	750	1,050	1,885	2,750	6.00	6.00	0	0	Top rate: 3.5% on taxable income over \$50,000
New Mexico	2,774	21	1,215	1,473	2,955	4,668	4.75	6.50	None	None	Top rate: 8.5% on taxable income over \$64,000
New York	3,690	7	2,029	2,439	4,237	5,996	4.00	8.25	25,500	25,500	Top state rate: 8.375% on taxable income over \$34,000; New York City: 3.4% over \$108,000
North Carolina	3,479	11	1,761	2,157	3,627	5,097	3.00	5.00	0	7,000	Top rate: 7% on taxable income over \$10,000
North Dakota	1,366	41	670	683	1,446	2,210	6.00	7.00	None	None	Top rate: 12% on taxable income over \$50,000
Ohio	1,899	26	1,066	1,396	2,648	4,150	5.00	7.00	2,100	30,100	Top rate: 6.9% on taxable income over \$100,000
Oklahoma	3,104	13	1,449	1,770	3,030	4,290	4.00	8.00	0	17,725	Top rate: 6% on taxable income over \$15,000
Oregon	4,095	2	2,147	2,874	4,764	6,654	0.00	0.00	None	None	Top rate: 9% on taxable income over \$10,000
Pennsylvania	1,480	40	735	1,050	1,575	2,100	6.00	6.00	36,000	36,000	State rate is 2.1% on a broad base of taxable income. In addition, Philadelphia taxpayers pay a flat 4.96%.
Rhode Island	2,017	35	1,099	1,120	2,372	3,625	6.00	6.00	7,900	12,400	Rate is 22.96% of federal tax liability, with some modifications.
South Carolina	3,316	12	1,642	2,013	3,430	4,848	5.00	5.00	0	33,000	Top rate: 7% on taxable income over \$10,000
South Dakota	410	43	None	None	None	None	4.00	7.00	0	41,250	Primary source of tax revenue: sales, use and gas taxes
Tennessee	627	42	None	None	None	None	5.50	8.25	0	0	Certain interest and dividend income over \$2,500 is taxed at 6%.
Texas	213	48	None	None	None	None	6.00	8.00	None	None	Tax revenue comes mainly from sales and gas taxes.
Utah	3,717	6	1,831	2,325	3,737	5,148	6.00	7.25	None	None	Top rate: 7.35% on taxable income over \$7,500
Vermont	2,043	34	1,101	1,121	2,376	3,631	4.00	4.00	None	None	Rate is 23% of federal income tax liability.
Virginia	2,912	18	1,403	1,754	2,954	4,162	4.50	4.50	None	None	Top rate: 5.75% on taxable income over \$15,000
Washington	250	46	None	None	None	None	7.00	8.10	None	None	Tax revenue comes mostly from sales, property and business income taxes.
West Virginia	2,763	22	1,260	1,697	3,230	4,855	6.00	6.00	None	None	Top rate: 6.5% on taxable income over \$60,000
Wisconsin	3,605	8	1,930	2,332	3,810	5,339	5.00	5.50	0	56,250	Top rate: 6.93% on taxable income over \$20,000
Wyoming	316	44	None	None	None	None	3.00	5.00	None	None	Most tax revenue comes from oil, gas and coal production taxes.

Source for figures on earned income: Massachusetts Department of Revenue 1989 study

THE TAX HAVENS AND THE TAX HELLS

And now for your lesson in fiscal geography. Here are the 10 states that tax the lightest and the 10 with the heaviest taxing hand. We ranked the 50 states and the District of Columbia in order of the tax burden each would impose on the average MONEY reader with a two-earner household income of \$61,372. Details of our methodology appear in the introduction to the master state-by-state table on pages 82

and 83. If your circumstances differ greatly from those of our typical household, consult the table and the accompanying article to judge how you might fare. The chart to the right of the map compares the growth between 1980 and 1988 of federal tax revenues from individuals (60%) and the increase of state and local levies, up at almost twice that rate (116%). Chart data are indexed to 100 as of 1980.



□ HAVEN

- 1 New Hampshire
- 2 Florida
- 3 Alaska
- 4 Texas
- 5 Nevada
- 6 Washington
- 7 Connecticut
- 8 Wyoming
- 9 South Dakota
- 10 Tennessee

■ HELL

- 1 Hawaii
- 2 Oregon
- 3 District of Columbia
- 4 Maryland
- 5 Idaho
- 6 Utah
- 7 New York
- 8 Wisconsin
- 9 Minnesota
- 10 Maine

That was only the beginning. The state boosted its sales tax from 7.5% to 8%, the nation's highest state rate, and expanded it to cover out-of-state mail-order purchases and a wide range of services such as health clubs, gardening, cable TV, exterminating and window washing. Like many states, it increased consumption taxes on cigarettes and alcohol and the tax on real estate transfers. It also has a 10% admissions tax to places of amusement, such as movies and country clubs, and a 20¢-a-gallon gasoline tax. In addition, Connecticut's cities and towns impose personal property taxes, including a levy on cars. Rates vary widely. In New Haven, the tax last year on a \$10,000 car was \$514. In Greenwich, the tab was \$181. To die in Connecticut will find you no fiscal peace either: only a surviving spouse escapes inheritance tax; other heirs have to fork over if the inheritance exceeds modest thresholds.

Unfortunately, the forecast is for a continuing steady downpour of state and local taxes. Consider the signs:

► Problems that were not nearly so acute a decade ago, such as drug abuse and prison overcrowding, demand hugely increased spending. Meanwhile, the federal deficit has grown, provoking Congress to shift the funding of federally mandated programs, such as Medicaid and nursing-home reform, onto the states. Such programs are already sapping up to 25% of new revenues in some states. "Congress'

intent in establishing these programs is honorable," says Raymond Scheppach, executive director of the National Governors' Association. "But what it is saying, in effect, is: 'We need new taxes, and the states should raise them.'"

► Federal aid to states has declined on average 1.5% a year over the past decade. In inflation-adjusted dollars, that's a drop from \$105.9 billion in 1980 to an estimated \$91.1 billion this year.

► Cities, for their part, are reeling from the loss of both federal and state aid. At its peak in the mid-1980s, federal general revenue sharing provided \$4 billion a year to cities and counties—a fifth of all the aid. That well ran dry in 1986. Hard-pressed state governments have also had to curtail the rate of growth of aid to cities.

► Thirty-five states project fiscal year-end budget reserves below 5% of total

TABLE 1
ESTIMATED BURDEN OF MAJOR TAXES FOR A FAMILY OF FOUR, 1988
\$25,000

RANK	CITY	STATE	TAXES				BURDEN	
			INCOME	PROPERTY	SALES	AUTO	AMOUNT	PERCENT
1.	Milwaukee,	WI	\$633	\$2,227	\$358	\$207	\$3,425	13.7%
2.	Portland,	OR	982	2,208	N/A	142	\$3,332	13.3%
3.	Philadelphia,	PA	1,775	894	274	130	\$3,073	12.3%
4.	Detroit,	MI	1,178	1,319	336	169	\$3,002	12.0%
5.	Baltimore,	MD	1,076	1,265	278	190	\$2,809	11.2%
6.	Newark,	NJ	358	2,022	275	96	\$2,751	11.0%
7.	Des Moines,	IA	675	1,385	340	240	\$2,640	10.6%
8.	Providence,	RI	420	1,594	284	316	\$2,614	10.5%
9.	Honolulu,	HI	1,051	716	530	225	\$2,522	10.1%
10.	WASHINGTON,	DC	1,060	840	432	182	\$2,514	10.1%
11.	Cleveland,	OH	870	1,048	434	156	\$2,508	10.0%
12.	New York City,	NY	773	917	664	111	\$2,465	9.9%
13.	Sioux Falls,	SD	N/A	1,481	706	150	\$2,337	9.3%
14.	Norfolk,	VA	626	849	388	464	\$2,327	9.3%
15.	Salt Lake City,	UT	782	656	589	258	\$2,285	9.1%
16.	Charlotte,	NC	776	745	484	250	\$2,255	9.0%
17.	Omaha,	NE	454	1,013	409	365	\$2,241	9.0%
18.	Indianapolis,	IN	830	559	439	411	\$2,239	9.0%
19.	Louisville,	KY	1,056	589	306	242	\$2,193	8.8%
20.	Bridgeport,	CT	0	1,353	347	488	\$2,188	8.8%
21.	Columbia,	SC	547	779	447	358	\$2,131	8.5%
22.	Minneapolis,	MN	735	753	320	307	\$2,115	8.5%
23.	Atlanta,	GA	631	664	593	219	\$2,107	8.4%
24.	Charleston,	WV	582	715	432	368	\$2,097	8.4%
25.	St. Louis,	MO	720	523	556	277	\$2,076	8.3%
26.	Chicago,	IL	508	682	643	198	\$2,031	8.1%
27.	Wichita,	KS	495	599	499	433	\$2,026	8.1%
28.	Burlington,	VT	421	1,270	173	151	\$2,015	8.1%
29.	Denver,	CO	608	785	315	296	\$2,004	8.0%
30.	Boise City,	ID	582	756	447	188	\$1,973	7.9%
31.	Portland,	ME	290	1,025	305	346	\$1,966	7.9%
32.	Jackson,	MS	292	524	657	448	\$1,921	7.7%
33.	Albuquerque,	NM	369	727	636	166	\$1,898	7.6%
34.	Memphis,	TN	0	968	737	185	\$1,890	7.6%
35.	Little Rock,	AR	514	590	524	250	\$1,878	7.5%
36.	Fargo,	ND	256	1,043	352	219	\$1,870	7.5%
37.	Seattle,	WA	N/A	960	543	340	\$1,843	7.4%
38.	Billings,	MT	608	892	N/A	333	\$1,833	7.3%
39.	Oklahoma City,	OK	630	361	567	270	\$1,828	7.3%
40.	Boston,	MA	829	510	202	278	\$1,819	7.3%
41.	Birmingham,	AL	593	303	632	200	\$1,728	6.9%
42.	Wilmington,	DE	804	763	N/A	135	\$1,702	6.8%
43.	Los Angeles,	CA	198	750	469	246	\$1,663	6.7%
44.	Houston,	TX	N/A	920	528	191	\$1,639	6.6%
45.	Phoenix,	AZ	292	472	451	359	\$1,574	6.3%
46.	Las Vegas,	NV	N/A	703	340	339	\$1,382	5.5%
47.	Manchester,	NH	0	1,082	N/A	253	\$1,335	5.3%
48.	Casper,	WY	N/A	488	420	254	\$1,162	4.6%
49.	New Orleans,	LA	305	0	619	236	\$1,160	4.6%
50.	Jacksonville,	FL	N/A	422	491	65	\$978	3.9%
51.	Anchorage,	AK	N/A	867	N/A	106	\$973	3.9%
	AVERAGE 1/		\$632	\$894	\$452	\$251	\$2,085	8.3%
	MEDIAN 2/		\$608	\$779	\$447	\$242	\$2,031	8.1%

TABLE 1
ESTIMATED BURDEN OF MAJOR TAXES FOR A FAMILY OF FOUR, 1988
\$50,000

RANK	CITY	STATE	TAXES				BURDEN	
			INCOME	PROPERTY	SALES	AUTO	AMOUNT	PERCENT
1.	Milwaukee,	WI	\$2,249	\$4,242	\$590	\$218	\$7,299	14.6%
2.	Portland,	OR	2,661	4,206	N/A	151	\$7,018	14.0%
3.	New York City,	NY	3,457	1,747	1,072	117	\$6,393	12.8%
4.	Detroit,	MI	2,849	2,512	524	183	\$6,068	12.1%
5.	Minneapolis,	MN	2,280	2,807	527	300	\$5,914	11.8%
6.	Philadelphia,	PA	3,480	1,703	461	137	\$5,781	11.6%
7.	Baltimore,	MD	2,627	2,409	476	200	\$5,712	11.4%
8.	Newark,	NJ	929	4,041	477	125	\$5,572	11.1%
9.	Des Moines,	IA	1,849	2,802	542	251	\$5,444	10.9%
10.	WASHINGTON,	DC	2,719	1,805	680	223	\$5,427	10.9%
11.	Honolulu,	HI	2,809	1,483	768	239	\$5,299	10.6%
12.	Cleveland,	OH	2,377	1,996	718	165	\$5,256	10.5%
13.	Providence,	RI	1,151	3,035	471	329	\$4,986	10.0%
14.	Portland,	ME	2,118	1,952	499	321	\$4,891	9.8%
15.	Salt Lake City,	UT	2,356	1,249	897	269	\$4,771	9.5%
16.	Boise City,	ID	2,319	1,441	681	194	\$4,635	9.3%
17.	Columbia,	SC	2,020	1,483	669	368	\$4,540	9.1%
18.	Charlotte,	NC	2,142	1,418	719	260	\$4,539	9.1%
19.	Norfolk,	VA	1,764	1,617	588	475	\$4,444	8.9%
20.	Louisville,	KY	2,539	1,122	505	251	\$4,417	8.8%
21.	Atlanta,	GA	1,807	1,500	872	224	\$4,403	8.8%
22.	Omaha,	NE	1,308	1,929	644	376	\$4,257	8.5%
23.	Charleston,	WV	1,697	1,362	700	375	\$4,134	8.3%
24.	Burlington,	VT	1,188	2,420	289	158	\$4,055	8.1%
25.	Sioux Falls,	SD	N/A	2,820	1,075	157	\$4,052	8.1%
26.	Billings,	MT	1,956	1,609	N/A	346	\$4,001	8.0%
27.	St. Louis,	MO	1,835	996	848	290	\$3,969	7.9%
28.	Albuquerque,	NM	1,414	1,386	971	173	\$3,944	7.9%
29.	Indianapolis,	IN	1,817	1,065	680	381	\$3,943	7.9%
30.	Denver,	CO	1,638	1,496	523	284	\$3,941	7.9%
31.	Wilmington,	DE	2,341	1,454	N/A	142	\$3,937	7.9%
32.	Chicago,	IL	1,110	1,605	991	207	\$3,913	7.8%
33.	Jackson,	MS	1,157	1,270	978	458	\$3,863	7.7%
34.	Los Angeles,	CA	1,374	1,495	737	252	\$3,858	7.7%
35.	Little Rock,	AR	1,630	1,124	788	258	\$3,800	7.6%
36.	Wichita,	KS	1,402	1,140	776	398	\$3,716	7.4%
37.	Boston,	MA	2,014	1,085	342	231	\$3,672	7.3%
38.	Bridgeport,	CT	0	2,576	577	500	\$3,653	7.3%
39.	Oklahoma City,	OK	1,731	755	862	256	\$3,604	7.2%
40.	New Orleans,	LA	1,015	1,353	1,031	199	\$3,598	7.2%
41.	Fargo,	ND	760	1,987	575	228	\$3,550	7.1%
42.	Birmingham,	AL	1,368	642	963	207	\$3,180	6.4%
43.	Memphis,	TN	0	1,843	1,126	194	\$3,163	6.3%
44.	Phoenix,	AZ	1,170	899	714	347	\$3,130	6.3%
45.	Houston,	TX	N/A	1,787	865	199	\$2,851	5.7%
46.	Seattle,	WA	N/A	1,830	631	351	\$2,812	5.6%
47.	Manchester,	NH	0	2,062	N/A	230	\$2,292	4.6%
48.	Las Vegas,	NV	N/A	1,339	571	354	\$2,264	4.5%
49.	Jacksonville,	FL	N/A	1,260	786	77	\$2,123	4.2%
50.	Casper,	WY	N/A	929	631	230	\$1,790	3.6%
51.	Anchorage,	AK	N/A	1,652	N/A	110	\$1,762	3.5%
	AVERAGE 1/		\$1,824	\$1,801	\$705	\$254	\$4,228	8.5%
	MEDIAN 2/		\$1,817	\$1,605	\$681	\$231	\$4,001	8.0%

TABLE 1
ESTIMATED BURDEN OF MAJOR TAXES FOR A FAMILY OF FOUR, 1988
\$75,000

RANK	CITY	STATE	TAXES				BURDEN	
			INCOME	PROPERTY	SALES	AUTO	AMOUNT	PERCENT
1.	Milwaukee,	WI	\$3,677	\$6,363	\$739	\$265	\$11,044	14.7%
2.	Portland,	OR	4,488	6,309	N/A	176	\$10,973	14.6%
3.	Minneapolis,	MN	3,898	4,969	659	663	\$10,189	13.6%
4.	New York City,	NY	6,047	2,620	1,329	155	\$10,151	13.5%
5.	Detroit,	MI	4,602	3,769	638	227	\$9,236	12.3%
6.	Baltimore,	MD	4,127	3,614	606	247	\$8,594	11.5%
7.	WASHINGTON,	DC	4,653	2,820	833	251	\$8,557	11.4%
8.	Newark,	NJ	1,634	6,165	610	133	\$8,542	11.4%
9.	Portland,	ME	3,920	2,928	623	1,011	\$8,482	11.3%
10.	Des Moines,	IA	3,040	4,292	667	452	\$8,451	11.3%
11.	Philadelphia,	PA	5,047	2,555	581	173	\$8,356	11.1%
12.	Providence,	RI	2,381	4,553	591	772	\$8,297	11.1%
13.	Cleveland,	OH	4,048	2,994	900	206	\$8,148	10.9%
14.	Honolulu,	HI	4,574	2,290	908	282	\$8,054	10.7%
15.	Boise City,	ID	3,889	2,639	821	251	\$7,600	10.1%
16.	Columbia,	SC	3,455	2,224	800	915	\$7,394	9.9%
17.	Norfolk,	VA	2,950	2,426	707	1,175	\$7,258	9.7%
18.	Salt Lake City,	UT	3,805	1,874	1,382	493	\$7,254	9.7%
19.	Charleston,	WV	3,230	2,043	869	1,024	\$7,166	9.6%
20.	Los Angeles,	CA	3,287	2,279	902	635	\$7,103	9.5%
21.	Atlanta,	GA	3,006	2,380	1,037	591	\$7,014	9.4%
22.	Omaha,	NE	2,478	2,893	790	841	\$7,002	9.3%
23.	Charlotte,	NC	3,313	2,127	858	517	\$6,815	9.1%
24.	Burlington,	VT	2,453	3,630	363	207	\$6,653	8.9%
25.	Louisville,	KY	3,756	1,684	632	514	\$6,586	8.8%
26.	Billings,	MT	3,301	2,548	N/A	725	\$6,574	8.8%
27.	Jackson,	MS	2,112	2,055	1,168	1,221	\$6,556	8.7%
28.	Wichita,	KS	2,508	1,710	946	1,313	\$6,477	8.6%
29.	Wilmington,	DE	4,015	2,180	N/A	175	\$6,370	8.5%
30.	Little Rock,	AR	3,122	1,687	946	547	\$6,302	8.4%
31.	Indianapolis,	IN	2,805	1,598	827	1,069	\$6,299	8.4%
32.	Albuquerque,	NM	2,828	2,078	1,173	217	\$6,296	8.4%
33.	Denver,	CO	2,650	2,244	656	736	\$6,286	8.4%
34.	Boston,	MA	3,240	1,690	434	889	\$6,253	8.3%
35.	St. Louis,	MO	2,906	1,494	1,024	666	\$6,090	8.1%
36.	Bridgeport,	CT	190	3,864	724	1,255	\$6,033	8.0%
37.	New Orleans,	LA	1,605	2,578	1,294	437	\$5,914	7.9%
38.	Oklahoma City,	OK	2,991	1,169	1,041	591	\$5,792	7.7%
39.	Chicago,	IL	1,711	2,576	1,202	273	\$5,762	7.7%
40.	Sioux Falls,	SD	N/A	4,231	1,298	195	\$5,724	7.6%
41.	Fargo,	ND	1,562	2,980	716	275	\$5,533	7.4%
42.	Phoenix,	AZ	1,878	1,348	878	919	\$5,023	6.7%
43.	Seattle,	WA	N/A	2,744	1,168	779	\$4,691	6.3%
44.	Birmingham,	AL	2,083	999	1,160	429	\$4,671	6.2%
45.	Memphis,	TN	150	2,765	1,361	246	\$4,522	6.0%
46.	Houston,	TX	N/A	2,701	1,080	274	\$4,055	5.4%
47.	Manchester,	NH	0	3,092	N/A	599	\$3,691	4.9%
48.	Las Vegas,	NV	N/A	2,008	719	734	\$3,461	4.6%
49.	Jacksonville,	FL	N/A	2,143	971	93	\$3,207	4.3%
50.	Casper,	WY	N/A	1,394	757	736	\$2,887	3.8%
51.	Anchorage,	AK	N/A	2,477	N/A	153	\$2,630	3.5%
	AVERAGE 1/		\$3,103	\$2,761	\$871	\$544	\$6,706	8.9%
	MEDIAN 2/		\$3,122	\$2,548	\$858	\$514	\$6,574	8.8%

TABLE 1
ESTIMATED BURDEN OF MAJOR TAXES FOR A FAMILY OF FOUR, 1988
\$100,000

RANK	CITY	STATE	TAXES				BURDEN	
			INCOME	PROPERTY	SALES	AUTO	AMOUNT	PERCENT
1.	Portland,	OR	\$6,367	\$7,992	N/A	\$215	\$14,574	14.6%
2.	Milwaukee,	WI	5,243	8,060	942	319	\$14,564	14.6%
3.	Minneapolis,	MN	5,564	6,699	840	757	\$13,860	13.9%
4.	New York City,	NY	8,620	3,319	1,675	183	\$13,797	13.4%
5.	Detroit,	MI	7,033	4,774	791	266	\$12,864	12.9%
6.	WASHINGTON,	DC	6,701	3,632	1,038	291	\$11,662	11.7%
7.	Baltimore,	MD	5,717	4,577	786	294	\$11,374	11.4%
8.	Portland,	ME	5,658	3,709	792	1,111	\$11,270	11.3%
9.	Newark,	NJ	2,432	7,855	798	154	\$11,249	11.2%
10.	Cleveland,	OH	6,031	3,793	1,151	244	\$11,219	11.2%
11.	Des Moines,	IA	4,351	5,485	817	510	\$11,183	11.2%
12.	Providence,	RI	3,649	5,767	755	834	\$11,006	11.0%
13.	Honolulu,	HI	6,582	2,936	1,087	344	\$10,949	10.9%
14.	Philadelphia,	PA	6,762	3,236	747	204	\$10,949	10.9%
15.	Boise City,	ID	5,611	3,600	1,006	295	\$10,512	10.5%
16.	Los Angeles,	CA	5,327	2,906	1,122	677	\$10,032	10.0%
17.	Columbia,	SC	4,946	2,818	972	982	\$9,718	9.7%
18.	Charleston,	WV	4,855	2,588	1,097	1,083	\$9,623	9.6%
19.	Salt Lake City,	UT	5,286	2,373	1,327	552	\$9,538	9.5%
20.	Charlotte,	NC	5,138	2,694	1,039	569	\$9,440	9.4%
21.	Norfolk,	VA	4,208	3,072	865	1,254	\$9,399	9.4%
22.	Omaha,	NE	3,762	3,665	987	910	\$9,324	9.3%
23.	Atlanta,	GA	4,245	3,084	1,250	629	\$9,208	9.2%
24.	Burlington,	VT	3,728	4,597	465	241	\$9,031	9.0%
25.	Billings,	MT	4,920	3,227	N/A	800	\$8,947	8.9%
26.	Wilmington,	DE	5,965	2,762	N/A	209	\$8,936	8.9%
27.	Albuquerque,	NM	4,470	2,633	1,440	253	\$8,796	8.8%
28.	Louisville,	KY	5,109	2,133	807	565	\$8,614	8.6%
29.	Jackson,	MS	3,155	2,683	1,416	1,299	\$8,553	8.6%
30.	Little Rock,	AR	4,615	2,136	1,154	596	\$8,501	8.5%
31.	Wichita,	KS	3,674	2,166	1,173	1,449	\$8,462	8.5%
32.	Denver,	CO	3,694	2,843	838	822	\$8,197	8.2%
33.	Boston,	MA	4,471	2,174	560	965	\$8,170	8.2%
34.	Indianapolis,	IN	3,792	2,024	1,024	1,219	\$8,059	8.1%
35.	New Orleans,	LA	2,205	3,558	1,658	478	\$7,899	7.9%
36.	St. Louis,	MO	3,974	1,892	1,256	726	\$7,848	7.8%
37.	Oklahoma City,	OK	4,234	1,500	1,278	673	\$7,685	7.7%
38.	Bridgeport,	CT	458	4,895	927	1,342	\$7,622	7.6%
39.	Chicago,	IL	2,316	3,353	1,482	317	\$7,468	7.5%
40.	Fargo,	ND	2,388	3,774	910	339	\$7,411	7.4%
41.	Sioux Falls,	SD	N/A	5,359	1,593	229	\$7,181	7.2%
42.	Phoenix,	AZ	2,563	1,708	1,096	1,031	\$6,398	6.4%
43.	Birmingham,	AL	2,829	1,284	1,423	467	\$6,003	6.0%
44.	Seattle,	WA	N/A	3,476	1,509	846	\$5,831	5.8%
45.	Memphis,	TN	270	3,502	1,671	290	\$5,733	5.7%
46.	Houston,	TX	N/A	3,431	1,373	312	\$5,116	5.1%
47.	Manchester,	NH	30	3,917	N/A	667	\$4,614	4.6%
48.	Las Vegas,	NV	N/A	2,543	925	839	\$4,307	4.3%
49.	Jacksonville,	FL	N/A	2,849	1,219	103	\$4,171	4.2%
50.	Casper,	WY	N/A	1,766	924	813	\$3,503	3.5%
51.	Anchorage,	AK	N/A	3,138	N/A	173	\$3,311	3.3%
	AVERAGE	1/	\$4,487	\$3,529	\$1,088	\$603	\$8,896	8.9%
	MEDIAN	2/	\$4,471	\$3,227	\$1,039	\$565	\$8,936	8.9%

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325
FAX 463-5480

217 SECOND STREET, SUITE 200
JUNEAU, ALASKA 99801

January 24, 1990

MEMORANDUM

TO: Representative Niilo Koponen

FROM: Scott A. Burgess, Executive Director 

SUBJECT: HB 252 - Personal Income Tax

The Alaska Municipal League "supports legislation to reinstate the state income tax to allow for maximum capture of revenue from non-resident employees working within Alaska." This position is contained in the AML's 1990 Policy Statement (I.J.1) which represents the policy positions of the AML membership as of the annual meeting held in Juneau in November 1989.

The AML Board first went on record supporting the reinstatement of the state income tax in response to its membership's request in November 1988 to look at revenue alternatives to meeting the needs of Alaskans for government services and assistance both at the state and local levels. The AML and local governments have been accused in the past of asking for assistance but not offering revenue alternatives. Reinstatement of the personal income tax along with modifying the Economic Limit Factor (ELF), increasing the motor fuel tax, school tax, an education endowment and a capital improvement revolving loan fund were recommended by the Board to the Legislature last year to address the projected budget deficit along with reasonable and fair cuts. While budget pressures appear to be less severe for FY 91 and in the near future, the State cannot continued to provide government services, which AML believes correctly and justifiably includes assistance to local governments, in the future and rely solely on oil revenues.

The state income tax is perhaps the fairest tax and, when necessary, should be reinstated to pay for government services. Such a tax would encourage accountability between benefits and the beneficiaries, including capturing a return on services to non-residents. The state income tax is only one revenue measure and should be in addition to other taxes, service fees, program receipts, and permit fees, and in addition to budget scrutiny and justification.

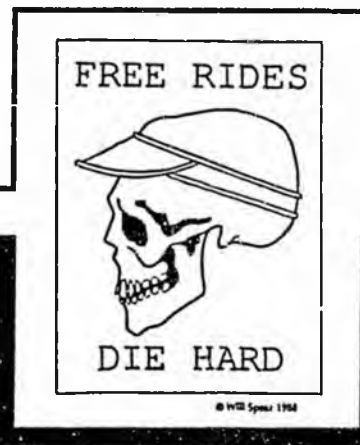
As to the specifics of HB 252, the AML has not taken a formal position on HB 252. The AML will follow the legislative debate and may have specific comments in the future.

sab2:hb252tax

REVENUE SOURCES BOOK

FORECAST & HISTORICAL DATA

FALL 1989



STATE OF ALASKA

DEPARTMENT OF REVENUE

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

P.O. BOX 5
JUNEAU, ALASKA 99811-0400
PHONE: (907) 465-2300

The Honorable Steve Cowper
Governor
P.O. Box A
Juneau, Alaska 99811

December 29, 1989

Dear Governor Cowper:

Attached is an expanded version of the Fall 1989 forecast released on November 3, 1989. It couples a short-term and long-term forecast with a particularly close examination of petroleum revenues, the mainstay of our state income. It also sets out the revenues the State has received in the past.

This document is a blend of good news and bad news.

The good news is that oil prices are up strongly from a year ago and the modification of the Economic Limit Factor (ELF) has raised severance tax revenues.

The bad news is that oil production has started to fall and pipeline tariffs are going up. (Increased tariffs cut State revenues from taxes and royalties.)

The good news has justifiably cheered Alaskans about the prospects for the next year. The bad news should give us pause about the next 10 years.


The fall in oil production means that the inevitable decline in the huge Prudhoe Bay field has started sooner than we predicted.

Taxes and royalties generated by the Prudhoe Bay field currently provide well over half of all State revenues. This forecast assumes that production from the Prudhoe Bay field will continue to fall steadily, and will drop to less than half its present level in less than 10 years.

Some observers may believe that exploration will discover another Prudhoe Bay. Prudhoe Bay is the largest oil field in North America, and finding such a "supergiant" is extremely rare.

The State of Alaska is standing on a precipice. Only a combination of budget cuts, more efficient programs, and new revenues will keep the State from falling a long way.

Sincerely,

A handwritten signature in cursive script, appearing to read "H. Malone". The signature is written in black ink and is positioned above the printed name and title.

Hugh Malone
Commissioner

TABLE OF CONTENTS

I. REVENUE FORECAST SUMMARY

A. Outlook for Short-Term (FY 1990 - 1992)

Unrestricted General Fund Revenues (Comparison of FY 90 - 92 Estimates vs. FY 89 Actual Revenues)	1
Unrestricted General Fund Revenues (Comparison of FY 90 - 92 Estimates vs. FY 89 Actual Revenues)	2
Unrestricted General Fund Revenue Matrix - FY 1990	4
Unrestricted General Fund Revenue Matrix - FY 1991	5

B. Outlook for Long-Term (FY 1993 - 2000)

Unrestricted General Fund Revenues (FY 1993 - 1995, FY 2000)	6
--	---

II. REVENUE FORECAST: SHORT-TERM OUTLOOK (FY 1990 - 1992)

A. General Fund Unrestricted and Restricted Revenues

General Fund Unrestricted Revenues -- Detailed Comparison of FY 1990 - 1992 Estimates with FY 1989 Actuals	8-10
General Fund Restricted Revenues -- Detailed Comparison of FY 1990 - 1992 Estimates with FY 1989 Actuals	11

B. Petroleum Revenues

Introduction

Importance of Petroleum Revenues

General Fund Unrestricted Revenues: Petroleum Revenues as a Percentage of the Total	13
FY 89 General Fund Unrestricted Revenues: Detailed Petroleum Revenues as Percentages of the Total	14
Percentage of General Fund Unrestricted Revenues which come from Petroleum, FY 75 - 92	15

C. Current Oil Market Situation

World Market

OPEC Production	16
OPEC Production Quotas & Estimated October 1989 Production	16

ANS Market

ANS Spot Price, January 1988 - August 1989	17
--	----

D. Forecast Assumptions

World Oil Price

Scenarios for Saudi Light Oil Price	18
Saudi Light & ANS Wellhead Price -- Mid Case 1988 Constant Dollar	18

ANS Lower 48 Prices

Scenarios for ANS Oil Price -- Gulf Coast and West Coast, FY 90 - 91, FY 95, FY 2000, FY 2005	19
ANS at the U.S. Gulf, FY 88 - 92	19
ANS at the West Coast, FY 88 - 92	19

Transportation Costs to Lower 48 Markets

Tanker Costs	20
Marine Transportation Costs to Gulf Coast and West Coast, FY 90 - 91, FY 95, FY 2000, FY 2005	20
Transportation and Marketing Costs, January 1985 - August 1989	20
Trans Alaska Pipeline System Tariffs	21
Scenarios for TAPS Tariffs, FY 90 - 91, FY 95, FY 2000, FY 2005	21

Wellhead Price for ANS

Scenarios for ANS Wellhead Price, FY 90 - 91, FY 95, FY 2000, FY 2005	21
ANS at the Wellhead, FY 1988 - 1992	21

Oil Production Outlook

Simulated Oil Production, State of Alaska, FY 1989 - 2010	22
Simulated Oil Production, Mid Scenario, FY 1989 - 2010	22

E. Modified Economic Limit Factor

Changes in Revenue Due to Revised ELF 23

F. Methodology 23

G. Scenarios over the Short-Term

Low Case Scenario

Revenues and Oil Prices, FY 1990 - 92 24

Expected and Historical Crude Oil Prices for Alaska
North Slope Crude and OPEC Marker, FY 1989 - 92 25

Global Oil Market Assumptions, FY 1989 - 91 26

Mid Case Scenario

Revenues and Oil Prices, FY 1990 - 92 27

Expected and Historical Crude Oil Prices for Alaska
North Slope Crude and OPEC Marker, FY 1989 - 92 28

Global Oil Market Assumptions, FY 1989 - 91 29

High Case Scenario

Revenues and Oil Prices, FY 1990 - 92 30

Expected and Historical Crude Oil Prices for Alaska
North Slope Crude and OPEC Marker, FY 1989 - 92 31

Global Oil Market Assumptions, FY 1989 - 91 32

III. REVENUE FORECAST: LONG-TERM OUTLOOK (FY 1981 - 2010)

General Fund Unrestricted Revenue Projections for
Low, Mid, and High Case Scenarios (FY 1981 - 2010) 34

Fall 1989 Long-Term Forecast Assumptions.....	35
Detailed Revenue Projections, Low Scenario, FY 1981 - 2010	36-37
Detailed Revenue Projections, Mid Scenario, FY 1981 - 2010	38-39
Detailed Revenue Projections, High Scenario, FY 1981 - 2010.....	40-41
Low Scenario Petroleum Production Revenue Forecast, FY 1989 - 2010	42
Mid Scenario Petroleum Production Revenue Forecast, FY 1989 - 2010	43
High Scenario Petroleum Production Revenue Forecast, FY 1989 - 2010	44
Expected and Historical Crude Oil Prices for Alaska North Slope Crude and OPEC Marker for Low, Mid, and High Scenarios, FY 1982 - 2010	45
Simulated Oil Production by Field, Low Scenario, FY 1989 - 2010.....	46
Simulated Oil Production by Field, Mid Scenario, FY 1989 - 2010.....	47
Simulated Oil Production by Field, High Scenario, FY 1989 - 2010.....	48

IV. HISTORICAL REVENUES

Historical General Fund Unrestricted Revenues, FY 1977 - 1989.....	50-51
Historical General Fund Restricted Revenues and Total General Fund Revenues, FY 1977 - 1989	52
Historical Petroleum Revenues, FY 1959 - 1989.....	53

I. REVENUE FORECAST SUMMARY

A. Outlook for Short Term (FY 1990 - FY1992)

Higher oil revenues make the Fall 1989 State Revenue Forecast considerably higher than the forecast of Spring 1989. Revenues from non-petroleum sources will continue to be less than 20 percent of the total revenues, and those non-petroleum revenues should be approximately the same as last year.

Two positive factors outweigh two negative factors to drive the revenue outlook higher.

The two most important positive factors are:

1. The new Economic Limit Factor (ELF) has increased severance tax revenues; and
2. The oil price assumptions in all scenarios—except for one year in the high scenario—have increased.

The two most important negative factors are:

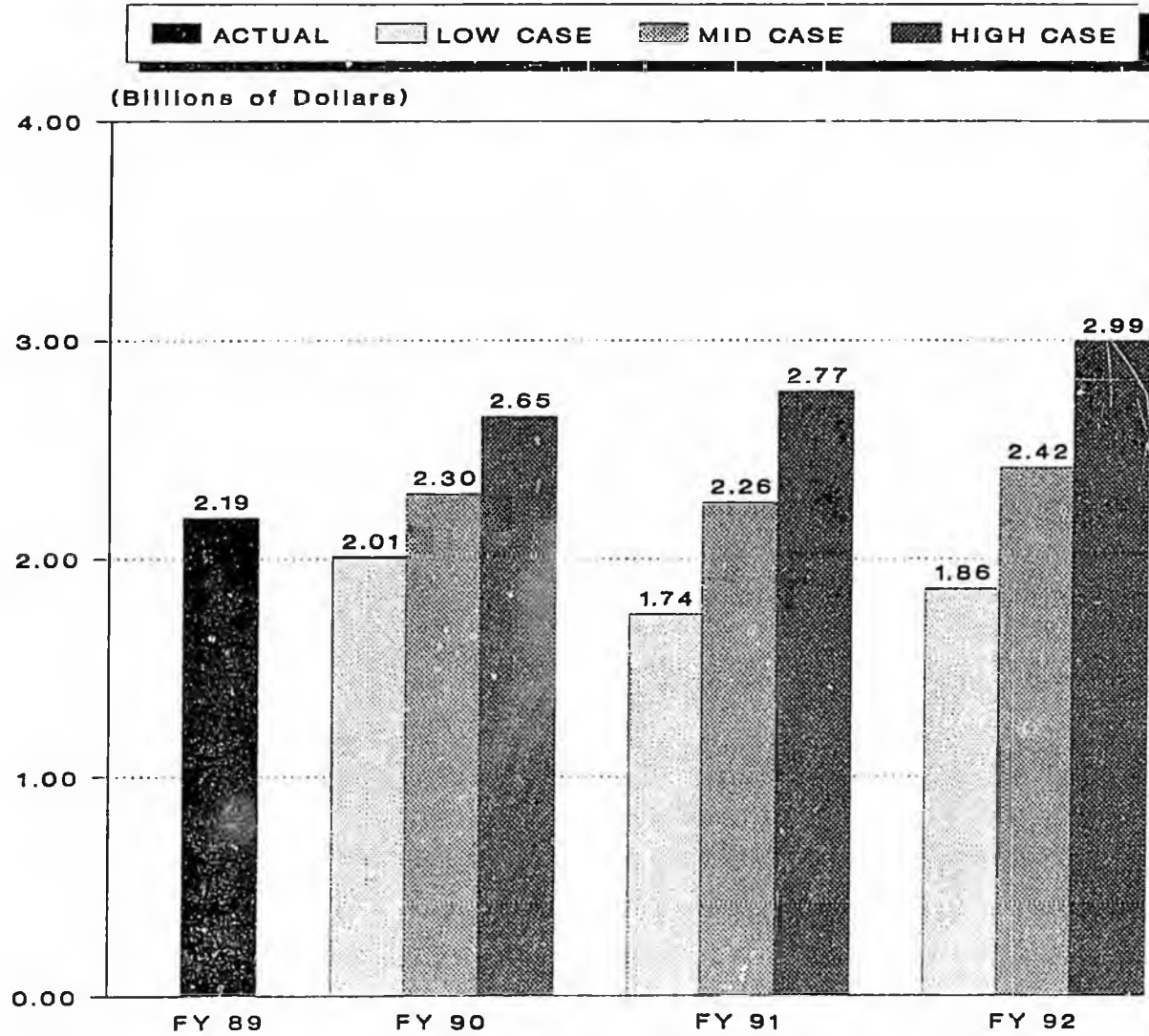
1. The onset of decline in the Prudhoe Bay field has been more rapid than expected, causing a fall in the estimates of production over the next five years; and
2. The estimates of Trans Alaska Pipeline System (TAPS) pipeline tariffs for the next two years have increased sharply, both because falling production will force expenses to be divided into fewer barrels and because the oil companies which own the pipeline will claim new expenses. These claimed new expenses will include corrosion repairs, oil spill prevention, and legal fees arising from the oil spill in Prince William Sound. The TAPS tariff is the price the oil companies which own the pipeline charge to transport the oil from the North Slope to Valdez. Higher TAPS tariffs mean lower State revenues from taxes and royalties.

The following table illustrates the improved revenue outlook. Caution: the scenarios represent only three of many possible outcomes. None of the scenarios will prove wholly correct. No one scenario is more likely than any other.

General Fund Unrestricted Revenues			
(Millions \$)			
	<u>Low Scenario</u>	<u>Mid Scenario</u>	<u>High Scenario</u>
FY 1989 (Actual)	2,186.2	2,186.2	2,186.2
FY 1990	2,005.5	2,295.6	2,645.0
FY 1991	1,743.2	2,255.6	2,765.6
FY 1992	1,860.1	2,416.2	2,993.4

GENERAL FUND UNRESTRICTED REVENUES

(Comparison of Projections vs. FY 89 Actuals)



The price of oil now and in the future will be highly volatile. The price/production revenue sensitivity matrices in the following two tables show what this volatility could mean in Fiscal Years 1990 and 1991. If the reader picks a price and a production level, the reader can see the revenues generated.

Alaska State Revenue Matrix¹
 Unrestricted General Funds
 (Millions of dollars)

FY 1990²

Alaska North Slope Production
 Millions of barrels/day

Avg ANS Lower 48 ³	1.50	1.55	1.60	1.65	1.70	1.75	1.80	1.85	1.90
\$10.00/bbl	1,462	1,479	1,496	1,512	1,529	1,546	1,562	1,579	1,596
\$11.00	1,528	1,547	1,566	1,585	1,604	1,623	1,642	1,661	1,679
\$12.00	1,624	1,646	1,669	1,691	1,713	1,735	1,757	1,779	1,801
\$13.00	1,723	1,748	1,774	1,799	1,824	1,850	1,875	1,901	1,926
\$14.00	1,821	1,850	1,878	1,907	1,936	1,965	1,993	2,022	2,051
\$15.00	1,919	1,951	1,983	2,015	2,047	2,079	2,111	2,143	2,175
\$16.00	2,018	2,053	2,088	2,124	2,159	2,194	2,229	2,265	2,300
\$17.00	2,116	2,155	2,193	2,232	2,270	2,309	2,347	2,386	2,424
\$18.00	2,214	2,256	2,298	2,340	2,382	2,424	2,465	2,507	2,549
\$19.00	2,313	2,358	2,403	2,448	2,493	2,538	2,583	2,629	2,674
\$20.00	2,411	2,459	2,508	2,556	2,605	2,653	2,702	2,750	2,798

¹ Assumptions other than price and production, are based on the mid scenario of the Department of Revenue Fall 1989 Forecast, updated to account for changes in the ELF due to HB 118 and the Oil and Hazardous Release Fund. HB 118 is assumed to be effective for FY 1990 and the Oil and Hazardous Release Fund is assumed to be effective starting with July 1989 production.

² Averages start in September 1989.

³ The average ANS price for all lower 48 sales is approximately \$0.60/barrel less than the U. S. Gulf price in FY 1990.

Alaska State Revenue Matrix¹
 Unrestricted General Funds
 (Millions of dollars)

FY 1991

Alaska North Slope Production
 Millions of barrels/day

Avg ANS Lower 48 ²	1.50	1.55	1.60	1.65	1.70	1.75	1.80	1.85	1.90
\$10.00/bbl	1,218	1,238	1,258	1,278	1,298	1,319	1,339	1,359	1,379
\$11.00	1,301	1,324	1,347	1,370	1,393	1,415	1,438	1,461	1,484
\$12.00	1,397	1,423	1,449	1,475	1,502	1,528	1,554	1,580	1,606
\$13.00	1,513	1,543	1,573	1,603	1,634	1,664	1,694	1,724	1,754
\$14.00	1,630	1,664	1,698	1,731	1,765	1,799	1,833	1,867	1,901
\$15.00	1,746	1,784	1,822	1,860	1,897	1,935	1,973	2,011	2,049
\$16.00	1,862	1,904	1,946	1,988	2,029	2,071	2,113	2,155	2,196
\$17.00	1,979	2,024	2,070	2,116	2,161	2,207	2,253	2,298	2,344
\$18.00	2,095	2,145	2,194	2,244	2,293	2,343	2,392	2,442	2,491
\$19.00	2,211	2,265	2,318	2,372	2,425	2,478	2,532	2,585	2,639
\$20.00	2,328	2,385	2,442	2,500	2,557	2,614	2,672	2,729	2,786

¹ Assumptions other than price and production, are based on the mid scenario of the Department of Revenue Fall 1989 Forecast, updated to account for changes in the ELF due to HB 118 and the Oil and Hazardous Release Fund. HB 118 is assumed to be effective for FY 1990 and the Oil and Hazardous Release Fund is assumed to be effective starting with July 1989 production.

² The average ANS price for all lower 48 sales is approximately \$0.08/barrel less than the U. S.

B. Outlook for Long-Term (FY 1993 - 2010)

The short-term outlook showed more than a \$600 million "spread" between the low and high scenarios for the current fiscal year, FY 1990. The long-term outlook is that the longer we look into the future, the bigger the difference gets between the low and high scenarios. The main constant is that revenues from oil and gas will continue to dominate Alaska's total revenues into the 21st century. The State will receive more than half of its revenues from oil and gas until at least 2005.

The two critical variable factors in the long-term outlook for petroleum revenues are the price and the production of oil.

The price of oil directly affects revenues in two ways. The price directly determines the value of petroleum production. The price also determines the feasibility of exploring and developing additional resources, including the enormous Arctic gas reserves. Increasing world consumption of oil will force an increasing dependence on OPEC. This forecast assumes that this increasing dependence will result in a long-term upward drift in oil prices. The market reaction to very high oil prices in the early 1980s suggests that oil prices above \$20 per barrel are difficult to sustain for long periods of time.

The decline in production from the Prudhoe Bay field is a central issue for Alaska. Taxes and royalties generated by Prudhoe Bay account for more than half of the State's current revenues. This forecast assumes that Prudhoe Bay production will fall to half of current levels sometime between 1997 and 2000.

General Fund Unrestricted Revenues (Millions \$)			
	<u>Low Scenario</u>	<u>Mid Scenario</u>	<u>High Scenario</u>
FY 1993	1,813.2	2,435.2	3,243.0
FY 1994	1,813.3	2,460.7	3,655.0
FY 1995	1,756.0	2,375.8	4,094.3
FY 2000	1,081.2	1,597.3	4,218.4

II. REVENUE FORECAST: SHORT-TERM OUTLOOK (FY 1990 - 92)

A. Unrestricted and Restricted Revenues

This section analyzes revenues over the next two and a half years, taking us through the rest of FY 90 to the end of FY 92. It analyzes revenues that go to the General Fund, the account which finances most of the budget. Both unrestricted and restricted revenues flow into the General Fund. The difference between these two types of revenues is in how the legislature can use them. Unrestricted revenues have no restrictions on their use. Restricted revenues carry some restriction on their use. For most restricted revenues, the restriction comes from the Federal government. In FY 89, restricted revenues were 20 percent of total General Fund revenues, and unrestricted revenues were 80 percent of total General Fund revenues.

Because restricted revenues are specific in their use, discussions of revenues tend to concentrate on unrestricted revenues.

The following table shows all sources of unrestricted General Fund revenues for FY 89 through FY 92. The next table shows all sources of restricted General Fund revenues for FY 89 through FY 92.

GENERAL FUND UNRESTRICTED REVENUES

(Millions of Dollars)

TAXES	FY 1989	FY 1990 ESTIMATES			FY 1991 ESTIMATES			FY 1992 ESTIMATES		
	Actuals	Low	Mid	High	Low	Mid	High	Low	Mid	High
Income										
Corporate General (1)	38.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Corporate - Petroleum (1)	166.0	109.0	130.0	157.0	114.0	139.0	164.0	110.0	135.0	160.0
Income from Prior Years (2)	<u>255.7</u>	<u>5.2</u>	<u>5.2</u>	<u>5.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total (3)	<u>459.7</u>	<u>144.2</u>	<u>165.2</u>	<u>192.2</u>	<u>144.0</u>	<u>169.0</u>	<u>194.0</u>	<u>140.0</u>	<u>165.0</u>	<u>190.0</u>
Severance										
Oil & Gas Production	696.4	737.1	885.8	1066.0	671.1	917.5	1171.2	758.7	993.9	1260.4
Oil & Gas Conservation	2.4	2.3	2.3	2.5	2.1	2.2	2.4	1.9	2.0	2.2
Oil & Hazardous Release (4)	0.0	26.0	26.7	28.1	25.6	27.0	29.6	23.2	25.0	27.8
ELF Revision Payments (5)	<u>0.0</u>	<u>102.2</u>	<u>102.2</u>	<u>102.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total	<u>698.8</u>	<u>867.6</u>	<u>1017.0</u>	<u>1198.8</u>	<u>698.8</u>	<u>946.7</u>	<u>1203.2</u>	<u>783.8</u>	<u>1020.9</u>	<u>1290.4</u>
Property										
Oil & Gas (6)	<u>89.7</u>	<u>84.6</u>	<u>84.6</u>	<u>84.6</u>	<u>79.7</u>	<u>79.7</u>	<u>79.7</u>	<u>75.2</u>	<u>75.2</u>	<u>75.2</u>
Sale/Use										
Alcoholic Beverages	11.8	11.4	11.4	11.4	11.2	11.2	11.2	11.0	11.0	11.0
Fuel Taxes - Aviation (7)	10.1	10.0	10.0	10.0	10.1	10.1	10.1	10.2	10.2	10.2
Fuel Taxes - Highway	20.0	20.0	20.0	20.0	20.5	20.5	20.5	21.0	21.0	21.0
Fuel Taxes - Marine	7.2	7.0	7.0	7.0	7.2	7.2	7.2	7.4	7.4	7.4
Tobacco Products (8)	<u>6.4</u>	<u>10.6</u>	<u>10.6</u>	<u>10.6</u>	<u>12.2</u>	<u>12.2</u>	<u>12.2</u>	<u>12.0</u>	<u>12.0</u>	<u>12.0</u>
Total	<u>55.5</u>	<u>59.0</u>	<u>59.0</u>	<u>59.0</u>	<u>61.2</u>	<u>61.2</u>	<u>61.2</u>	<u>61.6</u>	<u>61.6</u>	<u>61.6</u>
Miscellaneous - Other Taxes										
Alaska Business License (9)	1.0	1.9	1.9	1.9	1.5	1.5	1.5	1.1	1.1	1.1
Fish - Canned/Shorebased (10)	16.1	11.7	11.7	11.7	12.0	12.0	12.0	14.0	14.0	14.0
Fish - Floating	10.6	10.7	10.7	10.7	11.0	11.0	11.0	11.0	11.0	11.0
Salmon Enhancement (11)	9.5	6.1	6.1	6.1	6.0	6.0	6.0	6.0	6.0	6.0
Seafood Marketing (12)	3.3	3.1	3.1	3.1	3.0	3.0	3.0	3.0	3.0	3.0
Insurance Companies	19.4	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0
Electric & Telephone Coops (13)	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Gaming (14)	0.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Mining License Tax	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Estate	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>
Total	<u>63.8</u>	<u>60.2</u>	<u>60.2</u>	<u>60.2</u>	<u>60.2</u>	<u>60.2</u>	<u>60.2</u>	<u>61.8</u>	<u>61.8</u>	<u>61.8</u>
TOTAL TAXES	<u>1367.5</u>	<u>1215.6</u>	<u>1386.0</u>	<u>1594.8</u>	<u>1043.9</u>	<u>1316.8</u>	<u>1598.3</u>	<u>1122.4</u>	<u>1384.5</u>	<u>1679.0</u>