

Bill Summary

HB 262

“An Act relating to the taxation of income”

HB 262 would impose a state income tax on individuals and fiduciaries (estates and trusts) only if State expenses exceed revenues. The rate of tax increases as the gap between revenues and expenses increases. The Department of Revenue calculates the tax rate annually, based on the criteria outlined in Section 1 of the bill if there is a fiscal gap. The department notifies the legislature and the governor of the tax rate within 60 days after the beginning of the fiscal year. The tax rate remains in effect until the Department determines that an adjustment should be made.

This measure is a component of a long-range fiscal plan for the State of Alaska, and speaks to the apparent need for additional state revenues only in one instance – when expenses exceed revenues. Section 1 of the bill includes residents, nonresidents, and part year residents as income tax payers. The income tax rate will be the same for all wage earners in Alaska, thus transient workers will contribute to the coffers of the State of Alaska and share the tax burden with residents of Alaska, if the tax is imposed.

The bill does not preclude use of any other revenue source to close any future fiscal gap, and it will be the full responsibility of the legislature to adopt a balanced budget, or else the people will pay an income tax.