

**Op-Ed: Rep. Jim Whitaker**  
**April 8, 2002**

Recently, the State House of Representatives debated a difficult Alaskan political question: taxes. The question relative to the debate was not, “are taxes necessary?”

The question was, “since a tax is necessary, which of the options available: a sales tax or an income tax, is more appropriate?” The fulcrum point of the debate is fairness. Which is the more fair tax, income or sales?

Graduated income taxes can be so progressive as to be punitive to those with incomes above a relatively modest amount. Also, income taxes can allow many to pay nothing while others pay an inordinate sum. Both of these results can and should be concluded to be unfair and therefore unacceptable. Sales tax also has an inherent regressive, and therefore, unfair and unacceptable flaw. Alaska’s least fortunate will be more negatively affected; unless sales tax exemptions are included for life necessities. The debate on the House floor was open, honest, and had no predetermined outcome. The discussion lead many to the conclusion that neither tax is fair unless negative effects are mitigated; and further that both can be fair, if well designed. Reasonable compromise is therefore appropriate, and is currently being pursued.

The success of the ongoing negotiation is however, being undermined. Remember, the entire debate is under-pinned by the premise that a broadly based tax is an essential component to realignment of fiscal policy. In short, this premise is based upon the following:

- Current fiscal policy, consisting of utilization of oil royalty, severance, and corporate taxes, combined with fees and minimal taxes is insufficient to pay for constitutionally mandated and citizen demanded services provided by the State, i.e., a legal system, educational system, health care system, welfare system, and transportation system.
- The Constitutional Budget Reserve (CBR), the budget balancing mechanism, which has been adequate in the past, can no longer sustain the function for which it was designed; and in fact, will be gone in FY04. The Reserve is not being drained because of a bloated state budget; Alaska’s has been cut significantly. It is being drained because oil company royalty/tax settlements, its funding source, have been significantly reduced as audits have been completed.
- While cost control is a necessary component to a fiscal plan; budget cutting sufficient to balance the budget is not. Cuts of the magnitude required to balance the budget will negatively affect every aspect of Alaska’s infrastructure, social fabric, and economy. We will become a poorer people with a diminished future.
- We Alaskans are not overly taxed. We have enjoyed prosperity with little taxation. Few societies have been as fortunate. However, reality has now arrived at our doorstep: if we are to continue to build our state, each of us must now contribute individually.

Given these suppositions, we collectively conclude; as a premise for further discussion, that a broadly based, statewide tax is a necessary component of a sustainable fiscal policy.

Logically then, the next question is, should a sales tax or an income tax be combined with the other components: cost control, usage of a portion of permanent fund earnings, and infrastructure development and hence economic growth; to provide for a reasonable and sustainable fiscal policy for the State of Alaska? This is a well-considered question and approach; progress is being made as we follow this logical path.

However, this politically difficult effort is being undermined by those who, in this election year, will continue to pander to the Alaskan public by saying that broad-based, statewide taxes are not necessary, and neither is usage of permanent fund earnings; rather, budget cutting and hoped-for resource development will close the gap.

Those who use this line of rhetoric as a pathway to political office, have a right to do so. However, those who recognize the incomplete and politically expedient nature of this approach also have a right, and obligation, to say loudly and clearly: Nonsense! And then go back to the hard work of negotiating a fair and equitable tax, which, as part of a realistic fiscal approach, will allow for a stable, and growing Alaskan economy.