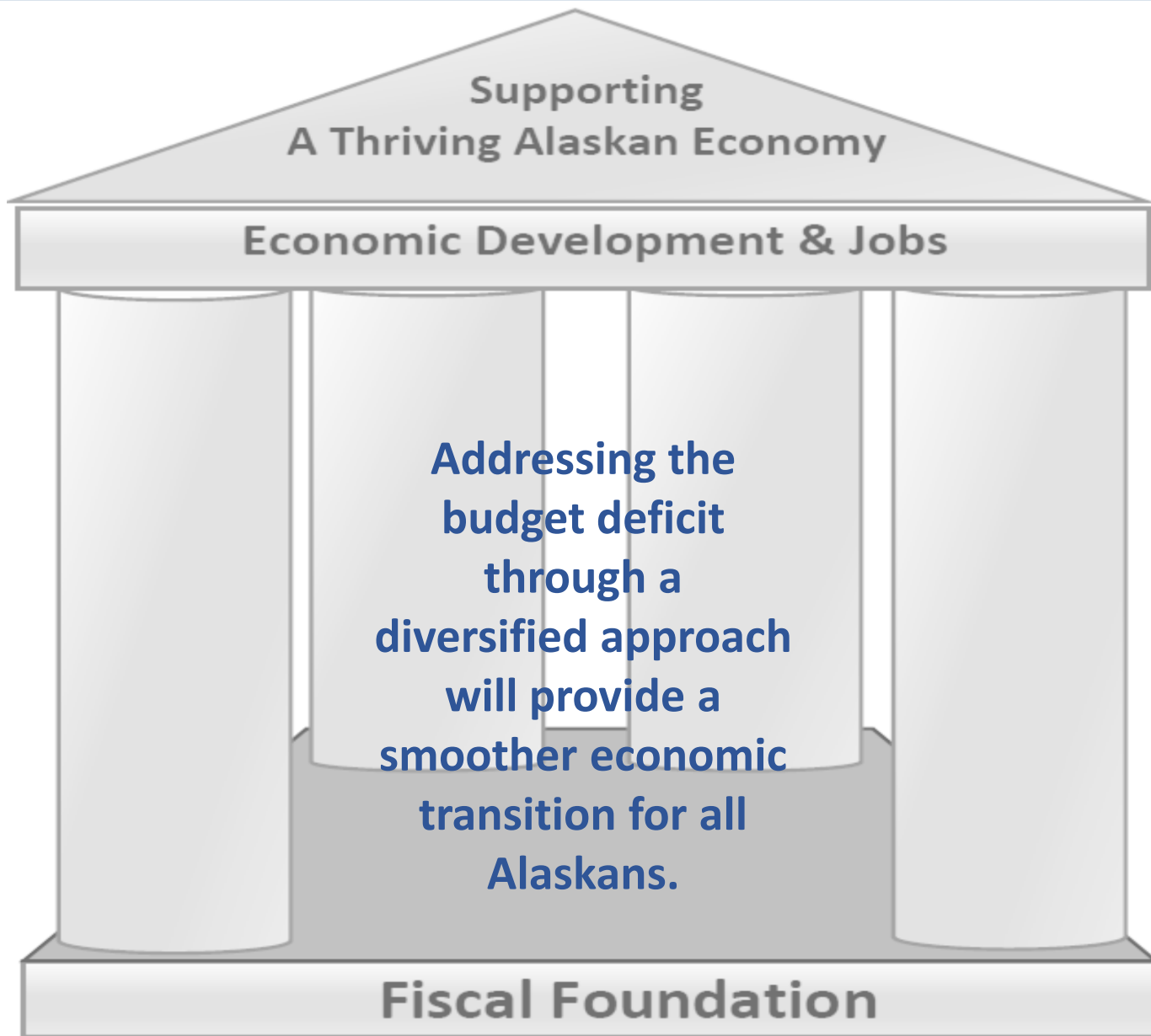


State Revenue Restructuring Act HB 115

30th Legislature



Four Pillar Plan

Supporting
A Thriving Alaskan Economy

Economic Development & Jobs

Structured
Use of
Permanent
Fund
Earnings
Reserve

New
Revenue
From
Broad
Based Tax

Protect &
Maintain
PFD

Smart
Budget cuts

Oil & Gas
Subsidy
Reduction
& Tax
Reform

Fiscal Foundation

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*Finance
Committee*

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*Resources
Committee*

*State Revenue
Restructuring Act*

Fiscal Foundation

HB 115: Permanent Fund Earnings

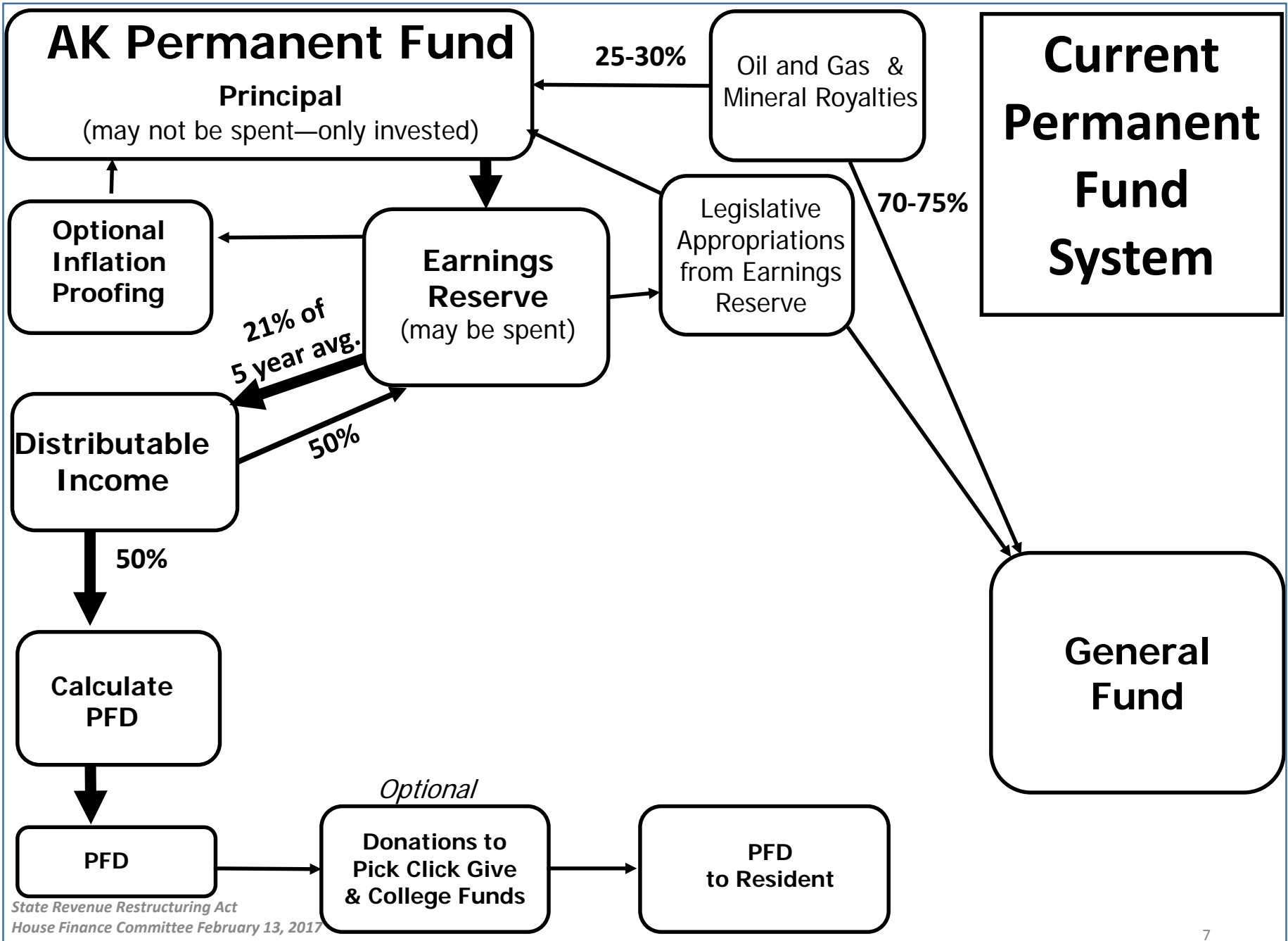
- **4.75% Permanent Fund POMV.** Inflation proofing contingent on surplus.
- **1/3 of POMV to pay dividends.** \$1100 and growing over years, with payouts more stable than current calculation.
- **2/3 of POMV directed to the General Fund.** \$1.5 billion in FY18 growing to \$2 billion in FY25.
- Residents may choose to **apply their PFD to their upcoming state income tax due as a Refundable Tax Payment.** Any amount left over after paying taxes will be refunded by the Tax Division.

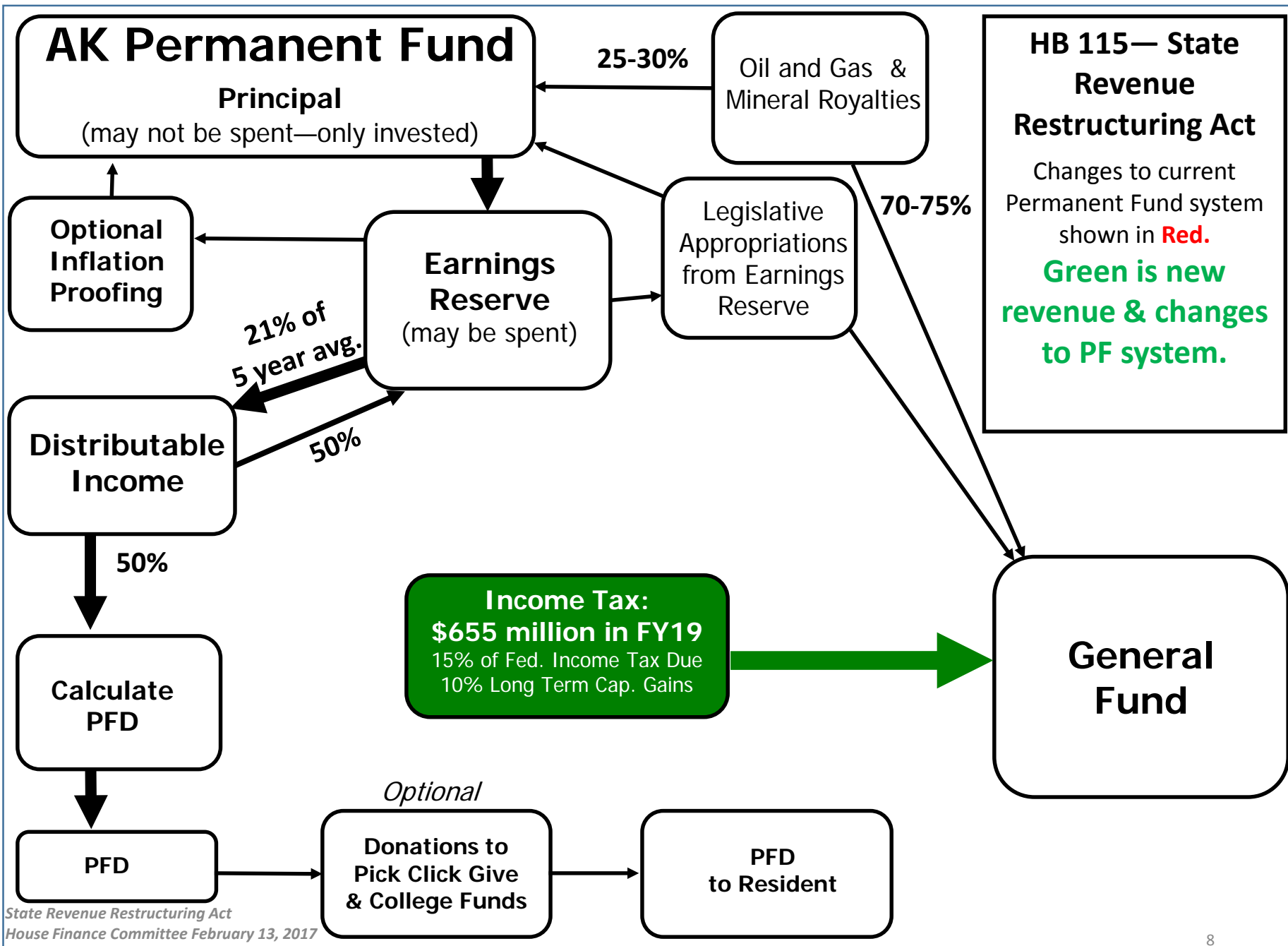
INCOME TAX:

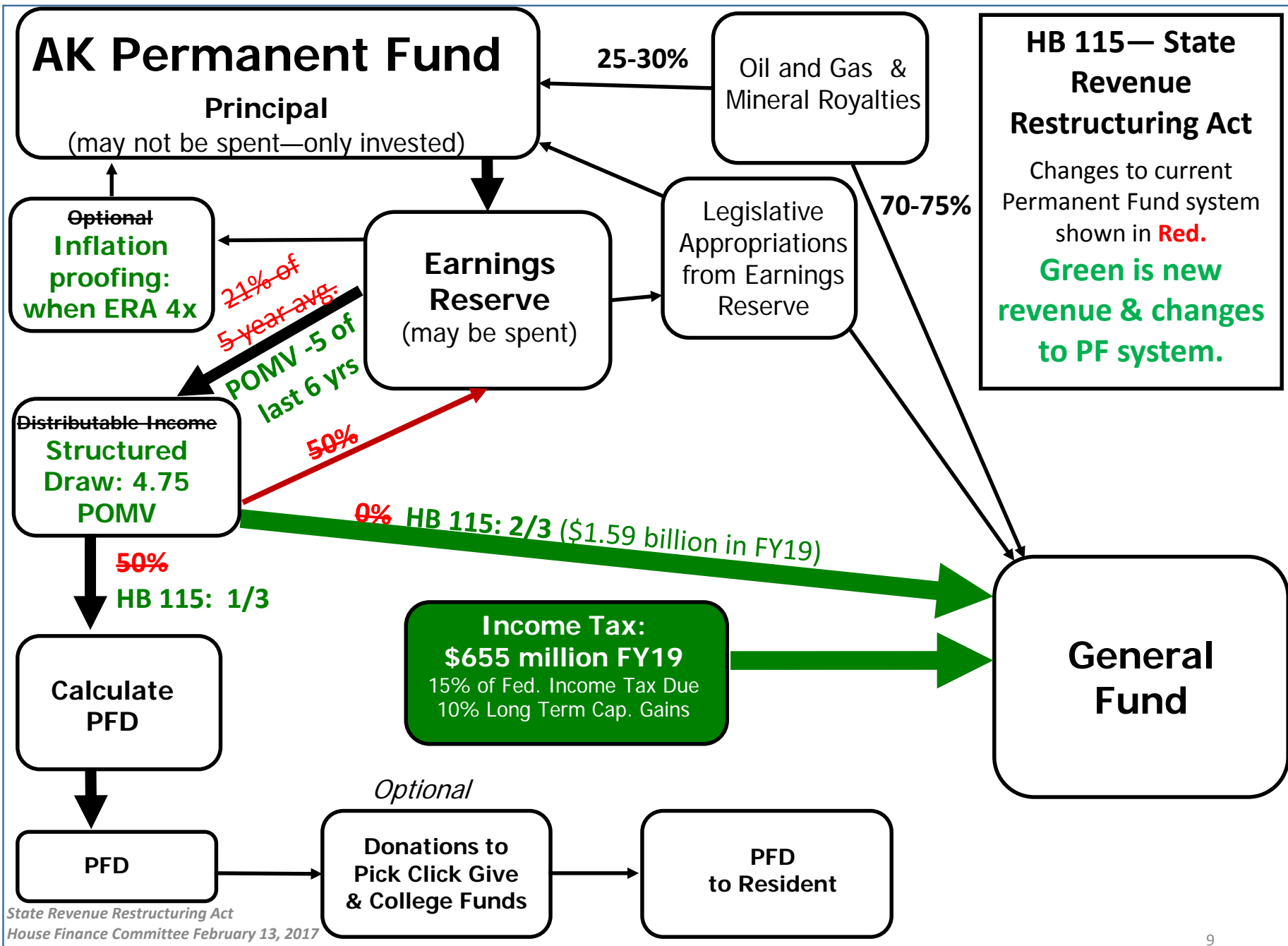
	<u>Revenue*</u>
• 15% Federal Liability	\$500 million
• 10% Long Term Capital Gains	\$ 85 million
• Nonresidents	\$ 70 million
• Total estimated revenue <i>once fully implemented</i>	\$655 million

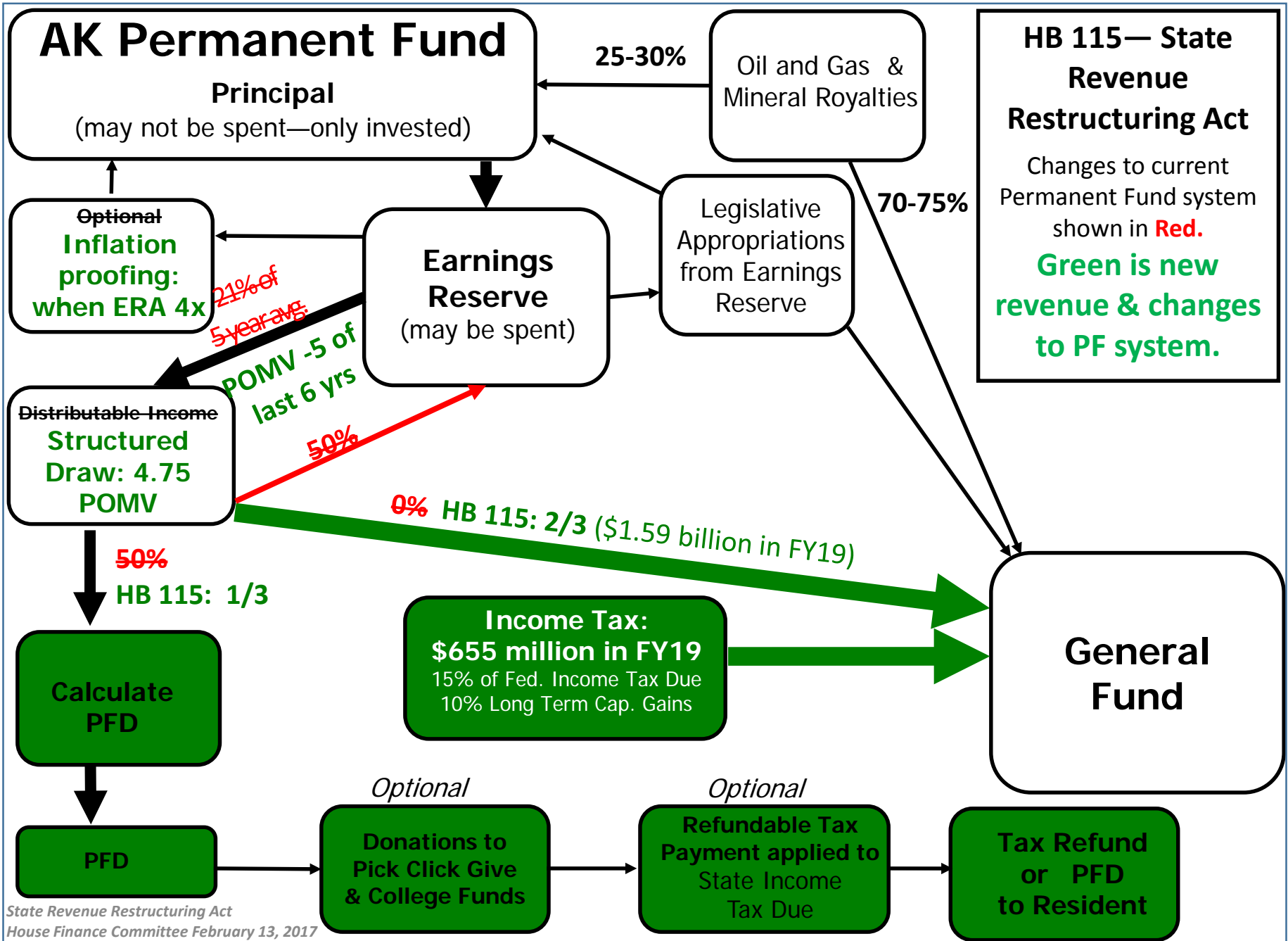
-
- Estimated Revenue from 2018-
half of the fiscal year ~\$300 million

*Dept. of Revenue fiscal note estimates 4/15/15 from HB182 of that year, which is similar to the income tax portion of the bill. \$25 minimum tax not included in HB182 calculation. Awaiting updated fiscal estimates.









HB Proposal: Total Estimated Revenue to General Fund
FY18 -Half Year of Income Tax

Income Tax Revenue*	\$300,000,000
2/3 of the 4.75% POMV Draw **	\$1,523,000,000
Total Revenue to General Fund	\$1,823,000,000

Separate 1/3 of POMV Draw to dividend *\$762,000,000*

*Dept. of Revenue fiscal note estimates 4/15/15 from HB182 of that year, which is similar to the income tax portion of the bill. \$25 minimum tax not included in HB182 calculation. Awaiting updated fiscal estimates.

** 4.75% POMV Draw amount based Legislative Finance calculations. 33% to the dividend is \$762 million in FY18. 67% to the general fund is \$1.5 billion in FY18.

HB Proposal: Total Estimated Revenue to General Fund
FY19 – First Full Year of Income Tax

Income Tax Revenue*	~ \$655,000,000
2/3 of the 4.75% POMV Draw **	\$1,595,000,000
Total Revenue to General Fund	\$2,250,000,000

Separate 1/3 of POMV Draw to dividend *\$797,000,000*

*Dept. of Revenue fiscal note estimates 4/15/15 from HB182 of that year, which is similar to the income tax portion of the bill. \$25 minimum tax not included in HB182 calculation. Awaiting updated fiscal estimates.

** 4.75% POMV Draw amount based Legislative Finance calculations. 33% to the dividend is \$797 million in FY19. 67% to the general fund is \$1.59 billion in FY19.

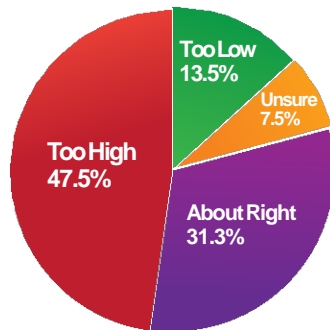
What kind of Alaska
do we want to live in?

State Spending

This year 49.9% of 7,028 survey participants indicated that state spending is already about right or too low

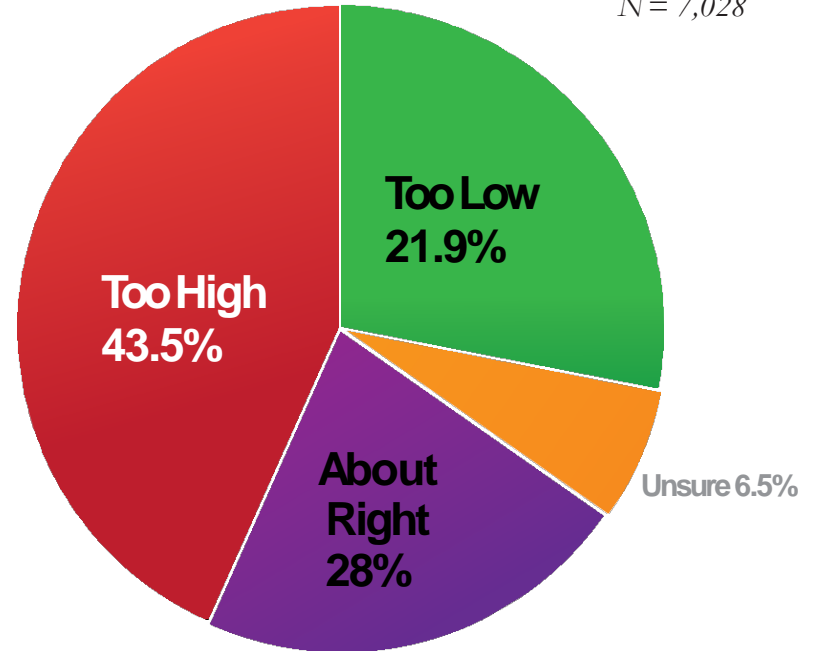
In your opinion, is current state spending too high, about right or too low?

- 1) *Too high*
- 2) *About right*
- 3) *Too low*
- 4) *Unsure*



2016 Web Survey
N = 4,892

www.alaskasenate.org

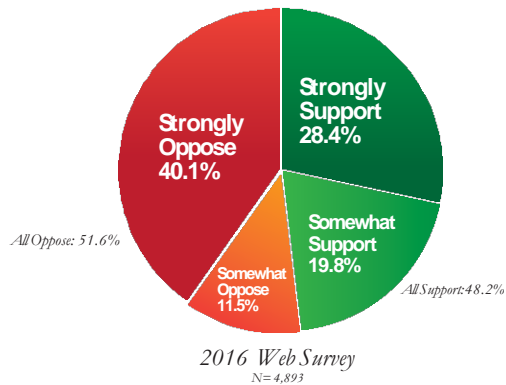


Source: Alaska Senate Majority, 2017
Start of Session Survey

Income Tax

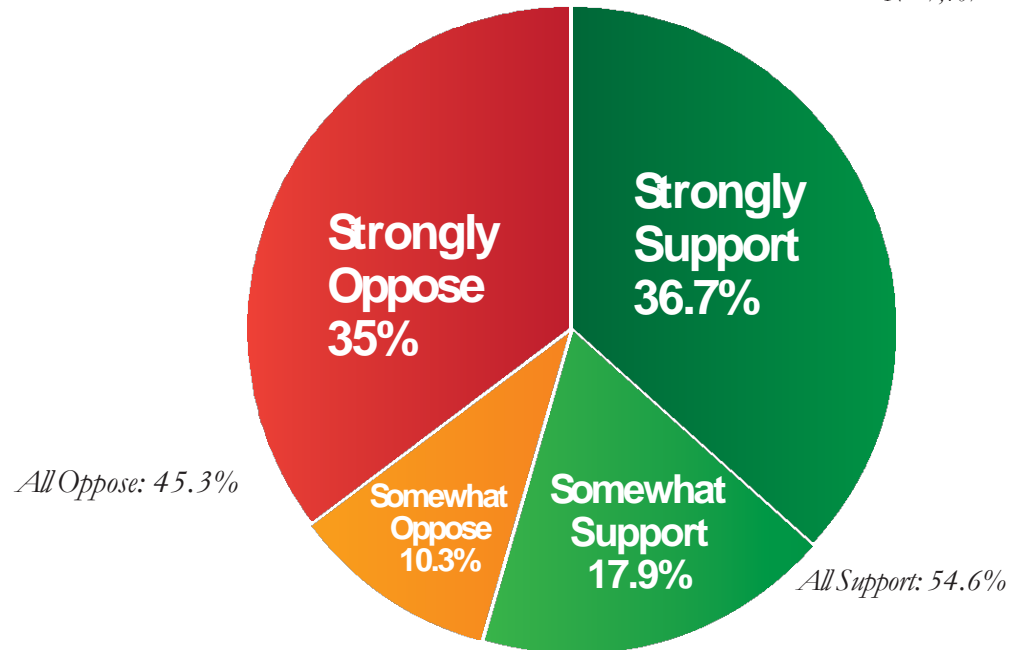
Do you support or oppose enacting a statewide income tax?

- 1) Strongly Support
- 2) Somewhat Support
- 3) Somewhat Oppose
- 4) Strongly Oppose



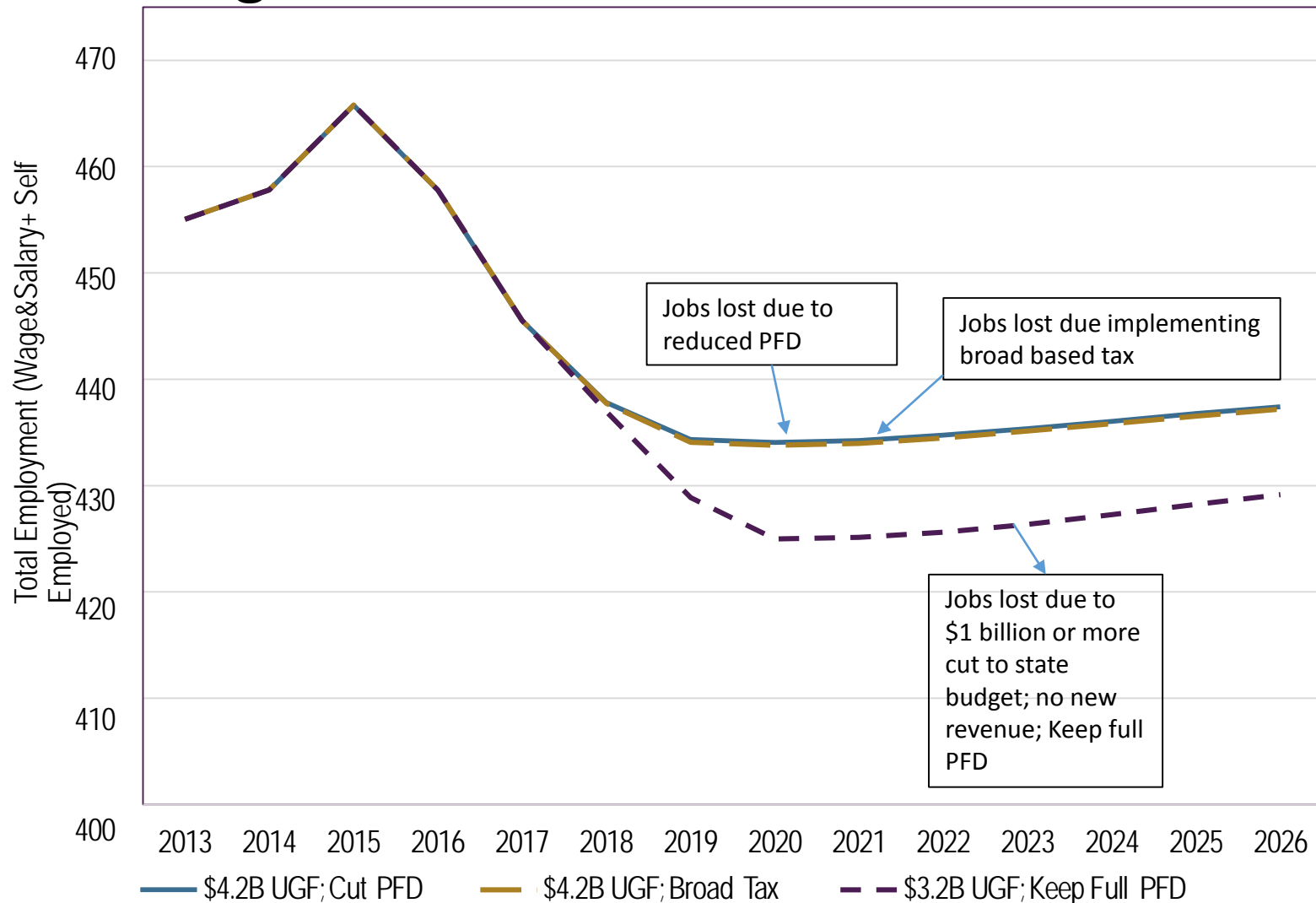
www.alaskasenate.org

N= 7,107



Source: Alaska Senate Majority, 2017
Start of Session Survey

2017-2026 Employment Forecast under Three Budget Scenarios



Source: Northern Economics "Forecasting Alaska's Economy: 2016-2017".
By Jonathan King

A \$3.2 Billion Budget Scenario

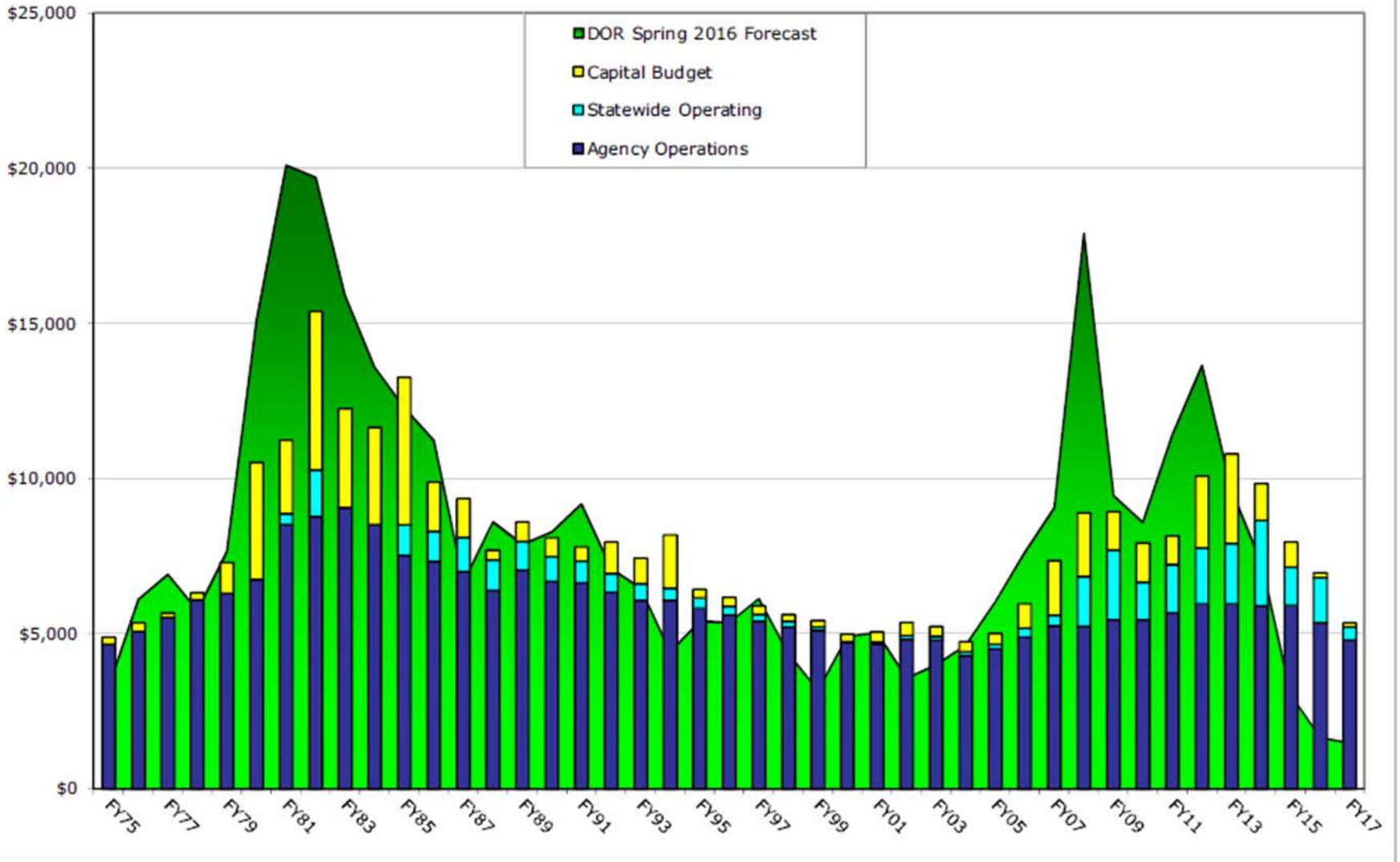
Cost Shifts to Communities	
Community	Total
Anchorage	\$ 178.4
Copper River	\$ 1.9
Dillingham	\$ 3.0
Fairbanks*	\$ 58.0
Juneau	\$ 27.6
Kake	\$ 0.7
Kodiak*	\$ 15.0
Mat-Su	\$ 81.5
Nome	\$ 3.4
Pelican	\$ 0.2
Saint Mary's	\$ 1.2
Valdez	\$ 3.9

*Funding loss includes impact to the Borough

Example Community: Mat-Su:

- To replace this lost revenue Property taxes would need to rise by **7 mills** (71%)
- A resident with a \$300,000 home would pay \$2,100 more per year in property taxes
- This is a “pass through” solution that spreads the burden of taxation too thin
- A statewide solution, such as a sales or income tax, would capture out of state workers and reduce Alaskan’s tax burden
- Other “Hidden” government costs will affect residents
 - \$2,000/year Power Cost Equalization Subsidy
 - Alaska Comprehensive Insurance Program
 - Other services

Real Per Capita Unrestricted General Fund Revenue/ Budget History (2015 dollars Per Person)



August 2016

Legislative Finance Division

Source: Legislative Finance Division

