

ALASKA LEGISLATURE COMMITTEE FILES 2001-2002 8872

10455 HOUSE STATE AFFAIRS

**HB**

**398**

22-LS1446\F  
Cook  
2/27/02

**CS FOR HOUSE BILL NO. 398(STA)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-SECOND LEGISLATURE - SECOND SESSION**

**BY THE HOUSE STATE AFFAIRS COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): REPRESENTATIVES SCALZI, Mulder, Stevens**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the market value of the Alaska permanent fund and to disposition of  
2 income of the Alaska permanent fund; and providing for an effective date."

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

4 \* **Section 1.** AS 37.13.140 is amended to read:

5           **Sec. 37.13.140. Income available for distribution. The market value [NET**  
6 **INCOME] of the fund includes the market value [INCOME] of the earnings reserve**  
7 **account established under AS 37.13.145. The market value [NET INCOME] of the**  
8 **fund shall be computed annually as of the last day of the fiscal year in accordance with**  
9 **generally accepted accounting principles [, EXCLUDING ANY UNREALIZED**  
10 **GAINS OR LOSSES]. Income available for distribution equals 5 [21] percent of the**  
11 **average year-end market value [NET INCOME] of the fund for the last five fiscal**  
12 **years, including the fiscal year just ended, but may not exceed [NET INCOME OF**  
13 **THE FUND FOR THE FISCAL YEAR JUST ENDED PLUS] the balance in the**  
14 **earnings reserve account described in AS 37.13.145.**

1 \* **Sec. 2.** AS 37.13.145(b) is amended to read:

2 (b) After the transfers under (c) and (e) of this section, at [AT] the end of  
3 each fiscal year, the corporation shall transfer from the earnings reserve account to the  
4 dividend fund established under AS 43.23.045, 50 percent of the income available for  
5 distribution under AS 37.13.140 minus any amount transferred under (e) of this  
6 section, or the balance in the account, whichever is less.

7 \* **Sec. 3.** AS 37.13.145(c) is amended to read:

8 (c) At the end of each fiscal year [AFTER THE TRANSFER UNDER (b)  
9 OF THIS SECTION], the corporation shall transfer from the earnings reserve account  
10 to the principal of the fund an amount sufficient to offset the effect of inflation on  
11 principal of the fund during that fiscal year. The corporation shall calculate the  
12 amount to transfer to the principal under this subsection by

13 (1) computing the average of the monthly United States Consumer  
14 Price Index for all urban consumers for each of the two previous calendar years;

15 (2) computing the percentage change between the first and second  
16 calendar year average; and

17 (3) applying that rate to the value of the principal of the fund on the  
18 last day of the fiscal year just ended.

19 \* **Sec. 4.** AS 37.13.145(d) is amended to read:

20 (d) Notwithstanding (b) and (e) of this section, income earned on money  
21 awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ.  
22 (Superior Court, First Judicial District), including settlement, summary judgment, or  
23 adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or  
24 interest earned on the money, or on the earnings of the money shall be treated in the  
25 same manner as other income of the Alaska permanent fund, except that it is not  
26 available for distribution to the dividend fund, and shall be annually deposited into the  
27 principal of the Alaska permanent fund.

28 \* **Sec. 5.** AS 37.13.145 is amended by adding a new subsection to read:

29 (e) If, on June 30 of any fiscal year, the balance in the budget reserve fund  
30 (art. IX, sec. 17, Constitution of the State of Alaska) is less than \$1,500,000,000, the  
31 commissioner of revenue shall notify the corporation of the amount necessary to bring

1 the budget reserve fund balance up to \$1,500,000,000. After the transfer under (c) of  
2 this section, the corporation shall transfer to the budget reserve fund from the earnings  
3 reserve account the amount identified by the commissioner or the balance in the  
4 account, whichever is less.

5 \* **Sec. 6.** AS 37.13.150 is amended to read:

6 **Sec. 37.13.150. Corporation budget.** The revenue generated by the fund's  
7 investments must be identified as the source of the operating budget of the corporation  
8 in the state's operating budget under AS 37.07 (Executive Budget Act). The  
9 unexpended balance of the corporation's annual operating budget does not lapse at the  
10 end of the fiscal year but shall be treated as income from the fund under  
11 AS 37.13.145(a) [AS 37.13.140].

12 \* **Sec. 7.** AS 37.13.300(c) is amended to read:

13 (c) Income or other money [NET INCOME] from the mental health trust  
14 fund may not be included in the computation of [NET] income available for  
15 distribution under AS 37.13.140.

16 \* **Sec. 8.** AS 37.14.031(c) is amended to read:

17 (c) The net income of the fund shall be determined by the Alaska Permanent  
18 Fund Corporation annually as of the last day of the fiscal year in accordance with  
19 generally accepted accounting principles, excluding any unrealized gains or losses  
20 [IN THE SAME MANNER THE CORPORATION DETERMINES THE NET  
21 INCOME OF THE ALASKA PERMANENT FUND UNDER AS 37.13.140].

22 \* **Sec. 9.** AS 37.17.020(b) is amended to read:

23 (b) The endowment shall be held and invested by the Alaska Permanent Fund  
24 Corporation subject to AS 37.13.120; however, net income from the endowment shall  
25 be distributed under AS 37.17.010 - 37.17.110 and 37.17.225. Income or other  
26 money [NET INCOME] from the endowment may not be included in the computation  
27 of [NET] income available for distribution under AS 37.13.140.

28 \* **Sec. 10.** AS 37.17.440(b) is amended to read:

29 (b) The principal and income of the endowment shall be held and invested by  
30 the Alaska Permanent Fund Corporation subject to AS 37.13.120; however, net  
31 income from the endowment and subsequent income earned on net income from the

1 endowment shall be held in a separate account until appropriated by the legislature.  
2 Income or other money [NET INCOME] from the endowment may not be included  
3 in the computation of [NET] income available for distribution under AS 37.13.140.

4 \* **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to  
5 read:

6 TRANSITION. Notwithstanding AS 37.13.140, as amended in sec. 1 of this Act,  
7 income available for distribution following the end of fiscal year

8 (1) 2002 is equal to 5 percent of the year-end market value of the fund for the  
9 fiscal year just ended, but may not exceed the balance in the earnings reserve account;

10 (2) 2003 is equal to 5 percent of the average of the year-end market value of  
11 the fund for the last two fiscal years, including the fiscal year just ended, but may not exceed  
12 the balance in the earnings reserve account;

13 (3) 2004 is equal to 5 percent of the average of the year-end market value of  
14 the fund for the last three fiscal years, including the fiscal year just ended, but may not exceed  
15 the balance in the earnings reserve account;

16 (4) 2005 is equal to 5 percent of the average of the year-end market value of  
17 the fund for the last four fiscal years, including the fiscal year just ended, but may not exceed  
18 the balance in the earnings reserve account.

19 \* **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to  
20 read:

21 CONDITIONAL EFFECT. (a) This Act takes effect only if the total amount of  
22 appropriations passed by the legislature before June 29, 2002, for operating expenses of state  
23 government for fiscal year 2003 is equal to or less than the total amount appropriated for  
24 operating expenses of state government for fiscal year 2002. For purposes of this section,  
25 appropriations from sources listed in AS 37.05.146(b) may not be considered.

26 (b) The legislative finance division shall notify the revisor of statutes on or before  
27 June 29, 2002, as to whether this Act takes effect.

28 \* **Sec. 13.** If, under sec. 12 of this Act, this Act takes effect, it takes effect June 29, 2002.



# Alaska State Legislature

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Official Business

REPRESENTATIVE DREW SCAJZI  
State Capitol  
Juneau, Alaska 99801-1182

(907) 465-2689; (800) 665-2689  
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*Representative\_Drew\_Scajzi@legis.state.ak.us*

## House Bill 398 Sponsor Statement

*"An Act relating to disposition of income of the Alaska permanent fund;  
and providing for an effective date."*

House Bill 398 is much more than simply a mechanism to maintain an adequate balance in the Constitutional Budget Reserve Fund for public services. This legislation would:

- Restore the Budget Reserve Fund at the start of each fiscal year to \$1.5 billion, a reasonable amount to preserve public services while providing a cushion against any one-year risk in low oil prices. HB 398 would use Permanent Fund earnings to "refill" the Budget Reserve Fund each year, while still providing for a healthy dividend for Alaskans.
- By essentially setting a \$1.5 billion cap on the Budget Reserve, HB 398 would ensure that state government does not accumulate any more money than it needs. The public — not a government savings account — should benefit from any surplus revenues.
- HB 398 would serve as an incentive to the legislature, the governor and the public to adopt new revenue sources to help close the budget gap to preserve the dividend for many years to come.
- And HB 398 would encourage responsible state spending by linking state spending with the annual dividend.

HB 398 would link the amount of each year's dividend to the price of oil and to state spending, which would make the dividend more relevant to Alaska's economic situation than the existing program that links the dividend only to the Permanent Fund's Wall Street investments. The legislation would:

- Use the existing statutory formula to determine the amount of Permanent Fund earnings available for distribution each year. There would be no change in the current formula that averages the fund's earnings over the past five years.

- Use the existing statutory formula to inflation-proof the fund's principal. Before any money is distributed for any purpose, sufficient funds would be moved from the Earnings Reserve Account to the principal to cover inflation over the past year.
- Then, the Budget Reserve Fund trigger would kick in. In any year that the CBRF is below \$1.5 billion on June 30 (the last day of the fiscal year), this legislation would direct that an amount sufficient to restore the CBRF to \$1.5 billion be taken from the funds available for distribution.
- Whatever is left in the funds for distribution after the CBRF is refilled would then be handed out in dividends.

For example:

- If, after a broad-based tax and other revenue measures were adopted to raise a total of \$600 million a year, and if the remaining budget gap were then \$500 million, then \$500 million would be taken from Permanent Fund earnings to refill the CBRF.
- And, if \$1.1 billion in Permanent Fund earnings were available for distribution under the 5-year, income-averaging formula, there would be \$600 million left for dividends after \$500 million was used to refill the CBRF. That would equal a dividend of about \$1,000 per Alaskan.
- If oil prices are high, the budget gap would be smaller and the draw on Permanent Fund earnings would be smaller — and the dividends would be larger.
- If oil prices are low and the budget gap wider, the draw on earnings would be higher and the dividends would be smaller.
- If additional revenues come in from a broad-based tax or development of NPRA or ANWR or a natural gas pipeline, the budget gap would be smaller — and the dividend would be larger. This way, Alaskans would more directly benefit from economic development within our state.

- Use the existing statutory formula to inflation-proof the fund's principal. Before any money is distributed for any purpose, sufficient funds would be moved from the Earnings Reserve Account to the principal to cover inflation over the past year.
- Then, the Budget Reserve Fund trigger would kick in. In any year that the CBRF is below \$1.5 billion on June 30 (the last day of the fiscal year), this legislation would direct that an amount sufficient to restore the CBRF to \$1.5 billion be taken from the funds available for distribution.
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For example:

- If, after a broad-based tax and other revenue measures were adopted to raise a total of \$600 million a year, and if the remaining budget gap were then \$500 million, then \$500 million would be taken from Permanent Fund earnings to refill the CBRF.
- And, if \$1.1 billion in Permanent Fund earnings were available for distribution under the 5-year, income-averaging formula, there would be \$600 million left for dividends after \$500 million was used to refill the CBRF. That would equal a dividend of about \$1,000 per Alaskan.
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- If oil prices are low and the budget gap wider, the draw on earnings would be higher and the dividends would be smaller.
- If additional revenues come in from a broad-based tax or development of NPRA or ANWR or a natural gas pipeline, the budget gap would be smaller — and the dividend would be larger. This way, Alaskans would more directly benefit from economic development within our state.

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 398  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title Disposition of Permanent Fund BRU Revenue Operations  
Income Component Treasury  
 Sponsor Representative Scalzi  
 Requester House State Affairs Committee Component No. 121

**Expenditures/Revenues (Thousands of Dollars)**

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>
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**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type—Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0  
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** *(Attach a separate page if necessary)*

See Page 2.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469  
 Division Commissioner's Office Date/Time 2/16/02 1:42 PM  
 Approved by: Larry Persily, Deputy Commissioner Date 02/16/2002  
 Agency Department of Revenue

FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. HB 398

ANALYSIS CONTINUATION

\*\* This legislation would direct that earnings from the Permanent Fund be transferred at the end of each fiscal year as needed to restore the Constitutional Budget Reserve Fund (which is managed by the Treasury Division at the Department of Revenue) to a \$1.5 billion starting balance for the next fiscal year. This transfer would be triggered only in those years when the CBRF ends the fiscal year with a balance below \$1.5 billion. Only those funds needed to refill the CBRF to \$1.5 billion would be transferred.

The amount needed each year to restore the CBRF to a \$1.5 billion balance would be appropriated from the funds available for distribution under the Permanent Fund dividend program (as calculated under AS 37.13.140-145). Whatever is left in the funds available for distribution that year would be paid out as dividends. Therefore, the larger the draw on the CBRF and the greater the amount needed to replenish the Reserve Fund for the next fiscal year, the smaller the dividend. Or, the smaller the draw on the CBRF, the less money would be needed to refill the CBRF, and the more money available for the dividend.

This legislation would link the amount of the annual dividend to the price of oil, which, in great part, dictates the amount of the annual draw on the CBRF. It also would link the amount of the dividend to state spending and to new revenue sources. The more money generated by new revenues sources, such as broad-based taxes and excise taxes, and oil and gas taxes and royalties paid to the state from new developments, the less money would be needed to refill the CBRF and the more money would be available for the dividends.

Based on current Department of Revenue projections, the CBRF will end Fiscal 2003 below \$1.5 billion, meaning this legislation would take effect with the October 2003 dividend. However, if the state receives additional revenues, or if the legislature adopts new revenue measures, the effective date of this legislation could be delayed to the October 2004 dividend or later.

This legislation would not affect the statutory inflation-proofing of the Permanent Fund, nor would it change how the amount of Permanent Fund earnings available for distribution is calculated.

**CS FOR HOUSE BILL NO. 393(STA)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-SECOND LEGISLATURE - SECOND SESSION**

**BY THE HOUSE STATE AFFAIRS COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): REPRESENTATIVES SCALZI, Mulder, Stevens**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the market value of the Alaska permanent fund and to disposition of**  
2 **income of the Alaska permanent fund; and providing for an effective date."**

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

4 **\* Section 1. AS 37.13.140 is amended to read:**

5 **Sec. 37.13.140. Income available for distribution. The market value [NET**  
6 **INCOME] of the fund includes the market value [INCOME] of the earnings reserve**  
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8 **fund shall be computed annually as of the last day of the fiscal year in accordance with**  
9 **generally accepted accounting principles [, EXCLUDING ANY UNREALIZED**  
10 **GAINS OR LOSSES]. Income available for distribution equals 5 [21] percent of the**  
11 **average year-end market value [NET INCOME] of the fund for the last five fiscal**  
12 **years, including the fiscal year just ended, but may not exceed [NET INCOME OF**  
13 **THE FUND FOR THE FISCAL YEAR JUST ENDED PLUS] the balance in the**  
14 **earnings reserve account described in AS 37.13.145.**

1 \* Sec. 2. AS 37.13.145(b) is amended to read:

2 (b) After the transfers under (c) and (e) of this section. at [AT] the end of  
3 each fiscal year, the corporation shall transfer from the earnings reserve account to the  
4 dividend fund established under AS 43.23.045, 50 percent of the income available for  
5 distribution under AS 37.13.140 minus any amount transferred under (e) of this  
6 section. or the balance in the account, whichever is less.

7 \* Sec. 3. AS 37.13.145(c) is amended to read:

8 (c) At the end of each fiscal year [AFTER THE TRANSFER UNDER (b)  
9 OF THIS SECTION], the corporation shall transfer from the earnings reserve account  
10 to the principal of the fund an amount sufficient to offset the effect of inflation on  
11 principal of the fund during that fiscal year. The corporation shall calculate the  
12 amount to transfer to the principal under this subsection by

13 (1) computing the average of the monthly United States Consumer  
14 Price Index for all urban consumers for each of the two previous calendar years;

15 (2) computing the percentage change between the first and second  
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17 (3) applying that rate to the value of the principal of the fund on the  
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29 (e) If, on June 30 of any fiscal year, the balance in the budget reserve fund  
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31 commissioner of revenue shall notify the corporation of the amount necessary to bring

1 the budget reserve fund balance up to \$1,500,000,000. After the transfer under (c) of  
2 this section, the corporation shall transfer to the budget reserve fund from the earnings  
3 reserve account the amount identified by the commissioner or the balance in the  
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5 \* Sec. 6. AS 37.13.150 is amended to read:

6 **Sec. 37.13.150. Corporation budget.** The revenue generated by the fund's  
7 investments must be identified as the source of the operating budget of the corporation  
8 in the state's operating budget under AS 37.07 (Executive Budget Act). The  
9 unexpended balance of the corporation's annual operating budget does not lapse at the  
10 end of the fiscal year but shall be treated as income from the fund under  
11 AS 37.13.145(a) [AS 37.13.140].

12 \* Sec. 7. AS 37.13.300(c) is amended to read:

13 (c) Income or other money [NET INCOME] from the mental health trust  
14 fund may not be included in the computation of [NET] income available for  
15 distribution under AS 37.13.140.

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18 Fund Corporation annually as of the last day of the fiscal year in accordance with  
19 generally accepted accounting principles, excluding any unrealized gains or losses  
20 [IN THE SAME MANNER THE CORPORATION DETERMINES THE NET  
21 INCOME OF THE ALASKA PERMANENT FUND UNDER AS 37.13.140].

22 \* Sec. 9. AS 37.17.020(b) is amended to read:

23 (b) The endowment shall be held and invested by the Alaska Permanent Fund  
24 Corporation subject to AS 37.13.120; however, net income from the endowment shall  
25 be distributed under AS 37.17.010 - 37.17.110 and 37.17.225. Income or other  
26 money [NET INCOME] from the endowment may not be included in the computation  
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29 (b) The principal and income of the endowment shall be held and invested by  
30 the Alaska Permanent Fund Corporation subject to AS 37.13.120; however, net  
31 income from the endowment and subsequent income earned on net income from the

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3 in the computation of [NET] income available for distribution under AS 37.13.140.

4 \* Sec. 11. The uncodified law of the State of Alaska is amended by adding a new section to  
5 read:

6 TRANSITION. Notwithstanding AS 37.13.140, as amended in sec. 1 of this Act,  
7 income available for distribution following the end of fiscal year

8 (1) 2002 is equal to 5 percent of the year-end market value of the fund for the  
9 fiscal year just ended, but may not exceed the balance in the earnings reserve account;

10 (2) 2003 is equal to 5 percent of the average of the year-end market value of  
11 the fund for the last two fiscal years, including the fiscal year just ended, but may not exceed  
12 the balance in the earnings reserve account;

13 (3) 2004 is equal to 5 percent of the average of the year-end market value of  
14 the fund for the last three fiscal years, including the fiscal year just ended, but may not exceed  
15 the balance in the earnings reserve account;

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17 the fund for the last four fiscal years, including the fiscal year just ended, but may not exceed  
18 the balance in the earnings reserve account.

19 \* Sec. 12. The uncodified law of the State of Alaska is amended by adding a new section to  
20 read:

21 CONDITIONAL EFFECT. (a) This Act takes effect only if the total amount of  
22 appropriations passed by the legislature before June 29, 2002, for operating expenses of state  
23 government for fiscal year 2003 is equal to or less than the total amount appropriated for  
24 operating expenses of state government for fiscal year 2002. For purposes of this section,  
25 appropriations from sources listed in AS 37.05.146(b) may not be considered.

26 (b) The legislative finance division shall notify the revisor of statutes on or before  
27 June 29, 2002, as to whether this Act takes effect.

28 \* Sec. 13. If, under sec. 12 of this Act, this Act takes effect, it takes effect June 29, 2002.



## REPRESENTATIVE SCOTT OGAN

Alaska State Legislature

House District 27 • Palmer • Greater Palmer • Sutto. • Chickaloon • Sheep Mountain

### Sponsor Statement for HB 400

## Permanent Fund Contribution For Education

*An Act relating to contributions from permanent fund dividends for municipal school districts and regional educational attendance areas; and providing for an effective date.*

This legislation would allow recipients of the Alaska permanent fund dividend the option to contribute a portion of their dividend as a contribution to the local school district or regional educational attendance area (REAA) in which they reside. This can be provided by a simple check-off when an individual completes the annual application form.

A Legislative Attorney has indicated that contributions made exclusively for a public purpose are deductible as a charitable contribution for federal income tax purposes. Residents in many areas of the State have complained that their local schools are not funded adequately while at the same time, in some areas of the state, residents are not supporting their schools through local taxes. This bill will allow those who wish to provide additional financial support to their local school district a very personal and tax deductible method.

It is not the intent of HB 400 that any of these additional monies count against the local school district or REAA when the Department of Education calculates entitlements under the foundation formula.

###

# LEGAL SERVICES

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

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

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

## MEMORANDUM

February 5, 2002

**SUBJECT:** Tax Deduction for Contributions to State  
(Work Order No. 22-LS14+0)

**TO:** Representative Scott Ogan

**FROM:** Kathryn L. Kurtz *KK*  
Legislative Counsel

You asked whether contributions from individuals to the state are deductible as charitable contributions for federal income tax purposes.

The answer is generally yes, if the contribution is made exclusively for public purposes.

The federal tax code provides the following general rule: "[t]here shall be allowed as a deduction any charitable contribution (as defined in subsection (c)) payment of which is made within the taxable year." 26 U.S.C. 170(a)(1). The definition in subsection (c) provides, in part:

the term 'charitable contribution' means a contribution or gift to or for the use of --

(1) A State, a possession of the United States, or any political subdivision of any of the foregoing, or the United States or the District of Columbia, but only if the contribution or gift is made for exclusively public purposes.

26 U.S.C. 170(c)(1).

KLK:med  
02-109.med



Have you been an Alaska resident since December 31, 2000?  
Do you intend to remain an Alaska resident indefinitely?  
If you answered "NO" to either of the above questions, you are not eligible for the 2002 dividend.

# Alaska Permanent Fund Dividend 2002 Adult Application A

(Adults 18 and older on date of application)

Print clearly. Use blue or black ink. Use all capital letters. Complete the entire form.

Social Security Number

 -  - 

Date of Birth (Month -Day-Year)

 -  - 

Male  
 Female

Under federal law you must provide your SSN. If we have it on file from a previous year, we will use it and provide it to the IRS. (See page 3)

First Name

M.I. Last Name

Mailing Address

Apt. #

City

State

Zip Code

Physical Address (Write "Same" if same as mailing address)

Apt. #

City

State

Zip Code

Daytime Telephone

Message Telephone

E-mail Address (optional)

Shade circles like this:  Not like this:

1. Did you receive a 2001 dividend? Answer YES even if your dividend was assigned or garnisheed. If NO, complete Question 11 on the back of this form AND complete the Adult Supplemental Schedule. Attach the Supplemental Schedule to this completed application.
- YES  NO

2. Are you in Alaska today? If NO, complete Question 8 on the back of this form and Parts B & C of the Adult Supplemental Schedule and attach it to this completed application.
- YES  NO

3. A. During 2001, were you gone from Alaska for more than 90 days total?
- YES  NO
- If YES, complete Question 8 on the back of this form AND Parts B & C of the Adult Supplemental Schedule and attach it to this completed application.

- B. During 2001, were you gone from Alaska for more than 180 days total?
- YES  NO
- If YES, complete Questions 8 through 10 on the back of this form AND Parts B & C of the Adult Supplemental Schedule and attach it to this completed application.

Failure to disclose absences may result in the denial of your application.

4. Are you a United States citizen? If NO, complete Questions 12 and 13 on the back of this form.
- YES  NO

5. At any time since December 31, 2000, were you on active duty as a member of the U.S. Armed Forces? Alaska National Guard members and Alaska Reservists, Answer NO. See page 33.
- YES  NO

### UA College Savings Plan

6. Do you want to place 50% of your dividend in the UA College Savings Plan? See page 5 of the PFD Application Booklet for a description of the plan.
- YES  NO

### Direct Deposit Program

7. Do you want your dividend deposited directly into your bank account? If YES, indicate if you want your dividend deposited into:
- YES  NO

Same account as last year OR  New account listed below

NEW ACCOUNTS ONLY, fill in information below. See page 31 for instructions.

Bank Code

Account Type (Select one)

Checking  Savings  Securities

New Account Number

### Read the Following Statements and Sign Below

I certify that:

- I am now and intend to remain an Alaska resident indefinitely.
- I was an Alaska resident for all of 2001.
- I haven't claimed residency in another state.
- I was in the state of Alaska for at least 72 consecutive hours in 2000 or 2001.

I understand that if what I say is not true, it is a criminal offense and if I am convicted, in addition to any criminal penalties:

- I will lose this and all future dividends.
- I must pay back all dividends I have been paid.

I understand that if I deliberately misrepresent or recklessly disregard a fact, I am liable for civil penalties:

- I could lose this dividend and my next five dividends.
- I may have to pay a fine of up to \$5,000.

I authorize the Alaska Department of Revenue to obtain information to verify my eligibility. I also authorize the Social Security Administration to release any information regarding my identity to the Department of Revenue. I agree that a copy of this authorization is as valid as the original.

I certify that the information I am supplying on and with this form is true and correct.

Your Signature	Date
----------------	------

Provide names, addresses and telephone numbers of two adult Alaska residents who can verify your residency (VERIFIERS' SIGNATURE NOT REQUIRED)

Full Name	
Mailing Address	
City, State, Zip Code	
Daytime Phone #	Social Security # (optional)
Full Name	
Mailing Address	
City, State, Zip Code	
Daytime Phone #	Social Security # (optional)

You may photocopy this form.  
Do not change anything printed on this form.  
Web site: www.pfd.state.ak.us

**Read Each Question Carefully.**

Name (First, MI, Last)

Answer question 8 if you answered NO to question 2 or YES to questions 3A or 3B.

8. If you left before January 1, 2001, enter the date you actually departed. List all dates you were absent from Alaska in 2001 through the date of this application. If you are still absent, leave the end date blank. For each type of absence, write the absence reason code in the space provided and list the dates on separate lines. Attach additional sheets as needed and use the format below. (See pages 33 and 34 of instructions). All absence reason codes are detailed below. If you have more absences than the number of lines provided below, see Additional Absences Form on page 32.

Code (A-Q)	Absence Begin Date Month - Day - Year	Absence End Date Month - Day - Year	Why were you absent?
<input type="checkbox"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>
<input type="checkbox"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>
<input type="checkbox"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>
<input type="checkbox"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>
<input type="checkbox"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>
<input type="checkbox"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input type="text"/> - <input type="text"/> - <input type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>

If you have more absences, see Additional Absences Form (page 32)

**Absence Reason Codes**

(See pages 33 and 34 of instructions)

A. Accompanied an eligible Alaska resident as the resident's spouse.

Spouse's First Name	M.I.	Spouse's Last Name
<input style="width: 100%; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>
Spouse's Social Security Number	Spouse's Date of Birth	
<input style="width: 100%; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>	

B. Enrolled and attended school as a full-time student receiving postsecondary education (beyond grade 12). You may download our Education Verification form from our web site (See page 2). See Q for secondary education.

C. Served as a member of the U.S. Armed Forces.

D. Received continuous medical treatment under a doctor's care (Attach doctor's statement).

E. Served as a member of Alaska's congressional delegation or staff.

H. As a requirement of employment by the State of Alaska.

I. Vacated.

J. Sought employment or was employed for a reason other than B, C, E, H or Q (Attach explanation).

K. Other reasons, including business (Attach explanation).

L. Cared for a parent, spouse, sibling, child or stepchild with a critical life-threatening illness that required the ill individual to leave Alaska for treatment.

M. Settled the estate of a deceased parent, spouse, sibling, child or stepchild.

N. Provided care for a terminally ill parent, spouse, sibling, child or stepchild.

P. Employed aboard a vessel of the U.S. Merchant Marine.

Q. Enrolled and attended school as a full-time student receiving secondary education (grades 7 through 12). You may download our Education Verification form from our web site (See page 2). See B for postsecondary education.

Answer questions 9 and 10 if you answered YES to 3B.

9. Have you ever lived in Alaska as a resident for at least 180 days? If YES, list the dates of that most recent period. YES NO

From (Month-Day-Year)	Through (Month-Day-Year)
<input style="width: 100%; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>

10. Were you in Alaska for at least 72 consecutive hours during 2000 or 2001? YES NO

If YES, when were you most recently in Alaska? Attach documentation showing you were in Alaska.

2000	2001
<input type="radio"/>	<input type="radio"/>

Answer question 11 if you answered NO to question 1.

11. Print your name as it appears on your birth certificate.

First Name	M.I.	Last Name
<input style="width: 100%; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>

U.S. Birth State	Country of Birth (If not U.S.)
<input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>

If married, print your spouse's name.

First Name	M.I.	Last Name
<input style="width: 100%; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>

Spouse's Social Security Number

Spouse's Date of Birth (Month-Day-Year)

Answer questions 12 & 13 if you answered NO to question 4.

12. What is your alien registration number?  
A-

13. What was your legal immigration status on December 31, 2007?  
 Resident  Asylee  
 Refugee  Other (Attach explanation)

If this is the first time you are applying for a dividend, attach a copy of the front and back of your visa or alien registration card.

Mail your application to: Alaska Department of Revenue, PO Box 110462, Juneau, AK 99811-0462



**REPRESENTATIVE SCOTT OGAN**

**Alaska State Legislature**

House District 27 • Palmer • Greater Palmer • Sutton • Chickaloon • Sheep Mountain

**MEMORANDUM**

TO: Representative John Coghill, Chair State Affairs  
FROM: Representative Scott Ogan  
DATE: February 25, 2002  
SUBJECT: Scheduling of HB 400 for Hearing

This legislation would allow recipients of the Alaska permanent fund dividend the option to contribute a portion of their dividend as a contribution to the local school district or regional educational attendance area (REAA) in which they reside. This can be provided by a simple check-off when an individual completes the annual application form.

A Legislative Attorney has indicated that contributions made exclusively for a public purpose are deductible as a charitable contribution for federal income tax purposes.

It is not the intent of HB 400 that any of these additional monies count against the local school district or REAA when the Department of Education calculates entitlements under the foundation formula.

I would appreciate your taking up HB 400 at your earliest possible convenience.

SO/wc

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 400  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title Permanent Fund Dividend BRU Revenue Operations  
Contribution for Education Component Permanent Fund Dividend  
 Sponsor Representative Scott Ogden  
 Requester House State Affairs Component No. 981

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual	17.0	8.0	8.0	8.0	8.0	8.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>17.0</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Dividend Fund	17.0	8.0	8.0	8.0	8.0	8.0
<b>TOTAL</b>	<b>17.0</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>

Estimate of any current year (FY2002) cost: 0.0  
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill creates a new statutory provision that would allow Permanent Fund Dividend applicants to contribute up to 50% of their individual dividend to a municipal school district or Regional Educational Attendance Area in which the applicant resides.

The Dividend Division would incur additional operating costs associated with implementation of this bill. See attached pages for further explanation.

Prepared by: Nanci A. Jones, Director Phone 465-2323  
 Division Permanent Fund Dividend Division Date/Time 3/18/02 9:47 AM  
 Approved by: Larry Persily, Deputy Commissioner Date 3/18/2002  
 Agency Department of Revenue

**Department of Revenue  
Permanent Fund Dividend Division**

Bill Analysis - House Bill 400

**An Act Relating to Contributions from Permanent Fund Dividends for Municipal School Districts and Regional Educational Attendance Areas**

This bill would allow dividend applicants the opportunity to contribute 10%, 30% or 50% of their dividends to the municipal school district or Regional Educational Attendance Area (REAA) in which the applicant resides.

It appears from this legislation that the new contributions would be accommodated by a new check-off system on dividend applications, rather than handled through the existing assignment system in AS 43.23.069. The difference between the two methods would be the cost to the division. The assignment method already exists for municipalities and state agencies, although the Regional Educational Attendance Areas would have to be added. The result would be a minimal cost to the division, which could be absorbed within the existing budget (unless thousands of people assign a portion of their dividend to school districts or Regional Educational Attendance Areas). We prepared the fiscal note with the understanding that the legislation would set up an entirely new application check-off for contributing a portion of the dividend.

A new check-off system on dividend applications would have the following immediate and substantial cost considerations.

A check-off system for dividend contributions would require the Dividend Division to maintain and publish a list in the annual application booklet of all the municipal school districts and REAAs. In addition, the application system would have to be redesigned to accommodate this new option. We estimate the increase in printing and programming costs at \$10,000 in the first year and then level out to \$5,000 per year.

Our payment system on the state's mainframe computer system would have to be redesigned and tested. This would cost \$7,000 initially and \$3,000 per year thereafter to process the additional payments to the municipalities and REAAs.

**Other Considerations**

- We suggest change the legislation's effective date from January 1, 2003, to January 1, 2004. The current date of 2003 will not give the division enough time to redesign the forms and the computer system to accommodate the new process. Moving back the date to 2004 would allow the division enough time to reprogram its mainframe system and test calculations. The later effective date also would give the municipalities and REAAs sufficient time to publicize the new option.

- According to the bill, the contribution would go to a municipal school district or Regional Educational Attendance Area in which the applicant resides. The division will not be able to monitor and or determine whether or not an applicant is contributing to the appropriate school district or educational area because many applicants only give the division a mailing address.
- Currently there is a \$2 fee charged to the applicant for each garnishment and assignment processed on an applicant's dividend. If the legislature intends for the Dividend Division to set up an entirely new application check-off system for donations, we would suggest that this legislation be amended to allow the division to retain the proceeds from the \$2 fee to help cover the program costs.

**HB**

**413**

TONY KNOWLES  
GOVERNOR  
governor@gov.state.ak.us



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

HB 413  
P.O. Box 110001  
Juneau, Alaska 99811-0001  
(907) 465-3500  
Fax (907) 465-3532  
www.gov.state.ak.us

February 11, 2002

The Honorable Brian Porter  
Speaker of the House  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182

Dear Speaker Porter:

Alaska's economy is strong -- with our 14<sup>th</sup> consecutive year of economic growth, more Alaskans working than ever before, and the lowest unemployment rates in a generation. And yet, the economic health and security of Alaska families is threatened by the growing budget gap, which is projected to reach about \$1.2 billion by next year.

For 20 years, Alaska governors, legislators, economists, and business and civic leaders have urged long-range budget plans recommending the same basic combination of cuts and revenues to replace dwindling oil dollars. Now the day of reckoning is upon us.

The approach I have proposed, which calls for raising approximately \$400 million in new revenues a year over the coming three years, is based on five principles:

- Any plan must be fair. Everyone should contribute, including those who make money here but live elsewhere.
- Permanent Fund earnings, after inflation-proofing and dividends and a vote of the people, should be used only after a broad-based tax and corporate taxes are in place.
- New revenues should be phased in rather than imposed all at once. This avoids shocking the economy and helps families and businesses adjust to the change.
- Any budget plan must be realistic -- not based on unsubstantiated estimates or bogus promises.
- Efficiencies, savings and continued cost reductions must always be part of budget considerations.

The Honorable Brian Porter

Page 2

This bill I am transmitting today proposes one of the new revenue measures -- a tax on income earned in Alaska.

The State of Alaska relied on personal income taxes from the time of statehood until 1980. The income tax was then repealed because the tax and royalty income from North Slope oil fields provided sufficient revenue to operate state government.

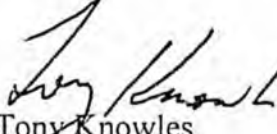
The income tax I propose is a simple measure based on a percentage of the income tax paid to the federal government. For most Alaskans, this will mean an easy calculation to determine their Alaska tax. It also adopts the progressive measures and incentives of the federal tax system.

The target is for this tax to raise about \$350 million, which would require a tax rate of 20 percent of an individual's income tax currently paid to the federal government. This level of income tax combined with other taxes I support would result in \$400 million in additional annual revenue for the state. If the state adopts new revenue measures averaging \$400 million per year for three years, we will reach the goal of \$1.2 billion in new annual revenue.

An important feature of this bill is a provision to reduce the tax rate when reserves are sufficient. The bill includes a trigger to lower the tax rate to 10 percent when the state's reserves in the Constitutional Budget Reserve Fund climb above \$2 billion and a further reduction to 5 percent when the fund reaches \$2.5 billion. Any excess general fund income from a major development, such as a natural gas pipeline or the implementation of responsible revenue measures, will increase the balance in the budget reserve fund. The state should maintain at least \$1.5 billion in the reserve to avoid an emergency caused by a sudden drop in oil and gas prices. Once reserves reach \$2 billion, however, we could lower the tax rate on our citizens.

I urge your prompt and favorable consideration of this legislation.

Sincerely,

  
Tony Knowles  
Governor

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: HB 413  
 (H) Publish Date: 2/13/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Alaska Personal Income Tax BRU: Revenue Operations  
 Component: Tax Division  
 Sponsor: Rules Committee  
 Requester: Governor Component Number: 2476

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	2,308.2	3,985.6	4,991.4	4,903.3	4,903.3	4,903.3
Travel	138.8	150.5	169.3	150.0	150.0	150.0
Contractual	1,379.4	1,850.9	2,099.1	2,090.4	2,090.4	2,090.4
Supplies	40.5	81.5	103.1	102.3	102.3	102.3
Equipment	392.0	608.0	104.0			
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>4,258.9</b>	<b>6,676.5</b>	<b>7,466.9</b>	<b>7,246.0</b>	<b>7,246.0</b>	<b>7,246.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>3,921.5</b>	<b>1,302.5</b>	<b>500.7</b>			
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<b>CHANGE IN REVENUES (increase)</b>	<b>175,000.0</b>	<b>350,000.0</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	8,180.4	7,979.0	7,967.6	7,246.0	7,246.0	7,246.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>8,180.4</b>	<b>7,979.0</b>	<b>7,967.6</b>	<b>7,246.0</b>	<b>7,246.0</b>	<b>7,246.0</b>

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

**POSITIONS**

Full-time	49	79	92	88	88	88
Part-time						
Temporary		46	46	46	46	46

**ANALYSIS:** (Attach a separate page if necessary)

\*\* In FY 2003, we estimate that the Alaska Personal Income Tax will raise \$175 million. This is half of the total annual revenue estimate of \$350 million. Actual revenues for the first six months of the tax (the last six months of Fiscal 2003) might be larger or smaller depending on the timing of withholding, refunds and estimated payments. We have estimated this revenue using 1999 Internal Revenue Service Data.

We used asterisks on years after FY 2004 because of the level of uncertainty. Estimates do not include any of the following variables: (1) federal tax changes (including the tax cuts approved by Congress last year) that will decrease personal tax liability, (2) growth of real income or population, (3) tax avoidance or evasion, (4) changes in the structure of the Alaska economy, and (5) non-resident business income.

Prepared by: Chuck Harlamert, Revenue Supv., and Brett Fried, Economist Phone 465-3682  
 Division: Tax Division Date/Time 02/11/2002 11 a.m.  
 Approved by: Larry Persily, Deputy Commissioner Date 02/11/2002  
 Agency: Department of Revenue

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Feb. 12 2002 03:23PM P2

February 12, 2002

**MOST HONORABLE, MR. CARL ROSEN;**  
**HOUSE STATE AFFAIRS COMMITTEE**  
 Box V.  
 Juneau, Alaska  
 #99811

RE: HB 10 - INCOME TAX ON INDIVIDUALS & FIDUCIARIES:

Thank you very much for your Time, Service and Help, to the Citizens, of the Great State of Alaska, Your efforts are greatly appreciated.

I understand the need for tax's, to pay for Government Services for all citizens. I do not know of many people who live within a City and or Borough who can afford to pay for their own roads, sewer systems, water supplies, curbs and sidewalks, street lights, fire, and police department employees. However, by collecting monies, from all of the citizens, all of these services can be utilized.

Respectfully, I would therefore request that Disabled Veterans, who have all ready served their Country and State. Be granted a "Tax - Exempt Status", from the proposed Income Tax on Individuals, Trusts and Estates. This Tax Exemption would be a pleasant and greatly appreciated way of saying "Thank You", to these Veterans, for their Services, to one and all.

I greatly appreciate, the privilege of voting - since 1974, I have only missed voting once and while I am not in your voting area, I believe that this specific issue, also affects the veterans, when you represent.

My Sincerest, Thank You, Sir: For allowing me the honor and privilege to participate in Alaska State, Community processes.

*Robert A. Byers*

Mr. Robert A. Byers  
 P.O. Box 865  
 Soldotna, Alaska  
 99669-0865  
 PHONE: 907-262-6188

Mr. R. Byers  
 P.O. Box 865  
 Soldotna, Alaska  
 99669-0865

~~PAGE #2 OF 4 PAGES~~



# Alaska State Legislature

Please enter into the record my testimony to the House State Affairs  
 committee name  
 Committee on HB 10, dated February 14, 2002  
 bill # / subject

I would like to go on record as being **OPPOSED** to HB 10. Please do **NOT** seriously consider any new funding source (TAXES) until all public funds given to private businesses, individuals, and special interest groups, have been completely eliminated.

In the past two weeks alone the Alaska Legislature has considered spending bills with a price tag of over one **BILLION** dollars, the majority of which provide funding for special interest groups or non-essential state government spending. This money would be much better utilized elsewhere, or better yet, put away for future funding of essential state services.

A **\$7.5 BILLION** dollar budget amounts to our state government spending over **\$12,000.00** for every man, woman, and child in Alaska. At this rate, spending for a family of six amounts to over **\$72,000.00!** For each working person, this level of spending amounts to over **\$26,000** each. That's a lot of tax money! I want to know how many average working people and small business owners will be able to afford living here once the oil pipeline goes dry?

Taxes are **NOT** the answer, at this time, to our state budget woes; cutting non-essential spending **IS**. In my opinion **HB 10** does nothing more than to encourage continued uncontrolled excessive government spending.

No informed Alaskan citizen will seriously consider any new taxes until all public funds given to private businesses, individuals, and special interest groups have been completely eliminated. Our money would be better spent funding present and future essential government services such as education, roads, public health & safety. Until you reach that point, don't come to me asking for more money.

Please show true leadership at this difficult time, by voting **NO** on **HB 10**.

Thank you.

Signed: Mike McBride  
 Testifier  
Self  
 Representing (optional)  
P O Box 6 Kenai, Alaska 99611-0006  
 Address  
907 776 5444  
 Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House State Affairs  
committee name  
 Committee on HB 199, dated February 14, 2002  
bill # / subject

I would like to go on record as being **OPPOSED** to HB 199. Please do **NOT** seriously consider this or any new funding source (TAXES) until all public funds given to private businesses, individuals, and special interest groups, have been completely eliminated.

In the past two weeks alone the Alaska Legislature has considered spending bills with a price tag of over one **BILLION** dollars, the majority of which provide funding for special interest groups or non-essential state government spending. This money would be much better utilized elsewhere, or better yet, put away for future funding of essential state services.

A \$7.5 **BILLION** dollar budget amounts to our state government spending over \$12,000.00 for every man, woman, and child in Alaska. At this rate, spending for a family of six amounts to over \$72,000.00! For each working person, this level of spending amounts to over \$26,000 each. That's a lot of tax money! I want to know how many average working people and small business owners will be able to afford living here once the oil pipeline goes dry?

Taxes are **NOT** the answer, at this time, to our state budget woes; cutting non-essential spending **IS**. In my opinion HB 199 does nothing more than to encourage continued uncontrolled excessive government spending.

No informed citizen of Alaska will seriously consider any new taxes until all public funds used for non-essential spending have been completely eliminated. Our money should **ONLY** be spent funding present and future essential government services such as education, roads, public health & safety. Until you reach that point, do not come to me asking for more money.

Please show true leadership at this difficult time, by voting **NO** on HB 199.

Thank you.

Signed: Mike McBride  
Testifier

Self  
Representing (optional)

P O Box 6 Kenai, Alaska 99611-0006  
Address

907 776 5444  
Phone number

Alaska State Legislature  
Public Opinion Messages

Mrs. Madeleine D Betz,  
666 11th Avenue 205  
666 11th Ave #205  
Fairbanks, AK 99701  
Phone: -  
E-mail:

Constituency: N  
Distribution: 2  
Affiliation: Tanana Valley League of Women Voters  
Reg Voter: Y

Subject/Bill BUDGET

I support exploring additional sources of revenue to fund State government besides oil revenue. Please look into institution a tax on either income or sales of goods. Let partisan ideology by the wayside and consider what is best for all Alaskans.  
Date Sent: 02/11/2002

Phyllis Ogar,  
3221 Douglas HWY  
Juneau, AK 99801  
Phone: -  
E-mail:

Constituency: N  
Distribution: 60  
Affiliation:  
Reg Voter: U

Subject/Bill TAXATION

I oppose state income tax. Cost of living extremely high here. As retiree living here year round added expenses would reduce my purchasing power. I would have less money to put back into economy. Alaska offers perks which allow retirees to remain in Alaska. Please consider retaining our older population by opposing state income tax.  
Date Sent: 02/12/2002

Richard L Hutchison,  
Po Box 84909  
1919 Lathrop St #101  
Fairbanks, AK 99708  
Phone: -  
E-mail:

Constituency: N  
Distribution: 60  
Affiliation:  
Reg Voter: Y

Subject/Bill Fiscal Gap

If the nature of funding for state government and services is going to be modified I strongly feel that all Alaskans should share in the responsibility. Therefore the permanent fund should be utilized not a state income tax.  
Date Sent: 02/12/2002

Lance R Jordan,  
4130 Crannog St  
Anchorage, AK 99502  
Phone: -  
E-mail:

Constituency: N  
Distribution: 60  
Affiliation:  
Reg Voter: Y

Subject/Bill TAXATION

Cut state spending in all areas by 1 third before you add taxes. That also includes cutting our PFD percentage by 1 third my understanding is our state spends over double the next highest state as far as per capita spending by state government lets drop that down to a little more than the next highest.  
Date Sent: 02/12/2002

Alaska State Legislature  
Public Opinion Messages

Cheryl A Keepers,  
Po Box 74898  
9981 Fahrenkamp Ave  
Fairbanks, AK 99707  
Phone: -  
E-mail:

Constituency: N  
Distribution: 9  
Affiliation:  
Reg Voter: Y

Subject/Bill HB 367 Opposes

Denali Kid Care is a vital support for families that saves Alaska money in the long run. Remember the old saying an ounce of prevention is worth a pound of cure"? It's still true. I urge you to defeat this bill."  
Date Sent: 02/12/2002

Mr. Christopher B Dewitt,  
Po Box 240694  
Juneau, AK 99801  
Phone: 364-1554  
E-mail: cdewitt@blm.ak.gov

Constituency: N  
Distribution: 60  
Affiliation: Myself  
Reg Voter: Y

Subject/Bill TAXATION

I oppose a state income tax. I support liquor tax per drink limited luxury sales tax and removing PDF payoff if it was used to balance the budget. Instead of subsidising the federal government keep it and balance the budget. My support for these issues would have to include a spending and balanced budget bill.  
Date Sent: 02/12/2002

Edna A Resari,  
4031 North Star St  
4031 North Star St  
Anchorage, AK 99503  
Phone: -  
E-mail:

Constituency: N  
Distribution: 8  
Affiliation:  
Reg Voter: Y

Subject/Bill HB 367 Opposes

I wish to oppose HB 367 regarding Denali Kid Care. I'm a school nurse and see many children benefiting from this program.  
Date Sent: 02/12/2002

Mr. Gregg L Ashwill,  
2212 Cliff Ct  
2212 Cliff Ct  
Anchorage, AK 99517  
Phone: -  
E-mail: airman@alaska.com

Constituency: N  
Distribution: 40  
Affiliation:  
Reg Voter: Y

Subject/Bill SB 258 Opposes

I adamantly oppose any kind of tax on Alaska businesses. This will discourage business startups. Reduce the State budget to areasonable" number. The spending in this State is ridiculous."  
Date Sent: 02/12/2002

Alaska State Legislature  
Public Opinion Messages

James C Weidner,  
5479 Chena Hot Springs Rd  
5479 Chena Hot Springs Rd  
Fairbanks, AK 99712  
Phone: -  
E-mail:

Constituency: N  
Distribution: 60  
Affiliation:  
Reg Voter: Y

Subject/Bill TAXATION

I support actually cutting the budget. There is no need for any of these taxes. Cost of operating the State of Alaska's government is more than other states such as Wyoming Idaho North Dakota.  
Date Sent: 02/12/2002

Kathleen A Lawton,  
11435 Mausel Rd  
11435 Mausel Rd  
Eagle River, AK 99577  
Phone: -  
E-mail:

Constituency: N  
Distribution: 60  
Affiliation:  
Reg Voter: Y

Subject/Bill HB 66 Opposes

Also SB 14. As a soil chemist plant physiologist and environmental specialist I believe the Pesticide Right to Know bill is a waste of Alaska's time and money at this time. I respect Representative Cissna's efforts but this bill is not needed. Please choose to spend that money elsewhere.  
Date Sent: 02/12/2002

Mr. Thomas R Kelly,  
4211 Passage Wy  
Anchorage, AK 99516  
Phone: 269-8040  
E-mail: kellyt@katewwdb.com

Constituency: N  
Distribution: 60  
Affiliation:  
Reg Voter: Y

Subject/Bill HB 258 Opposes

As a business owner I strongly oppose the introduction of this legislation. And I would urge you to vote against this proposed change which would tax businesses on gross revenue. Another example of trying to tax people who are trying to be productive.  
Date Sent: 02/12/2002

Clifford E Boner,  
Hc 60 Box 2465  
Hc 60 Box 2465  
Copper Center, AK 99573  
Phone: -  
E-mail:

Constituency: N  
Distribution: 60  
Affiliation:  
Reg Voter: Y

Subject/Bill SCR 25 Opposes

Who is going to pay the bill for a lawsuit to change ANILCA? Either do your job or get out of dodge!  
Date Sent: 02/12/2002

Alaska State Legislature  
Public Opinion Messages

Kenneth J Mears,  
1941 Wickersham Dr  
1941 Wickersham Dr  
Anchorage, AK 99507  
Phone: -  
E-mail:

Constituency: N  
Distribution: 60  
Affiliation:  
Reg Voter: Y

Subject/Bill TAXATION

Contributions from non-resident guides fisherman and lodges who have priority over urban and rural residents are hard to get with their very sharp pencils. A gross renewable resource business tax with liberal resident credits could do it. The state AG had previously willed this possibility as the money is not spent here.  
Date Sent: 02/12/2002

Jerome R Moore,  
Po Box 140223  
Po Box 140223  
Anchorage, AK 99514-0223  
Phone: -  
E-mail:

Constituency: N  
Distribution: 60  
Affiliation:  
Reg Voter: Y

Subject/Bill TOURISM

I am against the proposed \$6million ads for the tourism industry. There are no guarantees for any return on the money spent. The economy is bad alot of folks are putting off travel plans. The major amount of the money is spent in the company businesses.  
Date Sent: 02/12/2002

Ms. Michelle s Tabler,  
13241 Vern Dr  
13241 Vern Dr  
Anchorage, AK 99516  
Phone: 274-2886  
E-mail: mtabler@alaska.net

Constituency: N  
Distribution: 60  
Affiliation:  
Reg Voter: Y

Subject/Bill TAXATION

I am VERY opposed to a state income tax. Use the Permanent Fund FIRST for state government - that is what the Fund was set up for. Don't tax my income while thousands of peop'le who don't work won't pay the tax AND still receive their Permanent Fund checks. Michelle Tabler  
Date Sent: 02/12/2002

Linda E Sisson,  
129 Parkwood Cir  
129 Parkwood Cir  
Soldotna, AK 99669  
Phone: -  
E-mail: jsisson@ideafamilies.org

Constituency: N  
Distribution: 59  
Affiliation: Sisson Homeschool  
Reg Voter: Y

Subject/Bill EDUCATION

The proposed regulations by D.E.E.D. regarding restrictions on the use of privately purchased curricular material[4AAC33.421(d) 4AAC33.421(e) and 4AAC33.421(g)(2)] NEED TO BE RE-WRITTEN! We have a constitutional right to use Christian curriculum purchased with private funds. This regulation would prohibit this freedom.  
Date Sent: 02/12/2002

Alaska State Legislature  
Public Opinion Messages

Jeffrey A Sisson,  
129 Parkwood Cir  
Po Box 3585  
Soldotna, AK 99669  
Phone: -  
E-mail: csisson@connect.kpbsd.k12.ak.us

Constituency: N  
Distribution: 20  
Affiliation:  
Reg Voter: Y

Subject/Bill EDUCATION

I oppose the D.E.E.D proposed regulations affecting homeschooling in Alaska. These regulations if allowed to pass would devastate I.D.E.A. and other homeschooling programs in Alaska. THESE REGULATIONS NEED TO BE RECONSIDERED. Homeschooling is a wonderful alternative educational system and it would be too bad to loose it.

Date Sent: 02/12/2002

Leora A Pooler,  
Po Box 714  
Po Box 714  
Sterling, AK 99672  
Phone: -  
E-mail:

Constituency: N  
Distribution: 60  
Affiliation:  
Reg Voter: Y

Subject/Bill TAXATION

Is it the water in Juneau? Have you guys gone crazy? All we hear coming out of Juneau is taxes taxes taxes! How can you DREAM of taxes and appropriate tourism \$6M? Be advised: people are watching VERY carefully. I gaurantec tax supporters are serving their last term in Juneau.

Date Sent: 02/13/2002

Mr. Michael K Segelhorst,  
3910 Image Dr  
Anchorage, AK 99504  
Phone: 33-8788  
E-mail:

Constituency: N  
Distribution: 27  
Affiliation:  
Reg Voter: Y

Subject/Bill TAXATION

Stop taking direction from the Anchorage Daily News. Listen to people and read the polls. Spending cuts and spending cap are needed first. No new taxesyet". Remember you were elected generally as fiscal conservatives. Please keep your promises and remember it"s an election year."

Date Sent: 02/13/2002

Lapriel C Stephan,  
Po Box 112114  
Po Box 112114  
Anchorage, AK 99511-2114  
Phone: -  
E-mail:

Constituency: N  
Distribution: 18  
Affiliation:  
Reg Voter: Y

Subject/Bill HB 303 Opposes

Bad bill HB 303 the sales tax proposal. You're definitely more apt to lose at the next election if you pass HB 303. Use the interest from permanent fund if necessary cut give-away programs and social services. Didn't need to give money to ANWR advertising

Date Sent: 02/13/2002

Alaska State Legislature  
Public Opinion Messages

Dr. Thomas. N Davis,  
375 Miller Hill RD  
Fairbanks, AK 99709  
Phone: -  
E-mail: neildavs@mosquiconet.com

Subject/Bill TAXATION

I strongly support reinstatement of the Alaska Income Tax as proposed by Governor Knowles. I strongly oppose imposition of a sales tax. T. Neil Davis Voter ID 00090959.  
Date Sent: 02/13/2002

Constituency: N  
Distribution: 60  
Affiliation:  
Reg Voter: U

Mr. Leroy K Smith,  
10030 Gebhart DR  
Anchorage, AK 99515  
Phone: 248-8375  
E-mail: lspara@acsalaska.net

Subject/Bill TAXATION

I support a seasonal sales tax - everybody pays including tourists using infrastructure. Regarding municipal or borough objections share it. A 6 percent sales tax with 1 percent to the municipalities village or borough collecting it.  
Date Sent: 02/13/2002

Constituency: N  
Distribution: 60  
Affiliation:  
Reg Voter: U

Janet Lemire,  
Po Box 293  
Po Box 293  
Klawock, AK 99925-0293  
Phone: 826-3007  
E-mail: lemirecharters@yahoo.com

Subject/Bill TAXATION

Any kind of taxation is not a good idea. The economy is not good now and we Alaskans who are left are struggling enough as it is. Face reality and cut spending.  
Date Sent: 02/13/2002

Constituency: N  
Distribution: 60  
Affiliation:  
Reg Voter: Y

Mr. Bret W Kunkle,  
1901 McCormick RD  
North Pole, AK 99705  
Phone: -  
E-mail:

Subject/Bill TAXATION

Rep. Kohring's recently released approach to cure the fiscal problems of state government by shrinking the size of government receives the full support of me and my co-workers here at the refinery in North Pole.  
Date Sent: 02/13/2002

Constituency: N  
Distribution: 60  
Affiliation:  
Reg Voter: U

**Subject: Re: permanent fund proposal,Reply**

**Date: Mon, 11 Feb 2002 14:48:16 -0800**

**From: "W." <william.slone@acsalaska.net>**

**To: "Representative John Coghill" <Representative\_John\_Coghill@legis.state.ak.us>**

Thanks for reviewing and for your comments

Slone

----- Original Message -----

From: "Representative John Coghill"

<Representative\_John\_Coghill@legis.state.ak.us>

To: "W." <william.slone@acsalaska.net>

Sent: Sunday, February 10, 2002 6:41 PM

Subject: Re: permanent fund proposal,Reply

> Dear W. L. Slone,

>

> Thanks for the very thoughtful solution to our Permanent Fund Earnings  
> usage for Alaskans. Much of what you propose would have constitutional  
> and IRS barrier ramifications that would be significant. However the  
> biggest barrier would be the political one of public mistrust and  
> legislative reluctance in installing such a complex system. An agreement  
> of sixty legislators and a governor on such an issue would be next to  
> impossible.

> I am making a copy of your proposal and will show it to some legislators  
> and maybe this could spark further discussion.

> Thanks for the time you have put into this idea, I truly respect you  
> effort.

> John Coghill

>

>

**Subject: State Budget**

**Date: Mon, 11 Feb 2002 12:52:35 -0900**

**From: Delia Call <deliac@ciri.com>**

**To: "Representative\_John\_Coghill@legis.state.ak.us" <Representative\_John\_Coghill@legis.state.ak**

Rep. Coghill: I'll keep this short.

Here's what this and many hardworking Alaskans want:

- cut spending by creating efficiencies in State government offices
- require state workers who are frequent flyers to use mileage plan miles towards state-related travel, not personal use.
- cap or eliminate perm. fund
- if a tax is needed to close the gap, let it be a sales tax.

Two of the three above would affect me - as a receiver of perm. fund and as a business manager in collecting taxes. Both would be burdensome, however, there is no logic to distributing perm. fund checks and collecting income taxes from those of us work hard to support ourselves and our families.

Thank you,

Delia Call

Anchorage citizen

508 Lynwood Dr., Apt. B

Anchorage, AK 99518

**Subject: DEFICIT**

Date: Mon, 11 Feb 2002 14:55:40 -0600

From: "Grawunder, Phillip L." &lt;Phillip.Grawunder@BakerPetrolite.com&gt;

To: "Representative\_John\_Coghill@legis.state.ak.us" &lt;Representative\_John\_Coghill@legis.state.ak

Rep. Coghill;

Please forward my position to others who will listen. Keep up the good fight!

## JUST SOLVE THE PROBLEM

If our deficit is \$1B. Cut spending. Why is it that all elected representative, whether state or federal, refuse to understand this when they are spending someone else's money?

If it's your personal finances, what do you do when your income drops? You cut your spending.  
Why is this so hard to understand, when it relates to government?

## A Plan That Would Work:

1. Cut Permanent Fund Dividend payments to everyone in the state.  
Initiating a State Income Tax in Alaska, while giving away money to all citizens of the state is ludicrous! We as citizens of the state DO NOT DESERVE a Permanent Fund Dividend, when the states' expenses are almost twice as much as it's revenues. In fact we don't deserve a PFD under any circumstances. The only reason our representatives haven't voted to repeal it is because they would be unpopular and all they want is to get re-elected-NOT do what is right for the state!
2. Initiate a 5% State sales tax-it is the only fair tax, and we get tourists to pay also. Everyone pays, unlike an income tax where only those that work pay.
3. Cut State Spending to balance the budget this and every year, regardless the impact on state services. I don't have the actual volume that #1 & #2 above will pull into the treasury-but you do. Whatever the amount, cut an adequate amount from spending to balance the budget, without pulling it from reserves. Yes, it will hurt many people, but if we don't have the money-we don't have the money.

Think about why state revenues are down-production is down, and it will continue to decline at a rate of 5%---it isn't coming back. The only way to get revenue back to previously high levels is to produce ANWR.

It's ludicrous to think that the legislature is willing to spend \$12MM on promoting tourism, when you're only willing to spend \$1MM on promoting ANWR. The budget can't be balanced with tourism unless you tax each tourist thousands of dollars to come to Alaska!

Solving this problem will not be easy or pleasant. But you weren't elected to get paid and not do what is right-we want solutions. In business if you don't perform-you get fired.

If you don't perform we will do everything we can to elect someone else. We don't want excuses we want you to do what is right. And yes, you might not get re-elected if you do solve the problem-but you will know that you did something you can be proud of the rest of your life. You will also know that those before you didn't have the guts to do the right thing, but you did.

A concerned citizen;

DEFICIT

Phil Grawunder  
12600 Shelburne  
Anchorage, AK 99516  
Home 345-4953  
Cell 223-3688  
Phillip.Grawunder@bakerpetrolite.com

Phil Grawunder  
<<Phil Grawunder.vcf>>

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Phil Grawunder <Phillip.Grawunder@BakerPetrolite.com>  
Area Mgr.  
Baker Petrolite

**STATE INDIVIDUAL INCOME TAXES**  
(Tax rates for tax year 2002 -- as of January 1, 2002)

	TAX RATE RANGE		Number of Bracket:	INCOME BRACKETS		PERSONAL EXEMPTIONS			FEDERAL INCOME TAX DEDUCTIBLE
	(in percents) Low	High		Lowest	Highest	Single	Married dependents		
ALABAMA	2.0	- 5.0	3	500 (b)	- 3,000 (b)	1,500	3,000	300	*
ALASKA	No State Income Tax								
ARIZONA	2.87	- 5.04	5	10,000 (b)	- 150,000 (b)	2,100	4,200	2,300	
ARKANSAS	1.0	- 7.0 (e)	6	2,999	- 25,000	20 (c)	40 (c)	20 (c)	
CALIFORNIA (a)	1.0	- 9.3	6	5,748 (b)	- 37,725 (b)	79 (c)	158 (c)	247 (c)	
COLORADO	4.63		1	-----Flat rate-----		-----None-----			
CONNECTICUT	3.0	- 4.5	2	10,000 (b)	- 10,000 (b)	12,000 (f)	24,000 (f)	0	
DELAWARE	2.2	- 5.95	7	5,000	- 60,000	110 (c)	220 (c)	110 (c)	
FLORIDA	No State Income Tax								
GEORGIA	1.0	- 6.0	6	750 (g)	- 7,000 (g)	2,700	5,400	2,700	
HAWAII	1.4	- 8.3	8	2,000 (b)	- 40,000 (b)	1,040	2,080	1,040	
IDAHO	0.6	- 7.8	8	1,000 (h)	- 20,000 (h)	2,900 (d)	5,800 (d)	2,900 (d)	
ILLINOIS	3.0		1	-----Flat rate-----		2,000	4,000	2,000	
INDIANA	3.4		1	-----Flat rate-----		1,000	2,000	1,000	
IOWA (a)	0.36	- 8.98	9	1,211	- 54,495	40 (c)	80 (c)	40 (c)	*
KANSAS	3.5	- 6.45	3	15,000 (b)	- 30,000 (b)	2,250	4,500	2,250	
KENTUCKY	2.0	- 6.0	5	3,300	- 8,000	20 (c)	40 (c)	20 (c)	
LOUISIANA	2.0	- 6.0	3	10,000 (b)	- 50,000 (b)	4,500 (i)	9,000 (i)	1,000 (i)	*
MAINE (a)	2.0	- 8.5	4	4,150 (b)	- 16,500 (b)	2,850	5,700	2,850	
MARYLAND	2.0	- 4.75	4	1,000	- 3,000	2,400	4,800	2,400	
MASSACHUSETTS	5.0		1	-----Flat rate-----		4,400	8,800	1,000	
MICHIGAN (a)	4.1 (j)		1	-----Flat rate-----		2,800	5,600	2,800	
MINNESOTA (a)	5.35	- 7.85	3	18,710 (k)	- 61,461 (k)	2,900 (d)	5,800 (d)	2,900 (d)	
MISSISSIPPI	3.0	- 5.0	3	5,000	- 10,000	6,000	12,000	1,500	
MISSOURI	1.5	- 6.0	10	1,000	- 9,000	2,100	4,200	2,100	*(s)
MONTANA (a)	2.0	- 11.0	10	2,200	- 75,400	1,720	3,440	1,720	*
NEBRASKA (a)	2.51	- 6.68	4	2,400 (l)	- 26,500 (l)	94 (c)	188 (c)	94 (c)	
NEVADA	No State Income Tax								
NEW HAMPSHIRE	State Income Tax is Limited to Dividends and Interest Income Only.								
NEW JERSEY	1.4	- 6.37	6	20,000 (m)	- 75,000 (m)	1,000	2,000	1,500	
NEW MEXICO	1.7	- 8.2	7	5,500 (n)	- 65,000 (n)	2,900 (d)	5,800 (d)	2,900 (d)	
NEW YORK	4.0	- 6.85	5	8,000 (b)	- 20,000 (b)	0	0	1,000	
NORTH CAROLINA (o)	6.0	- 8.25	4	12,750 (o)	- 120,000 (o)	2,900 (d)	5,800 (d)	2,900 (d)	
NORTH DAKOTA	2.1	- 5.54 (p)	5	27,050 (p)	- 297,350 (p)	2,900 (d)	5,800 (d)	2,900 (d)	(p)
OHIO (a)	0.743	- 7.5 (q)	9	5,000	- 200,000	1,150 (q)	2,300 (q)	1,150 (q)	
OKLAHOMA	0.5	- 6.65 (r)	8	1,000	- 10,000	1,000	2,000	1,000	*(r)
OREGON (a)	5.0	- 9.0	3	2,350 (b)	- 5,850 (b)	132 (c)	264 (c)	132 (c)	*(s)
PENNSYLVANIA	2.8		1	-----Flat rate-----		-----None-----			
RHODE ISLAND	25.0% Federal tax liability (t)								
SOUTH CAROLINA (a)	2.5	- 7.0	6	2,400	- 12,000	2,900 (d)	5,800 (d)	2,900 (d)	
SOUTH DAKOTA	No State Income Tax								
TENNESSEE	State Income Tax is Limited to Dividends and Interest Income Only.								
TEXAS	No State Income Tax								
UTAH (a)	2.30	- 7.0	6	863 (b)	- 4,313 (b)	2,175 (d)	4,350 (d)	2,175 (d)	*(u)
VERMONT	24.0% Federal tax liability (t)								
VIRGINIA	2.0	- 5.75	4	3,000	- 17,000	800	1,600	800	
WASHINGTON	No State Income Tax								
WEST VIRGINIA	3.0	- 6.5	5	10,000	- 60,000	2,000	4,000	2,000	
WISCONSIN	4.6	- 6.75 (v)	4	7,500	- 112,500	700	1,400	400	
WYOMING	No State Income Tax								
DIST. OF COLUMBIA	4.5	- 8.5 (w)	3	10,000	- 40,000	1,370	2,740	1,370	

## STATE INDIVIDUAL INCOME TAXES (footnotes)

Source: The Federation of Tax Administrators from various sources.

- (a) Seven states have statutory provision for automatic adjustment of tax brackets, personal exemption or standard deductions to the rate of inflation. Michigan, Nebraska and Ohio indexes the personal exemption amounts only.
- (b) For joint returns, the taxes are twice the tax imposed on half the income.
- (c) tax credits.
- (d) These states allow personal exemption or standard deductions as provided in the IRC. Utah allows a personal exemption equal to three-fourths the federal exemptions.
- (e) A special tax table is available for low income taxpayers reducing their tax payments.
- (f) Combined personal exemptions and standard deduction. An additional tax credit is allowed ranging from 75% to 0% based on state adjusted gross income. Exemption amounts are phased out for higher income taxpayers until they are eliminated for households earning over \$52,500.
- (g) The tax brackets reported are for single individuals. For married households filing separately, the same rates apply to income brackets ranging from \$500 to \$5,000; and the income brackets range from \$1,000 to \$10,000 for joint filers.
- (h) For joint returns, the tax is twice the tax imposed on half the income. A \$10 filing tax is charge for each return and a \$15 credit is allowed for each exemption.
- (i) Combined personal exemption and standard deduction.
- (j) Tax rate scheduled to decrease to 4.0% for tax year 2003.
- (k) The tax brackets reported are for single individual. For married couples filing jointly, the same rates apply for income under \$27,350 to over \$108,661.
- (l) The tax brackets reported are for single individual. For married couples filing jointly, the same rates apply for income under \$4,000 to over \$46,750.
- (m) The tax brackets reported are for single individuals. For married couples filing jointly, the same rates apply for income under \$20,000 to over \$150,000.
- (n) The tax brackets reported are for single individuals. For married couples filing jointly, the same rates apply for income under \$8,000 to over \$100,000. Married households filing separately pay the tax imposed on half the income.
- (o) The tax brackets reported are for single individuals. For married taxpayers, the same rates apply to income brackets ranging from \$21,250 to \$200,000. Lower exemption amounts allowed for high income taxpayers. Tax rate scheduled to decrease after tax year 2003.
- (p) Rates reported are for short form filers. Long form filers rates range from 2.67% for income under \$3,000 to 12% over \$50,000. Long form filers only can deduct federal income taxes. An additional \$300 personal exemption is allowed for joint returns or unmarried head of households.
- (q) Plus an additional \$20 per exemption tax credit. Rate reported are for tax year 2001, the 2002 rates will not be determined until July, 2001.
- (r) The rate range reported is for single persons not deducting federal income tax. For married persons filing jointly, the same rates apply to income brackets ranging from \$2,000 to \$21,000. Separate schedules, with rates ranging from 0.5% to 10%, apply to taxpayers deducting federal income taxes.
- (s) Deduction is limited to \$10,000 for joint returns and \$5,000 for individuals in Missouri and to \$3,000 in Oregon.
- (t) Federal Tax Liability prior to the enactment of economic Growth and Tax Relief Act of 2001.
- (u) One half of the federal income taxes are deductible.
- (v) The tax brackets reported are for single individuals. For married taxpayers, the same rates apply to income brackets ranging from \$10,000 to \$150,000.
- (w) Tax rate decreases are scheduled for tax years 2003.

STATE PERSONAL INCOME TAXES: FEDERAL STARTING POINTS

STATE	Relation to Internal Revenue Code	Tax Base
ALABAMA	---	---
ALASKA	no state income tax	
ARIZONA	1/1/01	federal adjusted gross income
ARKANSAS	---	---
CALIFORNIA	1/1/98	federal adjusted gross income
COLORADO	Current	federal taxable income
CONNECTICUT	Current	federal adjusted gross income
DELAWARE	Current	federal adjusted gross income
FLORIDA	no state income tax	
GEORGIA	1/1/01	federal adjusted gross income
HAWAII	12/31/00	federal taxable income
IDAHO	1/1/00	federal taxable income
ILLINOIS	Current	federal adjusted gross income
INDIANA	1/1/01	federal adjusted gross income
IOWA	1/1/01	federal adjusted gross income
KANSAS	Current	federal adjusted gross income
KENTUCKY	12/31/99	federal adjusted gross income
LOUISIANA	Current	federal adjusted gross income
MAINE	12/31/00	federal adjusted gross income
MARYLAND	Current	federal adjusted gross income
MASSACHUSETTS	Current	federal adjusted gross income
MICHIGAN	Current (a)	federal adjusted gross income
MINNESOTA	Current	federal taxable income
MISSISSIPPI	---	---
MISSOURI	Current	federal adjusted gross income
MONTANA	Current	federal adjusted gross income
NEBRASKA	Current	federal adjusted gross income
NEVADA	no state income tax	
NEW HAMPSHIRE	on interest & dividends only	
NEW JERSEY	---	---
NEW MEXICO	Current	federal adjusted gross income
NEW YORK	Current	federal adjusted gross income
NORTH CAROLINA	1/1/01	federal taxable income
NORTH DAKOTA	Current	federal taxable income
OHIO	Current	federal adjusted gross income
OKLAHOMA	Current	federal adjusted gross income
OREGON	Current	federal taxable income
PENNSYLVANIA	---	---
RHODE ISLAND	6/3/01	federal liability
SOUTH CAROLINA	12/31/00	federal taxable income
SOUTH DAKOTA	no state income tax	
TENNESSEE	on interest & dividends only	
TEXAS	no state income tax	
UTAH	Current	federal taxable income
VERMONT	6/3/01	federal liability
VIRGINIA	Current	federal adjusted gross income
WASHINGTON	no state income tax	
WEST VIRGINIA	1/1/00	federal adjusted gross income
WISCONSIN	12/31/00	federal adjusted gross income
WYOMING	no state income tax	
DIST. OF COLUMBIA	Current	federal adjusted gross income

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

--- state does not employ a federal starting point. Current indicates state has adopted IRC as currently in effect. Dates indicate state has adopted IRC as amended to that date.

(a) or 1/1/99, taxpayer's option.

## 2000 State Tax Collection by Source

(Percentage of Total)

	Property	Sales	Selective Sales	Individual Income	Corporate Income	Other
Alabama	2.8	26.4	23.7	32.2	3.8	11.1
Alaska	3.1	0.0	9.7	--	30.8	56.4
Arizona	3.7	44.8	12.5	28.3	6.5	4.3
Arkansas	9.9	35.0	13.5	30.2	4.9	6.5
California	4.0	28.0	7.4	47.2	7.9	5.5
Colorado	--	26.1	12.2	51.4	4.7	5.6
Connecticut	--	33.6	16.1	39.1	4.2	7.0
Delaware	--	--	13.6	34.4	11.3	40.8
Florida	3.1	60.5	16.6	--	4.8	15.1
Georgia	0.4	34.3	8.3	47.1	5.3	4.7
Hawaii	--	46.1	15.5	31.9	2.3	4.3
Idaho	--	31.4	12.9	40.6	5.3	9.7
Illinois	0.2	28.1	19.6	33.5	9.9	8.7
Indiana	0.0	35.4	14.4	37.1	9.2	3.8
Iowa	--	33.2	14.6	36.5	4.1	11.6
Kansas	1.0	35.8	11.9	38.3	5.6	7.4
Kentucky	5.1	28.2	17.4	35.1	4.0	10.2
Louisiana	0.4	31.6	25.5	24.3	3.4	14.8
Maine	1.1	31.8	12.9	40.5	5.6	8.0
Maryland	2.5	24.1	18.0	44.6	4.2	6.7
Massachusetts	0.0	22.1	9.3	56.0	8.1	4.6
Michigan	7.5	33.7	9.3	31.6	10.5	7.5
Minnesota	0.1	27.9	15.4	41.6	6.0	9.0
Mississippi	0.0	49.5	17.3	21.4	4.8	7.0
Missouri	0.2	32.5	14.5	41.4	3.1	8.2
Montana	15.5	--	24.4	36.6	7.1	16.4
Nebraska	0.1	34.5	14.0	39.4	4.7	7.3
Nevada	2.5	52.2	32.6	--	--	12.7
New Hampshire	27.9	0.0	32.8	3.9	18.4	17.0
New Jersey	0.0	30.4	14.8	39.7	7.4	7.7
New Mexico	0.9	40.1	13.5	23.5	4.3	17.7
New York	--	20.5	11.4	55.6	6.6	5.9
North Carolina	0.0	22.1	17.5	46.6	6.5	7.2
North Dakota	0.2	28.2	27.7	16.9	6.7	20.3
Ohio	0.1	31.8	14.2	41.9	3.2	8.8
Oklahoma	--	24.6	12.6	36.5	3.3	22.9
Oregon	0.0	0.0	12.2	68.9	6.8	12.0
Pennsylvania	0.5	31.4	15.1	30.1	7.6	15.2
Rhode Island	0.0	30.5	18.8	40.7	3.7	6.3
South Carolina	0.2	38.5	12.3	38.3	3.6	7.1

South Dakota	--	52.6	26.4	--	4.9	16.1
Tennessee	--	57.4	17.6	2.3	7.9	14.7
Texas	--	51.1	29.9	0.0	--	19.0
Utah	--	35.8	12.6	41.5	4.4	5.8
Vermont	27.5	14.6	17.4	29.4	3.0	8.0
Virginia	0.3	19.5	14.9	54.0	4.5	6.9
Washington	13.5	61.6	15.5	0.0	--	9.4
West Virginia	0.1	27.4	26.4	28.9	6.5	10.7
Wisconsin	0.7	27.7	13.0	47.1	4.6	6.9
Wyoming	10.5	38.3	11.2	0.0	--	40.0
<b>Total</b>	<b>2.0</b>	<b>32.3</b>	<b>14.4</b>	<b>36.0</b>	<b>6.0</b>	<b>9.2</b>

Source: U.S. Bureau of the Census.  
--- tax not levied at state level.

**HB 413 – PERSONAL INCOME TAX**  
**- SECTIONAL ANALYSIS BY THE DEPARTMENT OF REVENUE -**  
February 16, 2002

OVERVIEW

This bill would implement a state income tax on individuals, estates and trusts, using as its taxable base the tax liability reported on federal income tax returns. Federal tax liability is generally the tax after federal deductions and credits, including the Earned Income and Additional Child tax credits.

The state income tax would be imposed at the rate of 20% of the federal tax. The rate would be reduced to 10% or 5% if the balance in the Constitutional Budget Reserve Fund grows to \$2 billion or \$2.5 billion, respectively.

Residents would compute their Alaska tax based upon their federal tax. However, they would be allowed an offset for any income taxes paid to other states. Nonresidents would be taxed on the percentage of their total federal tax attributed to Alaska income. If, for example, half of a nonresident's income is attributed to activity in Alaska, then his or her Alaska income tax would be 20% times half of the nonresident's federal tax.

Withholding would be required on wages. Employers are already withholding federal taxes, and the state withholding would be a percentage of the federal withholding. Quarterly estimated tax payments would be required for income not subject to withholding.

A tax on individuals requires that trusts and estates also be subject to the income tax. This is necessary for fairness and to avoid creating a potential tax loophole. The plan for taxing these entities essentially follows that for resident and nonresident individuals. Alaska trusts and estates would be taxed at the Alaska percentage of their federal tax liability, with an offset allowed for taxes paid to other states. All other trusts and estates would be taxed only on a percentage of the total tax attributed to Alaska income.

A section-by-section analysis of the bill follows.

SECTION 1 – TAXPAYER DEFINED

This section provides that employers required to withhold income taxes are treated the same as taxpayers for purposes of the penalty, interest, assessment, collection and appeal provisions in AS 43.05. These provisions would apply to an employer that fails to file reports or fails to pay to the state any withheld income taxes.

## SECTION 2 – IMPOSITION OF TAX

This section imposes an income tax on all income of resident individuals, estates and trusts; and on only the income from Alaska sources of part-year residents and nonresident individuals, estates and trusts.

For the majority of year-round Alaska residents with no income earned in other states, they would simply go to Line 52 on IRS Form 1040, which reflects their federal tax after federal credits, and multiply Line 52 by the Alaska tax rate to determine their Alaska tax liability. Those with Earned Income Credit or Additional Child Tax Credit would subtract Lines 61(a) and 63 from Line 52 before multiplying the sum by the Alaska tax rate to determine their Alaska income tax liability.

The process would be different for others. They would start with the federal income tax liability as shown on Line 40 of Form 1040. This tax must then be adjusted, if necessary, for the following items (line references are to the Form 1040 for 2001):

1. The Alternative Minimum Tax liability, if any, shown on Line 41 must be added to the tax.
2. Any federal credits taken on Form 1040 would then be deducted from the tax. Most of the federal credits are shown on Line 51. The federal credits also include the Earned Income Credit on Line 61(a) and the Additional Child Tax Credit on Line 63. However, the federal credits may not reduce the Alaska tax below zero; unused credits, if any, are allowed only to the extent they are reflected on the federal return in another tax year.
3. This legislation would also allow taxpayers to deduct credits against their tax liability for Alaska Longevity Bonus payments, interest on U.S. government bonds or notes, and any other income that the state may not tax under state or federal law, in effect shielding this income from the state income tax. These Alaska credits may not reduce the tax below zero.
4. The Alaska tax rate is then multiplied against the federal tax liability as determined above. The result is a taxpayer's Alaska income tax liability.
5. Alaska residents could then deduct from their tax bill any income taxes paid to other states for income earned in that state.

Nonresidents have one additional computation to determine the Alaska income tax liability. Unlike residents who are taxed on all their income regardless of where it was earned, nonresidents under federal law may only be taxed on the income derived from an Alaska source. That part of their federal tax liability attributed to income from Alaska sources becomes the base against which the Alaska tax rate is applied. Nonresidents would add all their income from Alaska sources as reported on Lines 7-21 and divide that number by the total income on Line 22; that percentage would then be multiplied by their federal tax liability to determine how much of their federal tax liability is subject to Alaska income tax. If, for example, half the income is from Alaska sources, half of their federal tax liability would be subject to the Alaska income tax calculation.

The Alaska tax rate for 2003 is a flat rate of 20% of the adjusted federal income tax liability. The bill provides that in future years the tax rate would range from 5% to 10% to 20% depending on the balance in the Constitutional Budget Reserve Fund on September 30<sup>th</sup> of the year preceding the tax year. Since the federal income tax liability is the result of a graduated federal tax, and the Alaska tax piggybacks upon the federal tax liability, the Alaska tax is also graduated even though it is a flat rate.

Some residents earn income in other states and pay an income tax in those states. In order to prevent these residents from paying tax twice on the same income, an offset to the Alaska tax liability is provided. The offset is the lesser of the amount of the actual tax paid to the other state, the amount of the Alaska tax that is otherwise attributed to the out-of-state income, or the Alaska tax liability. The calculation of the amount of Alaska tax attributed to out-of-state income is discussed in Section 4.

Estates and trusts determine the Alaska tax in much the same manner as individuals. The differences are mostly federal in nature and arise because a Form 1041 is filed rather than a Form 1040. A resident estate and trust starts with the federal income tax liability shown on Line 23 of Form 1041. This is the line that reflects the federal income tax liability to the estate or trust on taxable income after deductions, including the income distribution deduction for amounts distributed to beneficiaries, and the line also is net of credits and other taxes.

After taking into account any adjustments to the tax for Alaska credits that may be required, the Alaska tax rate is multiplied against the adjusted tax to produce the Alaska tax liability. While the estate or trust does not pay tax on income distributed to beneficiaries, the individual beneficiaries are required to report the income on their federal tax return and the income will be subject to the Alaska tax in that manner.

Nonresident estates and trusts are only taxed on the income from sources within Alaska. The federal tax is segregated into Alaska source income and non-Alaska income by multiplying the federal tax as adjusted by the percentage that Alaska income included in lines 1 through 8 of the form 1041 is to the total income shown on line 9. The segregated federal tax on Alaska source income is then multiplied by the Alaska tax rate to produce the Alaska tax liability.

### SECTION 3 - ELECTRONIC FILING

This section allows the department to provide a financial incentive to taxpayers to file the tax return and pay the tax electronically. The incentive is capped at \$25 per taxpayer per year.

## SECTIONS 4, 5, & 6 – RETURNS AND PAYMENTS.

These sections amend AS 43.20.030 to require individuals, partnerships, estates and trusts to file a tax return. The return is due on the date the federal return is required to be filed. The tax payment is due on the original due date, generally April 15 for an individual, regardless of extensions of the filing due date for the return. Withholding and estimated tax prepayments are required so the tax liability in practice should be paid during the tax year itself. Penalties and interest will apply to any tax deficiency after April 15 of the tax year.

## SECTION 7 – CREDITS

This section provides an additional credit (distinct from the federal credits shown on the federal tax return) against the federal tax liability. The credit is an amount equivalent to the sum of the federal tax on (1) the Alaska Longevity Bonus that is exempt pursuant to AS 47.45.120(a), and (2) interest on such things as US Treasury Notes that federal law precludes a state from taxing. These credits are not contained on the Form 1040 because they have application only at the state level. The Longevity Bonus and Treasury Note interest are taxable for federal income tax purposes and are included within the total income shown on Line 22 of the Form 1040. Since the Alaska tax liability is based upon a percentage of the federal tax, that part of the federal tax attributed to these income items must be removed.

The part of the federal tax attributed to these non-taxable items is determined by reference to the effective rate of federal tax on each dollar of federal adjusted gross income. That is accomplished by dividing the actual federal tax shown on Line 40 of Form 1040 (tax on taxable income before credits and other taxes) by Line 33 (adjusted gross income before deduction and exemption amounts). This effective rate of federal tax can then be multiplied against the non-taxable income items and the result is the amount of the credit. The credit, however, may not exceed the federal tax liability remaining after federal credits are applied.

Because of the effect of the Alternative Minimum Tax, it might be possible to compute an effective tax rate that is less than the lowest federal tax rate or greater than the highest federal tax rate. If that occurs, the effective rate for the computation is set at the lowest or highest federal tax rate, whichever is applicable.

The effective tax rate is also a part of the computation of the offset for income of residents taxed in other states. The effective tax rate is multiplied by the income derived from sources in the other state and then again by the Alaska tax rate. This amount is an offset to the amount of the Alaska tax liability as otherwise computed without regard to the offset but may not reduce the Alaska tax liability below zero.

## SECTION 8 – INCOME FROM SOURCES IN THE STATE DEFINED

For purposes of clarity, this section repeals and re-enacts the provision allocating by source the income of individuals, estates and trusts. Since residents are taxed on income from all sources, this provision applies to nonresidents. Examples include:

- A nonresident who receives a salary or wages for work performed in the state, or is otherwise compensated for performing services in the state such as legal or consulting services, has income from an Alaska source.
- A nonresident who owns and leases real estate, equipment or other tangible personal property that is located in Alaska, or receives licensing income from a franchisee located in Alaska, has income from an Alaska source.
- A nonresident engaged in fishing activities either partly or wholly in Alaska has income from an Alaska source.
- A nonresident who receives a royalty or other payment on minerals extracted in the state has income from an Alaska source.
- A nonresident who is a partner in a partnership, a member of a limited liability company (LLC) treated as a partnership for federal tax purposes, or a shareholder in a corporation that has elected Subchapter S treatment under federal law (S Corp), and the partnership, LLC or S Corp conducts business activities in Alaska, has income from an Alaska source.

In addition, the section provides that all the income of a trust established under Alaska law and of an estate of an Alaska decedent is from an Alaska source. Income from other trusts and estates is considered to be from an Alaska source only to the extent it arises from a taxable or business situs in Alaska. The income distributed from an Alaska trust to a beneficiary for whom the trust receives an income distribution deduction is considered to be Alaska source income to the beneficiary.

The income from sources in Alaska of a business conducted inside and outside Alaska is determined by the allocation and apportionment provisions in AS 43.19. These rules are those that generally apply to corporations and provide that income is apportioned based upon the relationship of property, payroll, and sales in Alaska as compared to everywhere, rather than by geographic sourcing. The business of an individual that involves only personal services is not subject to this rule and such income is sourced based upon the location where the services were performed, although some other form of allocation of the income may be required.

The department is to develop regulations to apportion the income of individuals involved in mobile businesses, such as those in commercial fishing and water, air, and land transportation businesses.

SECTION 9 – WITHHOLDING OF TAX ON WAGES AND ESTIMATED TAX PAYMENTS

This section requires employers to withhold the state income tax from wages paid to employees at a rate of withholding set by the department, and then to report and remit the tax.

Estimated payments of the tax are required for income that is not subject to withholding. The failure by an individual to have sufficient taxes withheld, considered together with any estimated tax payments, would subject the individual to the underpayment of estimated tax penalties provided by federal law and incorporated into Alaska law. The same exceptions to the federal penalty will apply to the state penalty but based upon the Alaska tax.

SECTION 10 - ADMINISTRATION

This section amends AS 43.20.160(c) to instruct the department to facilitate automated or other means for the filing of tax returns and making of tax payments. The section also repeals the provision requiring the department to prepare a concise statement of every Internal Revenue Code section incorporated into Alaska law, which was an almost impossible task.

SECTIONS 11 AND 12 - DEFINITIONS

These sections provide various definitions. For tax purposes, a resident is not necessarily a resident for purposes of the Alaska Permanent Fund dividend program. Resident is a broader term. It is important because a person characterized as a resident for tax purposes is taxed on 100% of the person's income.

A resident individual is an individual domiciled in the state or residing within the state for the entire tax year. Residing or residence refers to actual physical presence while domicile refers to the true, permanent home without regard to absences. An individual therefore may be a resident for income tax purposes and not qualify in that year for a Permanent Fund dividend.

Just like individuals, estates and trusts may be residents or nonresidents. A resident estate is one whose decedent was domiciled in the state on the date of death, while a resident trust is one established under Alaska law; otherwise the estate or trust is a nonresident.

SECTION 13 - SECTIONS REPEALED

This section repeals AS 43.20.012, which currently exempts individuals, trusts and estates from income tax; AS 43.20.013, which is a suspended refundable credit provision; and AS 43.05.085, which is tied to AS 43.20.013.

SECTION 14 - APPLICABILITY

This section provides that the income tax is effective for tax years beginning on or after January 1, 2003.

SECTION 15 - REGULATIONS

This section allows the department to proceed to adopt regulations prior to the effective date of the income tax. The regulations themselves would not take effect before January 1, 2003.

SECTION 16 - TRANSITION

This section provides that the applicable Alaska tax rate in 2003 is 20%.

SECTIONS 17 AND 18 - EFFECTIVE DATE

This section provides that the authority to adopt regulations has an immediate effective date, while the income tax is has an effective date of January 1, 2003.

**Tax-law simplification is "clearly needed." "Tax complexity itself is a kind of tax."**



**Sen. Max Baucus (D-MT)  
Senate Finance Committee  
Chairman**



**Treasury Secretary  
Paul O'Neill**

**"I think our tax system is not worthy of an advanced society and I think we ought to do something about it."**

**"I'm very much of a mind that we need fundamental tax reform. The current tax code serves to undermine U.S. leadership ... and tie up some of the brightest minds in the country."**

*And speaking of bright minds...*

**"The hardest thing in the world to understand is the income tax"**



**Albert Einstein**

**Income Taxes were Unconstitutional until 1913**

**Subject:** Fiscal Gap

**Date:** Mon, 11 Feb 2002 10:22:23 -0900

**From:** "Micky A Becker" <mbecker@ppco.com>

**To:** Representative\_John\_Coghill@legis.state.ak.us

I'm not opposed to taxes -- having said this. I feel it is absolutely not in the best interest of anyone to start taxing people when we are sitting on a \$25 billion+ savings account.

I realize capping the permanent fund won't fix the entire gap, but please don't pass taxes until we have reasonable approached this for our "savings account" point of view!

A. S. Micky Becker  
907 265-6512 ph  
907 265-6922 fx  
Phillips Alaska, Inc., ATO 2100

**Subject: Taxes**

**Date: Sun, 10 Feb 2002 11:59:08 +0100**

**From: fairbanksak@t-online.de (Colin Wanner)**

**To: Representative\_John\_Coghill@legis.state.ak.us**

Dear Representative Coghill,

In light of recent discussion of new taxes, my wife and I would like to state our support for a REDUCTION or ELIMINATION of the annual DIVIDEND checks, rather than an income tax. Much of the Dividend money flows out of state anyway, so this method would be more likely to result in having funds directed inside Alaska.

Thanks,

Colin and Dale Wanner

Beacon Rd/Box 81704

Fairbanks, AK 99708

I wish you the best in your efforts to cut state spending.

**Subject: I wish you the best in your efforts to cut state spending.**

**Date:** Thu, 7 Feb 2002 09:24:22 -0900

**From:** "McFarlane" <lmcfarlane@mosquiconet.com>

**To:** <Representative\_John\_Coghill@LEGIS.state.ak.us>

Dear Rep. John Coghill.

I wish you the very best in Juneau. I wish you the very best in your efforts to cut state spending. I'm sure next week will be a very busy week for you with the hearings that you will be holding. If cuts in spending are not enough to fill the billion-dollar hole in the state budget, I would rather see the permanent fund dividend cut or eliminated before a state income tax or a state sales tax would be enacted. I agree with Sen Pete Kelly's comment that the state should not give you a dividend with one hand and charge you a state income tax with the other hand. That was his thought if not his exact words.

I'm hoping for the best on the Redistricting issue. I'm looking forward to helping you in your reelection campaign this summer. I'll be remembering you in prayer.

Your friend,  
Leslie McFarlane

<Representative\_Carl\_Moses@legis.state.ak.us>,  
<Representative\_Norman\_Rokeberg@legis.state.ak.us>,  
<Representative\_Peggy\_Wilson@legis.state.ak.us>

Dear Senators and Representatives of the State of Alaska-

I am an Anchorage resident. I have been following the legislature's debate of the State's fiscal gap closely, as I hope other Alaskans have. I believe the answer is very simple. You can not spend what you do not have. The state must do as all citizens and businesses do when we are in financial straits. We cut back. I have heard very little from anyone in the legislature about cutting payroll, non-essential services and travel expenditures. Shame on you Mr. Halford for the quote I read in the Anchorage Daily News: "And I think you also have to put some reductions (in state spending) on the table that people consider important enough that they are willing to contribute to avoid," Halford said. What exactly are you saying Mr. Halford? That the esteemed governmental leaders of our state are going to cut the services that are most needed in order to convince the citizens that an income tax is necessary? What are you going to tell us next Mr. Halford? Perhaps you should threaten to take our Permanent Fund Dividends away from us too. Scare tactics work good when you are trying to divert the public from the real issue, which is the State is overspending. The citizens are not getting their moneys worth. There is too much governmental waste.

Why not start with trimming the fat first? Why is it that the State has the largest number of employment ads consistently when I look at the Anchorage Daily News classifieds? Not only does the State have the most ads, but the wages are higher than any other private sector counterpart. Can anyone (this means you Senators and Legislators) please tell me what the annual payroll expenditure is for the State of Alaska? How much money would a 10% reduction be equal to? Maybe not enough to fill the so-called gap, but, hey it's a start. Then perhaps we could reduce each department budget by 20%. What kind of figure would that be?

I think you should put a panel of 12 residents together, give them red pens and let them have a look at the budget.

I was talking to an Anchorage proprietor last week whose business was directly and negatively affected by the events of September 11. The first thing he did was to cut the salary of the officers of the business. He knows that in order to meet the necessary obligations of his business, he had to make cuts. But that business is doing what it takes to survive one more year.

I obviously have the time to e-mail every senator, legislator and representative. Believe me, if nothing is done to reduce the State budget before new taxes are enacted, I will have the time to talk to the constituents in your districts. I have a feeling that I am not the only hard working Alaskan that views our budget (overspending) gap this way. The answer is not to take more money from the residents, but to live within your means, which is what the residents have not choice but to do. Thank you for your time.

Sincerely,

Rachel K. Morrison  
907-349-7224

**Subject: NO NEW TAXES!!! REDUCE THE BUDGET!!!**

**Date:** Wed, 6 Feb 2002 23:46:30 -0900

**From:** "Rachel Morrison" <rachellak@gci.net>

**To:** <Senator\_Rick\_Halford@legis.state.ak.us>

**CC:** <Senator\_Loren\_Leman@legis.state.ak.us>, <Senator\_Johnny\_Ellis@legis.state.ak.us>, <Senator\_Alán\_Austerman@legis.state.ak.us>, <Senator\_Kim\_Elton@legis.state.ak.us>, <Senator\_Robin\_Taylor@legis.state.ak.us>, <Senator\_John\_Cowdery@legis.state.ak.us>, <Senator\_Lyda\_Green@legis.state.ak.us>, <Senator\_Georgianna\_Lincoln@legis.state.ak.us>, <Senator\_Gene\_Therriault@legis.state.ak.us>, <Senator\_Bettye\_Davis@legis.state.ak.us>, <Senator\_Rick\_Halford@legis.state.ak.us>, <Senator\_Donny\_Olson@legis.state.ak.us>, <Senator\_John\_Torgerson@legis.state.ak.us>, <Senator\_Dave\_Donley@legis.state.ak.us>, <Senator\_Lyman\_Hoffman@legis.state.ak.us>, <Senator\_Randy\_Phillips@legis.state.ak.us>, <Senator\_Jerry\_Ward@legis.state.ak.us>, <Senator\_Pete\_Kelly@legis.state.ak.us>, <Senator\_Ben\_Stevens@legis.state.ak.us>, <Senator\_Gary\_Wilken@legis.state.ak.us>, <Representative\_Brian\_Porter@legis.state.ak.us>, <Representative\_Jeannette\_James@legis.state.ak.us>, <Representative\_Ethan\_Berkowitz@legis.state.ak.us>, <Representative\_Harry\_Crawford@legis.state.ak.us>, <Representative\_Richard\_Foster@legis.state.ak.us>, <Representative\_Joe\_Hayes@legis.state.ak.us>, <Representative\_Beth\_Kerttula@legis.state.ak.us>, <Representative\_Beverly\_Masek@legis.state.ak.us>, <Representative\_Eldon\_Mulder@legis.state.ak.us>, <Representative\_Drew\_Scalzi@legis.state.ak.us>, <Representative\_Con\_Bunde@legis.state.ak.us>, <Representative\_Eric\_Croft@legis.state.ak.us>, <Representative\_Joe\_Green@legis.state.ak.us>, <Representative\_Bill\_Hudson@legis.state.ak.us>, <Representative\_Vic\_Kohring@legis.state.ak.us>, <Representative\_Lesil\_McGuire@legis.state.ak.us>, <Representative\_Lisa\_Murkowski@legis.state.ak.us>, <Representative\_Gary\_Stevens@legis.state.ak.us>, <Representative\_Mike\_Chenault@legis.state.ak.us>, <Representative\_John\_Davies@legis.state.ak.us>, <Representative\_Gretchen\_Guess@legis.state.ak.us>, <Representative\_Albert\_Kookesh@legis.state.ak.us>, <Representative\_Kevin\_Meyer@legis.state.ak.us>, <Representative\_Scott\_Ogan@legis.state.ak.us>, <Representative\_Jim\_Whitaker@legis.state.ak.us>, <Representative\_Sharon\_Cissna@legis.state.ak.us>, <Representative\_Fred\_Dyson@legis.state.ak.us>, <Representative\_Andrew\_Halcro@legis.state.ak.us>, <Representative\_Reggie\_Joule@legis.state.ak.us>, <Representative\_Pete\_Kott@legis.state.ak.us>, <Representative\_Carl\_Morgan@legis.state.ak.us>, <Representative\_John\_Coghill@legis.state.ak.us>, <Representative\_Hugh\_Fate@legis.state.ak.us>, <Representative\_John\_Harris@legis.state.ak.us>, <Representative\_Mary\_Kapsner@legis.state.ak.us>, <Representative\_Ken\_Lancaster@legis.state.ak.us>.

"Representative\_Andrew\_Halcro@legis.state.ak.us" <Representative\_Andrew\_Halcro@legis.st:  
"Representative\_Reggie\_Joule@legis.state.ak.us" <Representative\_Reggie\_Joule@legis.state.ak  
"Representative\_Pete\_Kott@legis.state.ak.us" <Representative\_Pete\_Kott@legis.state.ak.us>,  
"Representative\_Carl\_Morgan@legis.state.ak.us" <Representative\_Carl\_Morgan@legis.state.ak  
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I Have never written legislators or testified concerning state budget matters, but my resistance has been overcome by the posturing and lack of courage to take actions necessary to put the State on a sound fiscal course. I am copying all members of the legislature, so those characterizations may or may not fit any particular recipient of this message. Even if it fits, my intention is not so much to offend as it is to voice a challenge to be forthright in addressing the budget. For anyone who has not read "Profiles in Courage" by Jack Kennedy, I commend it to you, as it enables the reader to see that doing what is right is far and away better than doing what is popular.

I have heard the "gap" figured at around \$1 billion this year. I will forego commenting on the need to control spending, the need to create motivation at the agency and employee level to actively question how functions can be prioritized and accomplished at lesser cost (i.e., the type of motivation and response the private sector employs of necessity as it has no power to tax others), and the availability of other funding sources. Rather, I wish to challenge the legislature to address the wisdom as well as the moral and economic propriety of continuing the PFD giveaway in unabated fashion in perpetuity. I can already hear minds calculating the votes (99 constituents against touching "my" PFD for each 1 willing to give up a portion of the giveaway for the sake of fiscal solvency). Recognizing the politics involved, I have little hope that the legislature will act, but am making my comments despite the odds.

The Permanent Fund was not created for the purpose of enabling the state to hand out \$1,700 checks every year to every toddler, every mailbox bashing bored teenager, every Seattle retiree who decided to move to Alaska to be near children (or fish), every snow birding millionaire, or every member of my family. Rather, the Fund was created to provide a savings account in which revenues excess to current needs would accumulate and grow until such time as they could be tapped to cover necessary budget components for which declining oil revenues proved insufficient. Lest you think I am proposing an invasion of the Fund or a depletion of its principal, I am not. Nor am I proposing that inflation proofing end. Contributions to the Fund, and inflation proofing can continue unabated until such time as the fiscal demands are even greater than at present.

What I find unconscionable is the insistence that the State maintain the public circuses (unlimited PFD's) lest the voters revolt. Many, and possibly most citizens of Alaska were not born here, but came of their own free will because they thought it in their best interest to do so, just as others move to Seattle, Florida, Texas, or anywhere else seeking a better job, climate, life, etc. We do not need to pay everyone for moving to, or remaining in Alaska.

I have three children who receive PFD's every year. Make no mistake, it's

nice to get the money. Like most others, it goes to Costco (headquartered outside Alaska with most shareholders outside Alaska) or Alaska Airlines (Seattle), or Charles Schwab (with no meaningful benefit to Alaska) or a condo rental in Hawaii. Some small portion no doubt trickles down within the state, in theory helping to create a few more jobs (which add nothing to the State revenue base and only add more mouths at the PFD trough). It's unfortunate that the majority of people (whether in Alaska or elsewhere) seem to evaluate right and wrong, fair and unfair, largely in reliance on the impact to their personal wallet. It is equally unfortunate when elected representatives are unwilling to explain the facts of life and risk non-retention.

This year the State will take in a stream of revenues. Of those revenues, roughly \$1 billion will then be mailed out to every resident, irrespective of any need-based considerations, irrespective of any deliberate policy determination that the benefits merit such an expenditure, and irrespective of the fact that roughly \$200-300 million of those State revenues will be needlessly siphoned off to the U.S. Treasury in the form of income taxes.

The budget gap could be closed in a heartbeat if the State would close down the PFD bribe system (we pay you, you let us save some current revenue for future needs instead of wasting it all each year). The budget gap could be reduced to a modest problem if we even capped PFD's at, say \$500 (still enough of a bribe to keep folks going to the public circus). Or, if the shock is too much to bear, cap it at a tolerable level with step down decreases over 3-5 years to wean people from the trough.

Unfortunately, the political current seems to be flowing in the direction of imposing income taxes. The target, seen all too often in political spheres, is to divide the population and put the burdens on the lesser number of voters in order to ensure continued favor with the greater number of voters. As Alaskans who would like to see ANWR developed, we know what that feels like (congressional members who are adamant in opposing oil and gas development because they can count the votes in their district). Its too bad we are so quick to parrot that approach to decision making. Instead of dealing with runaway PFD outflows, an income tax will, sooner or later, be imposed. Those who drag themselves out of bed, bleary-eyed, and trudge off to work each day to earn a living, will have their pockets tapped so the State can simply give the money to others (toddlers, unemployed teens, millionaire retirees, etc.).

If the State needed an income tax in order to pay for health care, to address the scourge of poverty for those who due to circumstances are unable to have decent housing, nutrition, clothing, etc., to build out sewer and water infrastructure where it is lacking, I would be the first to step up and gladly pay an income tax (or donate to charities absent an income tax). If the State needed an income tax to create or continue any program which, on its merits, was deemed necessary, I might disagree on a case by case basis, but would defer to the collective judgment. Where I draw the line, and urge the legislature to draw the line, is when an income tax is not imposed to carry out any government function at all, but simply to redistribute income from those who earn it to those who do not (with a hefty slice going to Uncle Sam).

Is there a valid economic reason to impose an income tax and keep paying \$1 billion out in PFD's each year? No. Is there a state government need which will not be otherwise met? No. Is there a need-based rationale to take income from those who earned it and simply give everyone a check (Marx would love the concept)? No. Is there any other state government in the United States, or any national government on the face of the planet which taxes income for the sole purpose of redistributing it on a non-need based, non-program based approach? No.

There is no budget gap. The State takes in enough revenue to fund the expense side. Where we get into red ink is only after taking \$200-300

million of State revenue each year to send (indirectly) to the U.S. Treasury, and sending another \$700-1,000 million of State revenue to every person who meets minimum residency requirements and has a pulse. If the legislature is looking for a way to reduce the PFD burden without cutting PFD's, perhaps an income tax is the way to go. Those who work hard and create jobs for others will eventually move out of state (fewer PFD obligations). Of course, they might be offset by the inflow of others who want to take their vacated spot at the public trough. Thanks for reading this, and may your conscience be your guide.

**Subject: Closing the Budget Gap**

**Date:** Thu, 7 Feb 2002 16:09:09 -0900

**From:** Steve Tervooren <SST@htlaw.com>

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## Department of Revenue

### **Comments on Personal Income Tax – February 14, 2002**

#### OTHER STATES

Of the 50 states, 43 have a personal income tax. Joining Alaska on the list without a tax are Florida, Nevada, South Dakota, Texas, Washington and Wyoming. Of the 43 with a tax, New Hampshire and Tennessee collect taxes on dividends and interest income only.

Some states have a flat tax — Colorado, Michigan, Massachusetts, Illinois, Indiana and Pennsylvania — ranging from 2.8% of federal taxable income in Pennsylvania to 5.6% of adjusted gross income in Massachusetts.

Other states use graduated tax rates, with as many as 10 income brackets and tax rates. Montana, for example, has 10 tax brackets, ranging from 2% to 11% of adjusted gross income, with some deductions allowed.

Most states use federal adjusted gross income as a starting point to calculate the state tax, and most also use federal provisions in calculating allowable itemized deductions.

- 29 states exempt Social Security benefits from taxation.
- 8 states exempt unemployment benefits from taxation.
- 2 states exempt all capital gains from taxation.
- 37 states exempt interest earned on their own state and municipal bonds.
- 5 states exempt military pay from taxation.
- 33 states allow a standard deduction for taxpayers, with 12 using the federal amount.

#### TAX BASE OPTIONS

There are three options for a tax base for calculating an individual's state tax liability:

- Adjusted gross income.  
Total income with few, if any, deductions. Because the tax base would be the highest of the three options, the tax rate would be the lowest.
- Federal taxable income.  
This requires the state to accept whatever tax deductions are allowed under federal law, although the state also could include its own deductions, credits or other conditions.
- Federal tax liability.  
This also requires the state to accept whatever deductions and credits are allowed under federal law. Because the tax base would be the lowest of the three options, the tax rate would be the highest. Another feature of using federal tax liability as the base is that the state tax would be progressive, even with a flat tax rate. By using federal tax liability as the base, the state would be adopting the progressive nature of the federal tax tables.

### **ALASKA INCOME**

Internal Revenue Service tapes show Alaskans filed 327,510 personal income tax returns for 1999, representing 442,199 taxpayers (114,689 were joint returns). Some facts from those returns:

- Almost 90% of the tax returns showing more than \$100,000 in adjusted gross income were joint returns.
- About 7% of returns showing less than \$20,000 in gross income were joint returns.
- Federal adjusted income reported by Alaskans in 1999 totaled \$13.2 billion.
- Of the 442,199 taxpayers, 63% reported gross income of under \$50,000 and almost 80% reported gross income below \$75,000 a year.
- The 10% of taxpayers reporting more than \$100,000 a year in gross income represent 33% of total income reported by all Alaskans.

### **REVENUES TO THE STATE GENERAL FUND**

These are approximate numbers for tax rates and how much revenue would be raised. The following table assumes a flat tax, for sake of simplicity in showing potential revenues. The Tax Division could devise tax tables with several different tax brackets to generate whatever level of revenue is desired.

For its discussions, the Legislative Fiscal Caucus has used a 3% flat tax on federal taxable income as its starting point for consideration of a state personal income tax. Such a tax would raise an estimated \$270 million to \$275 million a year.

<u>\$ Million Revenue</u>	<u>% Adjusted Gross Income</u>	<u>% Federal Taxable Income</u>	<u>% Net Federal Tax Liability</u>
\$250	2.00	2.77	13.86
\$300	2.38	3.29	16.47
\$350	2.75	3.82	19.08
\$400	3.13	4.34	21.70

### **ALASKA'S FORMER INCOME TAX**

Alaska abolished its personal income tax in 1980. The tax raised \$210.4 million in Fiscal 1977, its highest collections ever.

The tax was assessed as a percentage of federal taxable income, ranging from 3.5% for income up to \$8,000 per year to a high of 14.5% on income in excess of \$300,000. In the middle, taxpayers paid 10% of their federal taxable income over \$52,000.

If the pre-1980 tax rates were in effect today, Alaskans would pay about \$750 million in state personal income taxes. If the tax brackets were adjusted for inflation, that number would be \$660 million.

### **OUT-OF-STATE RESIDENTS**

An income tax certainly would collect money from non-residents working in Alaska, but there is no way to know exactly how much it would collect.

Available IRS data reports income earned by taxpayers with an Alaska mailing address; it does not report income earned by non-residents working in Alaska.

There are no exact numbers for non-resident wages in Alaska but estimates range from 3% to 10%, and the Department of Revenue believes the true number is probably in the middle. At 6% or 7%, an income tax that raised \$300 million would collect perhaps \$20 million a year from non-residents.

It is important to remember that most of the non-resident workers who come to Alaska are here for low-paying summer tourism and seafood processing jobs and would not pay much in personal income taxes.

### **FEDERAL DEDUCTION FOR STATE INCOME TAX**

A state personal income tax would be deductible from federal income taxes for Alaskans who itemize. IRS statistics indicate about 25% of Alaska taxpayers itemize their deductions, though most higher-income Alaskans itemize on their federal returns. And since it would be the higher-income Alaskans who would provide most of the state's income tax revenues, a substantial portion of that tax would be deducted from Alaskans' tax payments to the federal government.

The easiest way to "export" a tax — that is, to shift its cost — is through its deduction against federal tax liability. There is no deduction for state or municipal sales taxes; only income taxes are deductible. A deduction means part of the tax revenue remains in the state instead of going to the federal treasury.

We estimate that Alaskans would recover about 15% of the cost of a state income tax by deducting it from their federal tax bills. For example, if a state income tax generated \$300 million a year, \$45 million would come from the deductibility of the state income tax against federal income taxes and therefore \$235 million would come from pockets of Alaskans (assuming that \$20 million, or 7%, came from non-residents).

### **COST OF COLLECTION**

The Department of Revenue estimates it could cost \$6 million in one-time expenses to set up a personal income tax, including computers, computer software and mainframe programming, printing forms and booklets, launching a public education campaign, and establishing a central office and field offices in several Alaska cities.

Ongoing expenses for a personal income tax are estimated at \$7 million a year.

Assuming \$350 million a year in tax revenues, that would be 2% of collections. This compares to other states, where the cost of collection runs a similar percentage.

### **EFFECTIVE DATE**

Because of the nature of a personal income tax, a new tax in Alaska would need to start Jan. 1. Any other start date would cause immense logistical problems for calculating tax liabilities, and would place a burden on taxpayers, employers and the Tax Division.

And because of the large amount of work required to start an income tax program from scratch, the Department of Revenue would need to devote significant resources to the effort immediately upon passage of enabling legislation. Much of the work, however, would have to be started before a bill passes, in preparation for the new tax and in expectation that the tax would begin within a matter of months after passage.

With payroll deductions and estimated tax payments in the first calendar year of the new tax, the state could expect to collect somewhat less than half of a full year's revenue the first fiscal year of the tax. January through May payroll deductions would be collected in February through June, producing five months of withholding tax income.

### **WORK REQUIRED TO SET UP A NEW TAX PROGRAM**

The Department of Revenue would face several challenges in setting up a tax to start Jan. 1 after legislative passage. In addition to adopting regulations to implement the new tax, the department and its Tax Division would need to:

- Hire and train staff.
- Procure central office space and any field offices.
- Design software and a web-based system for taxpayers.
- Set up electronic fund transfers with employers.
- Prepare and print tax books and forms, and distribute to employers.
- Conduct workshops statewide to explain the new law, particularly to employers.

All of this would need to be completed by November in order for employers to distribute withholding forms to their employees and update their payroll software to start collecting the new tax on Jan. 1.

### **ISSUES**

In addition to deciding on the tax base (gross income, taxable income or federal tax liability), the rate schedule (flat tax vs. a variable tax), and exemptions and deductions, the state also would have to consider:

- Expectations for audits, enforcement.  
The stronger the enforcement, the more effective the program, especially with out-of-state residents.
- Taxability of federal employee cost-of-living payments.  
These are exempt from federal income tax but could be taxed by the state.



the loss of spending from these public employees would additionally have an economic impact similar to a tax or dividend cut. That is, purchasing power throughout the economy would fall.

A expanding economy can more easily absorb a drop in purchasing power than one that is stagnant. Since the Alaska economy has been adding between 3 and 4 thousand jobs annually through the 1990s, the hit from a measure that reduces the fiscal gap by \$350 million is in the range that could be absorbed without driving the economy into negative territory.


The job loss from the income tax which collected \$350 million is less in this analysis than in the Anchorage Daily News article on Wednesday. The smaller figure of 2,625 takes into account the share paid by non-residents and the federal government whereas the 3,500 figure assumed the entire amount would be paid by Alaskans.

--Scott Goldsmith

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 <b>GAPCLOSINGJOBLOSS.XLS</b>	<b>Name:</b> GAPCLOSINGJOBLOSS.XLS <b>Type:</b> Microsoft Excel Worksheet (application/vnd.ms-excel) <b>Encoding:</b> base64
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**WHAT IS THE JOB LOSS FROM DIFFERENT METHODS OF CLOSING THE FISCAL GAP?**

**PRO FORMA ANALYSIS  
4 OPTIONS FOR GENERATING \$350 MILLION**

(MILL \$) JOB LOSS  
-----

**OPTION 1. IMPOSE INCOME TAX**

REVENUES			\$350
	FEDERAL LEAK	19%	
	NON-RESIDENT LEAK	6%	
	COLLECTED FROM REDUCTION IN FEDERAL TAX PAYMENTS		\$67
	COLLECTED FROM NON-RESIDENTS		\$21
	NET WITHDRAWAL FROM ALASKA HH PURCHASING POWER		\$263
JOBS LOST	JOBS BANG PER BUCK	10	
	PRIVATE		2,625
	PUBLIC		0

**OPTION 2. IMPOSE SALES TAX**

REVENUES			\$350
	FEDERAL LEAK	0%	
	NON-RESIDENT LEAK	7%	
	COLLECTED FROM REDUCTION IN FEDERAL TAX PAYMENTS		\$0
	COLLECTED FROM NON-RESIDENTS		\$25
	NET WITHDRAWAL FROM ALASKA HH PURCHASING POWER		\$326
JOBS LOST	JOBS BANG PER BUCK	10	
	PRIVATE		3,255
	PUBLIC		0

**OPTION 3. REDUCE PF DIVIDEND**

REVENUES			\$350
	FEDERAL LEAK	14%	
	NON-RESIDENT LEAK	2%	
	COLLECTED FROM REDUCTION IN FEDERAL TAX PAYMENTS		\$49
	COLLECTED FROM NON-RESIDENTS		\$7
	NET WITHDRAWAL FROM ALASKA HH PURCHASING POWER		\$294
JOBS LOST	JOBS BANG PER BUCK	11	
	PRIVATE		3,234
	PUBLIC		0

**OPTION 4. REDUCE STATE OPERATING BUDGET ACROSS THE BOARD**

REVENUES			\$350
JOBS LOST	JOBS BANG PER BUCK	18.6	
	PRIVATE	8.4	6,510
	PUBLIC	10.2	2,954
			3,556

**HB**

**426**

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 426  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: All  
 Title An act requiring state agencies to provide BRU All  
for electronic submission of forms Component All  
 Sponsor Rep. Lancaster  
 Requester House State Affairs Committee Component No. All

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill would require all agencies to convert all paper forms used both internally and externally to electronic systems. State agencies have not counted every form in use; however, approximate estimates by selected departments indicate that there are at a minimum several thousand forms used by state agencies to conduct their operations.

A conservative estimate on converting a simple form to an online system is \$7,500 per application. DHSS has estimated it has over 800 forms; the estimated cost to convert these business processes to an online format is about \$6 million scheduled over a 6-year period.

(continued)

Prepared by: Larry Walsh, Director Phone 465- 5735  
 Division Information Technology Group Date/Time 3/18/02 4:26 PM  
 Approved by: Jim Duncan, Commissioner Date 3/18/2002  
 Agency Department of Administration

## FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. HB 426

### ANALYSIS CONTINUATION

DOA has estimated roughly the same amount of forms, but at a higher cost because of the complexity of many of the business processes represented by these forms. Payroll, timesheets and procurement are business area examples of very complex functionality built into the forms currently used. Replacement of AKPAY, the state payroll system, would be a logical part of this transformation -- estimated as potentially a multi year, ten - to 20 million dollar project.

Procurement, as another example, would require as a preliminary step making all online public notices interactive and secure via the web. In order to do this in the area of RFP's, digital signatures would have to be allocated to all businesses that want to respond to an RFP, an effort that would require infrastructure, end user education, end user and state employee training, and funding.

DOT estimates it has 1,500 to 1,800 forms -- it would take a conservative \$13 million to convert these business processes.

Even if we estimated conservatively and went by DHSS's figures as guidelines, we estimate that there are at least 5,000 forms used in State government, with an estimated cost to implement that number of forms of \$37 million over a number of years. That would not include the more complex systems like AKPAY, which are key to making it possible to put many of these forms online.

Converting paper forms to electronic format can provide real improvements in efficiency and productivity, as well as modest savings in paper costs. However, in most cases, these efficiency improvements would primarily enable agencies to better absorb increasing workloads, rather than reducing staffing and personal services costs from current levels.

This bill provides exemptions if converting forms to electronic format would be "technically infeasible or fiscally irresponsible", based on an analysis of the life-cycle costs and benefits of the conversion. Conducting this type of analysis for thousands of forms and processing exemption requests would be very time consuming and would not be an effective use of state resources.

This legislation also would ban the distribution of printed annual reports by state agencies, with certain exceptions. This provision would likely result in some modest savings in printing costs; the exact amount is difficult to estimate.

**HOUSE COMMITTEE REPORT**

(7)

Date Referred to Committee: February 13, 2002

FURTHER REFERRALS:

Date of Committee Action: 21 MAR 02

The STATE AFFAIRS Committee considered:

HB 426

HOUSE BILL NO. 426

STATE AGENCY REPORTS/ELECTRONIC FORMS

"An Act requiring state agencies to provide for electronic submission of forms and relating to annual reports of state agencies."

Recommends it be replaced with CS \_\_\_\_\_ ( ) [ ] Same Title [ ] New Title  
 For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR \_\_\_\_\_

[ ] attach amendments

[ ] add new referral to \_\_\_\_\_ Committee

[ ] Letter of Intent \_\_\_\_\_ Committee

List of  
Abbrev.  
for  
Depts.:

- ADM
- CED
- COR
- CRT
- EED
- DEC
- DFG
- GOV
- HSS
- IAA
- LAW
- LWF
- MVA
- DNR
- DPS
- REV
- DOT
- UA

<u>NEW FISCAL NOTES</u>				
*For Chief Clerk's Office Use Only				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
<u>ALL</u>			✓	

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
<i>Beggs Wilson</i>	Wilson	✓			
<i>Arthur Crawford</i>	CRAWFORD			✓	
<i>Robert James</i>	JAMES	✓			
<i>Frank Moore</i>	Moore			✓	
Chair: <i>John Coghill</i>	Coghill			✓	
Chair: <i>John Coghill</i>	Coghill			✓	

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## Representative Ken Lancaster District 8

### Sponsor Statement For House Bill 426

"An Act requiring state agencies to provide for electronic submission of forms and relating to annual reports of state agencies."

HB 426 is first and foremost a cost-savings measure. However, many other benefits are derived from this type of initiative in the areas of Government Quality, Accessibility, Environmental Awareness, Paper Reduction, and Efficiency of Labor.

Firstly, the concern heard most revolving around the budget is the issue of government waste. HB 426 would eliminate a large amount of that waste. The legislation would require state entities to make electronic submission forms for all permits, requests, forms, and applications, for both internal and external users; unless it is proven to be technically infeasible or fiscally irresponsible to the Department of Administration or the Alaska Legislative Council. Although there would be an initial cost of developing the electronic submission forms, the long-range saving from reducing the amount of paper, stamps, envelopes, faxing, and other office supplies in itself, would be worth it.

Many departments have already established electronic forms and reporting for some things. These pilot programs have demonstrated time and again the savings associated with the use of technology. The Department of Fish & Game installed a program for their permits, which cost \$90,000 for set up. It in the end saves them roughly \$87,000 per year. Granted the savings margin for all these programs will not be comparatively as large but will save money. In these times of critical fiscal situations we must do what we can to eliminate waste from the system. It is this type of "fat trimming" the public desires.

Secondly, with the development of electronic communication and its rapid proliferation throughout Alaska, the continual distribution of hard copy reporting, is an inefficient, costly and unnecessary component of our system. The bill does provide that hard copies may be obtained upon request. The intent of the bill is to minimize costs of reporting by encouraging more Internet information transactions.

Thirdly, regarding the areas of Government Quality and Accessibility, HB 426 would make Alaska more of a 24/7 state instead of an 8-5 state. Additionally, there is the issue

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of having more information stored in a database, which can easily be backed up and stored conveniently, in the event of a Natural disaster or other event that would cause many paper files to be lost. Moreover, it provides a medium for greater accessibility to the government by disabled people and the homebound elderly. Quality initiatives like this are what the government needs in order to show the public they are working on making government more convenient and "user friendly."

Fourthly, Alaska has unfortunately and undeservedly developed a reputation for being environmentally insensitive. The passage of this legislation will help show that we are an environmentally aware state. It will show our willingness to reduce consumption of resources and to help rehabilitate the states reputation.

Lastly, HB 426 would free up staff time. Agreeably, more staff time is something that all departments need. We are in a state of economic down turn, and can't afford to hire more staff. This bill will free up staff time from paper shuffling and data entry so that staff can work on more vital tasks, thus reducing the need for additional people.

In conclusion, HB 426 is not saying we should replace the existing systems, as undoubtedly there will be people who will not have access to, nor the desire to, use computers. However, it is saying we should supplement our existing system so people who will use them can. The majority of people you meet 35 or under will have some experience with computers, and many Alaskans do use them on a regular basis, with more learning every day. This bill in the end will save money, time, and resources, while making the government more accessible, improving Alaska's image, and instilling confidence in the people that we are doing what we can to eliminate waste from government.

SECTIONAL ANALYSIS  
HB 426

An Act requiring state agencies to provide for electronic submission of forms and relating to annual reports of state agencies.

Prepared by Representative Ken Lancaster

Section 1:

- (a) Requires state agencies to provide electronic submission forms for permits, requests, and applications, used by internal and external users of the agency.
- (b) Provides an exemption for forms that are technically infeasible or fiscally irresponsible, and defines fiscally irresponsible for this legislation. It delegates the authority of providing the exemptions to the Alaska Legislative Council and the Department of Administration.
- (c) Defines an "agency" for purposes of this legislation

Section 2:

Requires state agencies to provide online accessibility to their annual reports. Prevents state agencies from distributing hard copies of annual reports unless required by law, the sales of the report cover the cost of printing or a hard copy is specifically requested.

# *Correspondence*

**Subject:** Re: HB 426

**Date:** Wed, 06 Mar 2002 10:35:54 -0900

**From:** Gail Klein <' klein@uas.alaska.edu>

**To:** Justin Carro <Justin\_Carro@Legis.state.ak.us>

Justin,

Looks like a great bill - I'd vote for it. I've thought of you frequently this semester and hope all is going well. Nothing much has changed here. I'm still swamped so i'll cut this short.

Take care!

Gail

PS Thanks for the planner! I was ready for Friday after seeing it!

Justin Carro wrote:

> Hey all, here is a link to the sponsor statement for the bill I've been  
> working on.  
> Thought you might be interested.  
>  
> <http://www.akrepublicans.org/22ndleg/spst/spsthb426.shtml>

**Backup**

# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: HB 426  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Health & Social Services  
Title: ELECTRONIC SUBMISSION OF FORMS BRU: Administrative Services  
Component: Administrative Support Svcs  
Sponsor: LANCASTER  
Requestor: \_\_\_\_\_ Component Number: 320

## Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	80.0	80.0	230.0	380.0	380.0	380.0
Travel	5.0	5.0	15.0	25.0	25.0	25.0
Contractual	810.0	847.5	172.5	365.0	520.3	695.6
Supplies	3.0	3.0	9.0	15.0	15.0	15.0
Equipment	3.0	75.0	6.0	6.0	3.0	
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>901.0</b>	<b>1,010.5</b>	<b>432.5</b>	<b>791.0</b>	<b>943.3</b>	<b>1,115.6</b>

<b>CAPITAL EXPENDITURES</b>		750.0			
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<b>CHANGE IN REVENUES ( 0 )</b>					
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## FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
1002 Federal Receipts	269.0	307.1	129.1	236.2	281.7	333.1
1003 GF Match	112.6	126.3	54.1	98.9	117.9	139.5
1004 GF	325.4	364.9	156.2	285.6	340.6	402.9
1005 GF/Program Receipts						
1037 GF/Mental Health	69.8	832.5	33.0	60.4	72.1	85.2
Other (Interagency Receipts - 1007)	125.2	140.3	60.1	109.9	131.0	154.9
<b>TOTAL</b>						

Estimate of any current year (FY2002) cost: \_\_\_\_\_

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

### POSITIONS

	1	3	5	5	5	5
Full-time						
Part-time						
Temporary						

### ANALYSIS: *(Attach a separate page if necessary)*

This bill requires the electronic submission of all forms. In this analysis we assume that electronic submission means that DHSS will need to convert all forms and processes to on-line, which will allow DHSS to work toward development of paperless systems to serve the public. This analysis calculates costs for the entire department. DHSS has 8 divisions and hundreds of forms to convert as soon as possible.

**ELECTRONIC FORMS:** Requiring electronic submission of forms because of the term "electronic submission" will require state government to move toward a paperless system where form distribution, completion, and submission will have to be part of an on-line system. To move toward this goal of total on-line processing DHSS will have to develop a form conversion plan that encompasses business

Prepared by: Janet Clarke, Director Phone 465-1630  
Division: Admin Services Date/Time 02/22/2002  
Approved by: Elmer A. Lindstrom, Deputy Commissioner Date 02/25/2002  
Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

## FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. HB 426

### ANALYSIS CONTINUATION

process review and re-engineering analysis for forms and processes used by DHSS.

The legislation as proposed does not have an effective date, so assuming that the legislature would want implementation as soon as possible, DHSS would first need to seek a blanket exemption under the current proposed language for our entire operations because programs are not ready to implement such a massive change.

Then, DHSS would need to seek the services of a contractor to assist in development of a Form Conversion/Implementation Plan. The contractor would review all forms and complete a business process review (work flow) analysis to see how the processes would change for form usage if functions are all performed on-line. The work flow analysis and business process review is essential prior to automation because the steps in the process and the form development, distribution, completion, and submission will likely change once it is automated. This is the key first step.

Other items that are likely to impact success are the costs associated with building the information technology infrastructure to support this effort. Many of the DHSS forms and applications require signatures to allow for electronic signatures DHSS would be required to secure the electronic signature certificates that are necessary to implement that system. The certificates through a third party actually verify that the individual that is signing the electronic signature is really the person that is authorized.

#### FY03:

- 1) Establish 1 PFT IT Project Director to oversee the project, with associated support costs.
- 2) Initiate contract for Business Process Review/Form Conversion Plan: 4 divisions will cost \$800.0 total in year one.

#### FY04:

- 1) Continue Business Process Review/Form Conversion Contract: 4 divisions will cost \$700.0 in the second year (build in a discount for DFYS due to the ORCA project which has a business process review underway and with a new case management system for DFYS will eliminate a number of forms for DFYS).
- 2) Contractual Cost of \$37.5 for Electronic Signature certificates for 1/2 of DHSS 2,500 employees @ \$30.00 per employee.
- 3) Contractual Costs of \$100.00 for the Software for 2,500 DHSS employees at \$40.00 per employee.
- 4) Hardware costs: Will need new servers for this function due to storage and space requirements to store all of the forms on-line, 10 @ \$7,500 = \$75.0.
- 5) Will need to establish and staff the Form Management Unit with IT staff to assist in keeping the on-line systems up and to manage the changes to forms etc. Add 2 IT staff to begin the unit.
- 6) API as a hospital will need a special imaging system to keep the medical records needed for each patient, estimate \$750.0 as a capital item.

#### FY05:

- 1) Business Process Review contract is eliminated.
- 2) Contractual costs for the other half of DHSS employees for Electronic Signature certificates which will cost \$37.5 additional.
- 3) Contractual Costs for software will be an on-going annual expense of \$100.0 (started in FY04).
- 4) Due to increased use of Internet and bandwidth, assume that network chargeback rates will increase by 15% per year, = \$135.0 more in FY05.
- 5) Fully staff Form Management Unit with IT staff by addition of 2 new staff for a total of 4.

FY06, FY07, & FY08: Network chargeback will continue to grow at 15% per year.

## **Sec. 09.25.510. Electronic records and signatures.**

(a) Any person or entity, including a state agency or political subdivision, may accept or agree to be bound by an electronic record executed or adopted with an electronic signature. Where a person accepts or agrees to be bound by an electronic record executed or adopted with an electronic signature, a rule of law that requires

(1) a record of that type to be in writing shall be considered satisfied; and

(2) a signature shall be considered satisfied.

(b) A state agency may not act as a certifying authority for an electronic signature unless at least one of the parties to the transaction requiring the action is a state agency. The lieutenant governor may establish, by regulation adopted under AS 44.62 (Administrative Procedure Act), a system for registering persons to act as certifying authorities for electronic signatures. In this subsection, "certifying authority" means a person who issues a computer-based record that verifies an electronic signature.

(c) Except as provided under (b) of this section, the lieutenant governor or a state agency that chooses to accept or agrees to be bound by an electronic record executed or adopted with an electronic signature shall adopt, under AS 44.62 (Administrative Procedure Act), regulations necessary to implement this section.

# LEGAL SERVICES

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

## MEMORANDUM

March 4, 2002

**SUBJECT:** Questions regarding electronic signature statutes  
(Work Order No. 22-LS1619)

**TO:** Representative Ken Lancaster  
Attn: Justin

**FROM:**  Theresa L. Bannister  
Legislative Counsel

You have asked two questions regarding the electronic signature statute AS 09.25.510. First of all, let me advise you that I am not very familiar with how electronic signatures actually work. You may wish to contact a person with expertise in this area to fully answer your questions.

1. Under AS 09.25.510, will a credit card number serve to verify the identity of an individual? AS 09.25.510 relates only to "electronic signatures," not to other types of verification. Therefore, to provide any type of verification under this statute, the credit card number must be part of an electronic signature. See the response to your next question.

2. Can a credit card number be an "electronic signature" for the purposes of AS 09.25.510 as that section is now written? It appears possible for an individual's credit card number to be used as part of the electronic signature. Under AS 09.25.520, "electronic signature" is defined as an electronic or digital "method" executed or adopted by a person. A credit card number does not appear to qualify as a "method" by itself, although the entire system by which the number is entered might qualify as a "method." It is possible for an individual to adopt that number as part of the method that the individual will use for an electronic signature. The definition of "electronic signature" also requires that the method be unique to the individual. A credit card number would seem to be unique to the individual possessing that number. There are some other requirements in the definition but they appear to be connected more to the "method" than to the number you have proposed, so I am not addressing them.

If I may be of further assistance, please advise.

TLB:med  
02-245.med