



News From **MARY**

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Working on Alaska's Fiscal Challenges

When the House leadership passed the budget on to the Senate and promised to bring revenue measures up the next week, we headed to the March 27 floor session with three bills on the calendar: HB 303 relating to a state sales tax, HB 304 relating using permanent fund income, and HB 20 establishing a municipal dividend program. Legislation to re-institute a state income tax (HB 229) didn't make it to the floor, but the issue was debated at length through amendments to HB 303.

When the income tax amendment failed, all three bills were sent back to the Rules Committee, and a negotiating team was appointed. Rep. Kerttula (Juneau), Rep. Guess (Anchorage) and I represent the Democratic Minority. Majority members are Speaker Porter and Rep. Mulder (from Anchorage), and Rep. Whitaker (Fairbanks). We have met on a nearly daily basis since then, seeking an acceptable compromise.

My team continues to push for getting some form of income tax back on the books. While none of us are excited at the prospect of new taxes, the fiscal gap is real, and if we fail to start bringing in new revenues, we will soon run out of all savings and the impact on our permanent fund---and thus the permanent fund dividend---will be significant.



Rep. Kerttula and Rep. Kapsner discuss fiscal policy detail with Minority Leader Rep. Berkowitz.

The Republican leadership started from a point of pushing for a 3% state sales tax and no income tax. That position has moderated, and one compromise we've explored is a 1.5% sales tax and 1.5% income tax, with the municipalities still being allowed to continue their sales tax exemptions and to also be the collecting agent for the state.

I don't believe we will see a 3% state sales tax at this point. It would be devastating to our communities, and many others around the state who rely on sales tax for municipal income. In the end we may not be able craft a proposal to send back to the floor because the Republicans have said they need 15 votes in their caucus before they are willing to sign on to any plan.

This effort is very important, and I'm glad to be part of the team working to find an answer.

Which Revenue Measures Could You Support?

- ☐ State Income Tax (based on 3% of federal adjusted income tax)
- ☐ State Sales Tax 1.5% (with exemptions such as food, electricity, fuel)
- ☐ Alcohol Tax (5 cents per drink raises \$15 m.; 10 cents raises \$30 m.)
- ☐ Seasonal Sales Tax (proposed at 6% May - September)
- ☐ Education Employment Tax (\$100 per person)
- ☐ Motor Fuel Tax
- ☐ \$30 Cruise Ship Passenger Tax
- ☐ Use Permanent Fund Earnings for Municipal Dividend
- ☐ Permanent Fund Earnings Transfer for general government
- ☐ Permanent Fund Earnings - 5%

Potential Revenue

\$270 million
\$150 million
\$15 or \$30 m.
\$300 million
\$38 million
\$32 million
\$20 million
\$30 million
\$127 million
\$175-\$300

You can enter your ideas on how to fill the fiscal gap by visiting the State Budget Calculator on the Democratic Web Page at: www.akdemocrats.org/C_I_K/budget_calculator.php. The Office of Management and Budget web site has additional helpful information about the fiscal gap at www.gov.state.ak.us/omb/akomb.htm. I would be interested in hearing your ideas. Call, fax, or email me at the numbers above.