



Alaska Association of Student Governments

Resolution 2 (Passes)

A Resolution Supporting House Bill No. 115, State Revenue Restructuring Act

Submitted by: Wilfried Zibell

- 1. Be it Resolved by the Alaska Association of Student Governments that:**
- 2. WHEREAS,** House Bill No. 115 (hereafter referred to as HB 115) would establish an income tax, as well as a tax on long-term capital gains; ⁶
- 3. WHEREAS,** the income tax rate established by HB 115 would be 15% of an individual's federal liability; ⁶
- 4. WHEREAS,** the minimum tax rate established by HB 115 would be \$25;⁶
- 5. WHEREAS,** the maximum tax rate established by HB 115 would be 0.7% of a person's income⁶
- 6. WHEREAS,** the long-term capital gains tax established by HB 115 would be 10%;⁶
- 7. WHEREAS,** Alaska is the only state in the United States lacking both an income tax and a sales tax;
- 8. WHEREAS,** given the current lack of state income or sales tax, money earned by nonresident workers leaves the state⁶
- 9. WHEREAS,** taxes established by HB 115 would apply both to residents and nonresidents earning income in Alaska;⁶
- 10. WHEREAS,** HB 115 also includes a restructuring of the Permanent Fund;⁶
- 11. WHEREAS,** the Permanent Fund restructuring would be as follows:⁶
 - a. Instead of being calculated by 21% of the net income for the prior 5 fiscal years, the Distributable Income will be calculated as 4.75% of the average market value of the fund for the first five of the preceding 6 fiscal years, not including the year having just ended;
 - b. Instead of half of the Distributable Income going to the dividend, it will now be $\frac{1}{3}$;
 - c. Instead of half of the Distributable Income returning to the Earnings Reserve, $\frac{2}{3}$ of the Distributable Income will be allocated to the General Fund, from which the state's budget draws;

12. **WHEREAS**, residents receiving Permanent Fund dividends may apply them to the income tax established under HB 115, with any excess funds included in their tax return;⁶
13. **WHEREAS**, the Permanent Fund restructuring would provide \$1,523,000,000 in FY18 and \$1,595,000,000 in FY19;⁶
14. **WHEREAS**, the income tax would provide approximately \$300,000,000 for the half of FY18 during which it is in effect, and approximately \$655,000,000 for FY19;⁶
15. **WHEREAS**; this would leave \$762,000,000 and \$797,000,000 on which the dividend may draw for FY18 and FY19, respectively;⁶
16. **WHEREAS**, this would provide for a \$1,100 dividend per person for FY18;⁶
17. **WHEREAS**, the value of the dividend would grow over time;⁶
18. **WHEREAS**, the new Distributable Income calculation would provide for a steadier dividend value;⁶
19. **WHEREAS**, the increased reliability in dividend value would be a result of the new calculation drawing a smaller percentage of a larger variable (the total Permanent Fund value) than the current calculation, which drew a larger percentage of a smaller variable (the average growth in the Permanent Fund);⁶
20. **WHEREAS**, the income provided by this bill would be approximately \$2,000,000,000 per FY, covering a significant portion of the state's deficit;⁶
21. **WHEREAS**, when polled by the Senate Majority, 49.9% of Alaskans said that state spending was either "Too Low" or "About Right" with 6.5% being unsure;¹
22. **WHEREAS**, when polled by the Senate Majority, 54.6% of Alaskans said they either "Strongly Support" or "Somewhat Support" a state income tax;¹
23. **WHEREAS**, experts predict that the solution put forward in HB 115 would be significantly better for the economy than the alternative of massive budget cuts;^{2,3}
24. **WHEREAS**, economic forecasts show that the unemployment caused by a \$1 billion budget cut would take more than ten years to repair even to the level of the worst unemployment projected under this plan;^{2,3}
25. **WHEREAS**, this bill, in concert with conservative budget cuts and other measures, would provide a pathway forward for Alaska that does not require crippling vital services;

THEREFORE, BE IT RESOLVED BY THE ALASKA ASSOCIATION OF STUDENT GOVERNMENTS THAT the Alaska Association of Student Governments supports House Bill 115 and the diversification of Alaska's state income, recognizing that we cannot rely solely on one source of revenue if we are to lead an economically sustainable future.

ACTION STATEMENT: If approved by the General Assembly of the Alaska Association of Student Governments, this resolution shall be sent to members of the House of Representatives of the state of Alaska and Senate of the state of Alaska finance committees,

as well as the Speaker of the House of Representatives of the state of Alaska and the President of the Senate of the state of Alaska, as well as being available as reference for AASG's official stance on HB 115.

Glossary:

Capital Gains Tax - A tax on income received via investments and property, as opposed to wages

Federal Liability - The amount of income tax one pays to the federal government

Nonresident Workers - People who work in Alaska but do not live in the state

Permanent Fund - A portion of natural resource profits managed in a trust for the state

(Permanent Fund) Dividend - An amount of money distributed to Alaska residents, drawn from the Permanent Fund

Fiscal Year - A year as defined in accounting, for Alaska: July 1-June 30

FY - Abbreviation for Fiscal Year

Distributable Income - The portion of the Permanent Fund able to be distributed (currently $\frac{1}{2}$ goes to dividend, $\frac{1}{2}$ is retained-would be changed to $\frac{1}{3}$ for dividend, $\frac{2}{3}$ for General Fund)

General Fund - The money used to run the state, from which budget expenditures are drawn

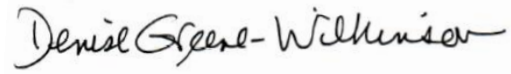
Sources:

1. Alaska Senate Majority, 2017 Start of Session Survey
2. "Northern Economics' Alaska REMI Model 2017." Department of Commerce, Community, and Economic Development. REMI, n.d. Web. 02 Mar. 2017.
3. King, Jonathan. "01/18/2017 01:30 PM LABOR & COMMERCE." Alaska State Legislature. Alaska State Legislature, n.d. Web. 02 Mar. 2017.
4. "Fiscal Forum for Fiscal Plan." Office of Management and Budget. 19 Jan. 2017.
5. Legislative Finance Division
6. HB 115 and related documents as presented to the House Finance Committee on February 13th
 - a. (<http://www.akleg.gov/basis/Bill/Text/30?Hsid=HB0115A>) Text of HB 115
 - b. (http://www.akleg.gov/basis/get_documents.asp?session=30&docid=11440) Presentation given to House Finance Committee on February 13th

Passed by the Alaska Association of Student Governments at the Spring 2017 Conference



Taylor Holman, Vice President



Denise Greene-Wilkinson, Executive Director