

## Sponsor Statement

### SS for HB 321 State Income Tax

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I ask that the members seriously consider an income tax. An income tax is the fairest tax, an income tax is the easiest on our economy, and an income tax requires those out of state workers who benefit from Alaskan jobs to pay something back. These are just a few of the reasons I think an income tax is better for Alaskans than a statewide sales tax.

- I am proposing CSHB 321- work draft, as a starting point for discussion and consideration of an income tax.
- An income tax under CSHB 321 would raise 320 million dollars.
- A sales tax under CSHB 293 would raise 300 million dollars.
- CSHB 321 would impose a 3% flat tax on federal taxable income as reported on line 41 of a 2002 Federal tax 1040 form.

One of the arguments I have heard in opposition to an income tax is that only the middle class or wealthy would pay. Under [HB 321](#) there would be no free rides. Everyone over 19 years of age working and or living in Alaska would pay a minimum tax of \$100. There could be a check off on Permanent Fund Dividend form to allow for the deduction of this \$100 minimum tax from the individuals PFD. Another complaint is that the upper income group would pay an unfair share. HB321 contains a cap on the amount of tax an individual or those filing jointly would pay. Higher income people should pay more than lower income, but I believe there should be a limit. Successful individuals would pay the state on their first \$667,000 in taxable income - everything after that would be tax-free.

- Traditionally a sales tax has been a local option and for many communities this is their only option. A statewide sales tax would limit the authority of municipalities to raise their own revenues to provide the needed services.
- The economic impact to the state as a whole of an income tax would be less than a statewide sales tax.
- State income taxes can be deducted from your federal income tax thus part of it would be paid by the federal government.
- An income tax would require those out of state workers who come to Alaska, make their money and take it back to spend in the lower 48 to pay their fair share.

Bottom line – an income tax is better than a sales tax because out of state workers and the Federal Government pay 22% of an income tax while Alaskans only pay 78% of it.

An income tax is the right choice because

- It is the easiest to administer
- It is the cheapest to administer
- It is the least harmful to the State as a whole
- It is the fairest to all concerned
- It is the best for municipalities
- It is the right thing to do.