



**70th Annual Local Government Conference**  
November 9-20, 2020

# Budget Impacts and Decisions During Economic Crisis

Carl Davis, Institute on Taxation and Economic Policy (ITEP)

70<sup>th</sup> Annual Local Government Conference - November 9<sup>th</sup> – 20<sup>th</sup>, 2020 - *Fires, Foundations and Futures*

# About ITEP

## **The Institute on Taxation and Economic Policy (ITEP)**

- Non-profit, non-partisan research organization
- Federal, state, and local tax policy issues

### **Mission:**

- Ensure elected officials, media, and general public have access to accurate, timely, and straightforward information that allows them to understand the effects of current and proposed tax policies with an emphasis on tax incidence analysis.

# ITEP's Recent Work in Alaska (2016-2017)

## Distributional Analyses of Revenue Options for Alaska

Institute on Taxation & Economic Policy

*April 2016*

Aidan Russell Davis  
Carl Davis  
Matthew Gardner

### **About The Institute on Taxation & Economic Policy**

The Institute on Taxation and Economic Policy (ITEP) is a non-profit, non-partisan research organization that works on federal, state, and local tax policy issues. ITEP's mission is to ensure that elected officials, the media, and the general public have access to accurate, timely, and straightforward information that allows them to understand the effects of current and proposed tax policies. ITEP's work focuses particularly on issues of tax fairness and sustainability.

This study was made possible by a grant from the Rasmuson Foundation.

## Assessing the Distributional Consequences of Alaska's House Bill 115 (Version L)

Institute on Taxation & Economic Policy

*March 2017*

Carl Davis

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## Comparing the Distributional Impact of Revenue Options in Alaska

Institute on Taxation & Economic Policy

*April 2017*

Carl Davis  
Aidan Russell Davis

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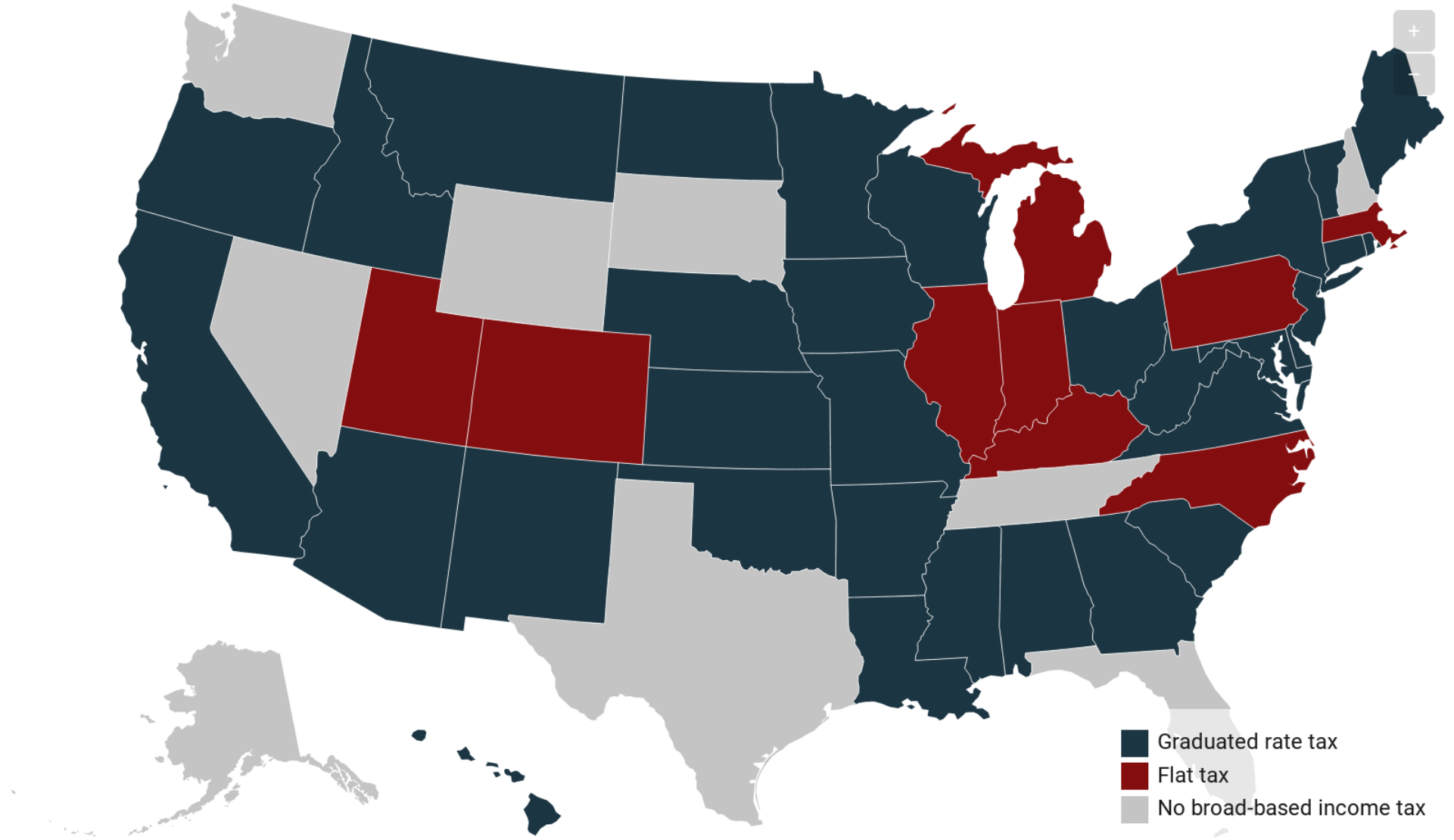
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# State Revenue Options

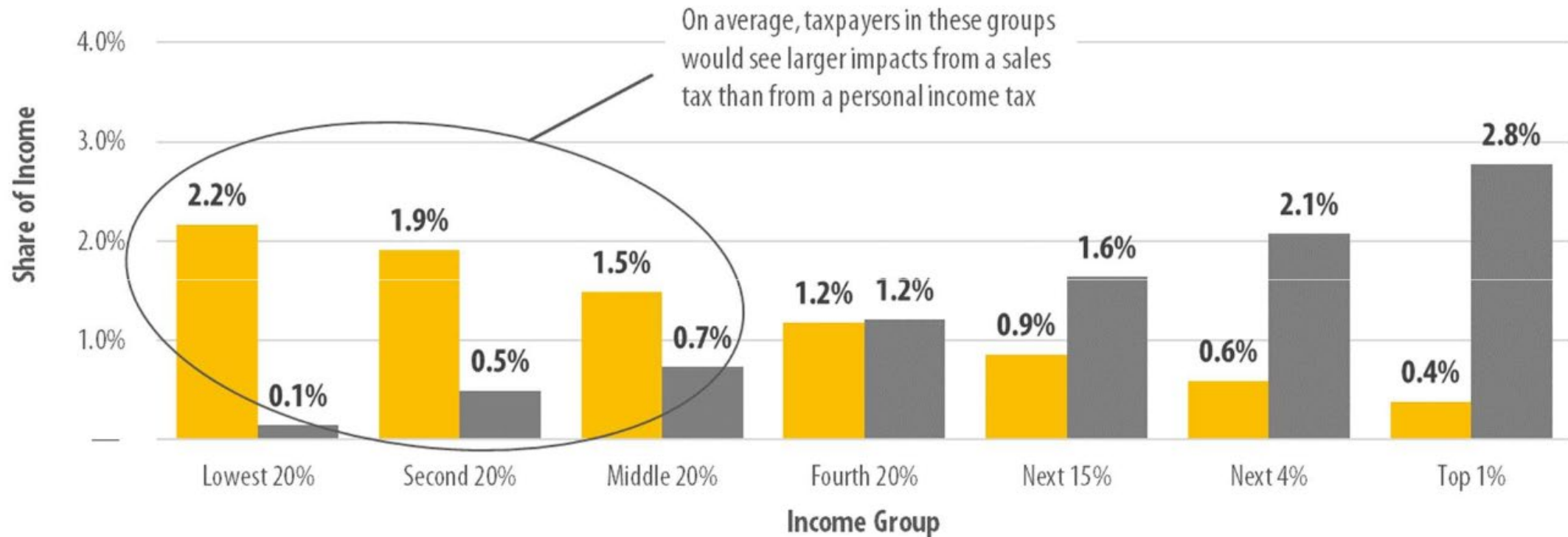
Income	Property	Sales
Broad personal income tax	Statewide property tax	General sales tax
Investment income tax	Statewide mansion tax	Meals and rooms tax
Payroll tax	Real estate transfer tax	Motor fuel tax
Tax on pass-through businesses	Estate tax	Alcohol tax
Corporate minimum tax	Inheritance tax	Tobacco tax
Corporate tax reform: combined reporting (Joyce -> Finnigan)	Vehicle tax / registration fee	Cannabis tax
Corporate tax reform: Opportunity Zones		Commercial vessel passenger excise tax
		Gambling: lottery
		Gambling: sports betting

# Personal Income Tax Rate Structure by State



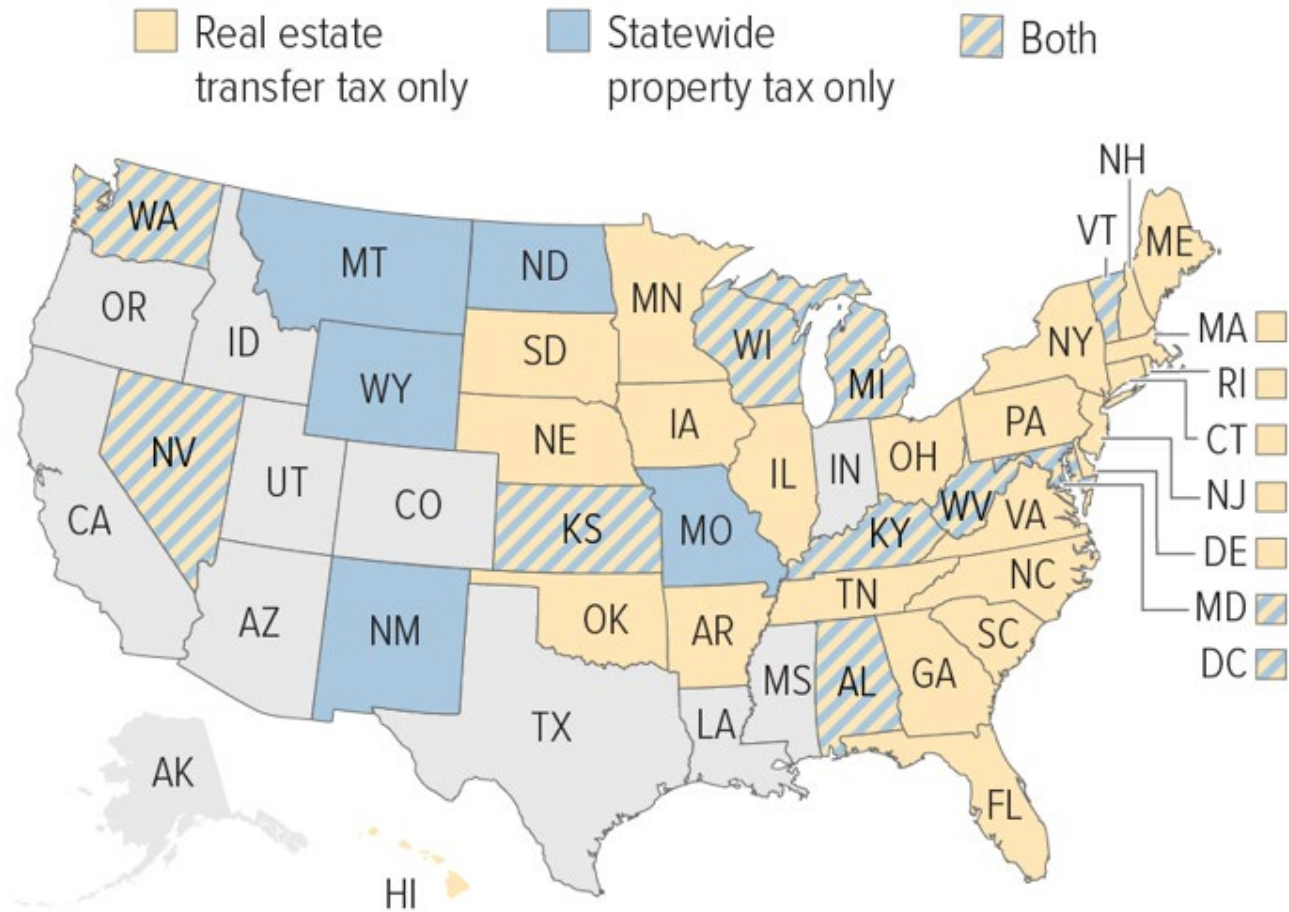
Source: Institute on Taxation and Economic Policy, May 2019 • Created with Datawrapper

# Comparing a \$500m Alaska sales tax to a \$500m Alaska personal income tax



Source: Institute on Taxation and Economic Policy, April 2017. Modeled in a Tax Year 2016 economy, modified to assume a baseline Permanent Fund Dividend payout of \$2,200 per person. In the sales tax scenario the rate is 3% and includes exemptions for purchases of groceries, health care, prescription drugs, shelter, and child care. In the personal income tax scenario, the tax is assumed to be very similar to House Bill 115 of Alaska's 2017 legislative session, though its rates have been reduced by 27.75% across the board to reduce its yield to \$500 million per year.

# 39 States Plus D.C. Have Real Estate Transfer Taxes or Statewide Property Taxes



Source: National Conference of State Legislatures, Lincoln Land Institute, and CBPP analysis of state laws

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

# Local Revenue Options

Income	Property	Sales
Unclear. Maybe taxes on <i>gross</i> salaries or business income.	Real property tax	General sales tax
	Personal property tax	Bed tax
	Real estate transfer tax	Prepared meals tax
		Car rental tax
		Alcohol tax
		Tobacco tax
		Cannabis tax
		Raw fish tax

# Local tax limitations

- **AS 43.20.290**
  - “No tax may be levied and collected upon the net income of resident or nonresident individuals”
- **AS 29.45.090(a)**
  - “All property ... shall be taxed at the same rate during the year.”
- **AS 29.45.090 and AS 29.45.590**
  - Various property tax rate and revenue limitations

**Result: change in state law would be needed before localities can levy broad personal income taxes, investment income taxes, business profits taxes, split roll property taxes, or mansion taxes**



# Real estate sales price disclosure could improve property tax administration

## THE WALL STREET JOURNAL.

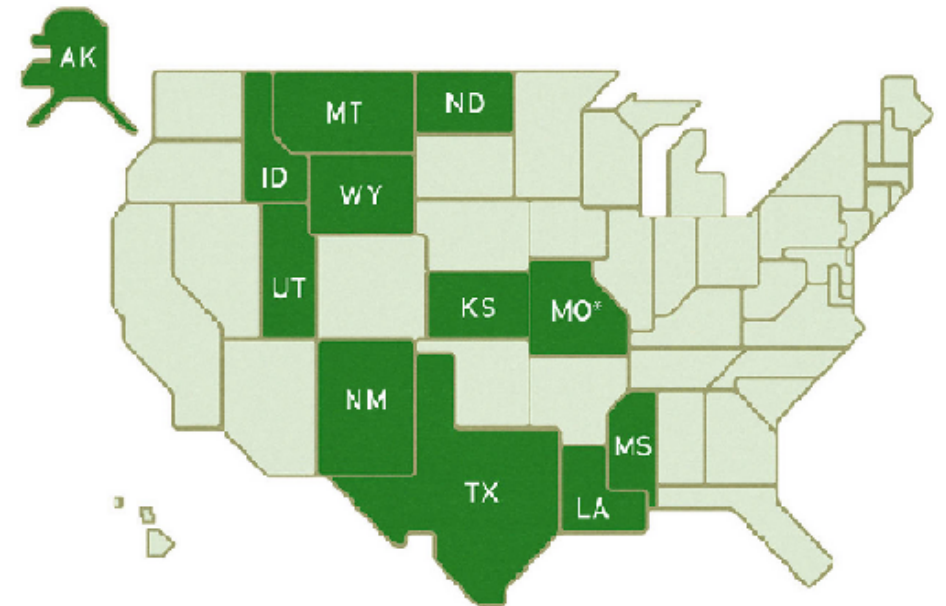
REAL ESTATE | HOMES

### The States Where Home Prices are Secret

A 2004 study in *Social Science Quarterly* argued that nondisclosure states had “inequities in effective tax rates and tax revenue leakages.” In particular, after analyzing data for homes in Albuquerque, N.M. the study found “substantial tax inequities,” with lower-priced homes contributing “more than [their] share of properties taxes.” Recent studies in Texas have found the same effect.

In Texas, for example, difficult-to-assess commercial properties and high-end homes tend to be undervalued, said Dick Lavine, an analyst with the Center for Public Policy Priorities.

“Most high-end residential and many larger commercial and industrial properties are paying less than their fair share and shifting the burden onto ordinary and middle-class homeowners,” he said.

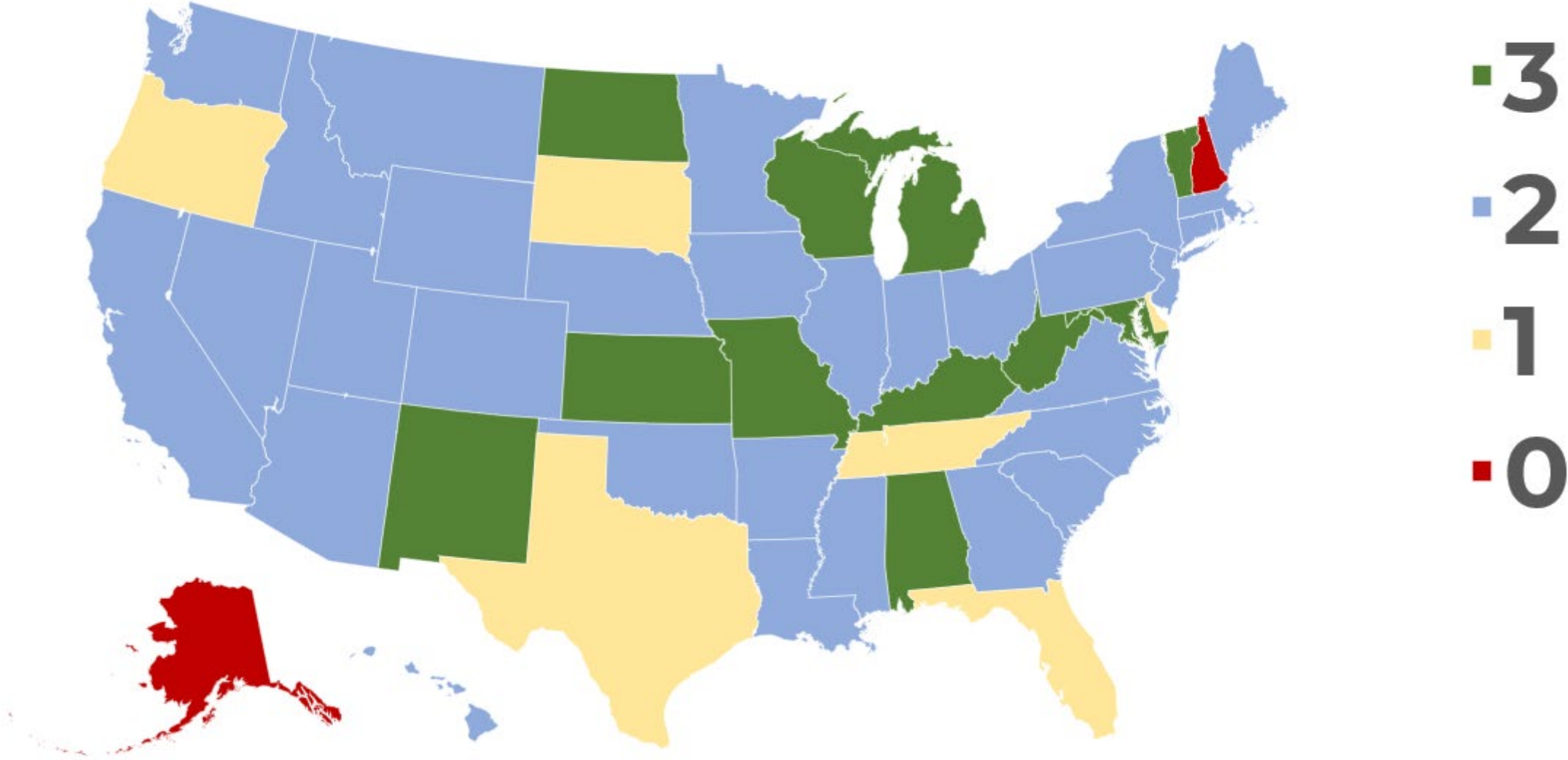


# What Options are Available for Boosting Local Sales Tax Revenue?

- Raise the rate
  - General sales tax rate
  - Or rate on specific purchases:
    - Visitors: hotel stays (Bed Tax), car rentals, prepared meals
    - Affluent residents: luxury items (expensive clothing, jewelry, vehicles)
    - “Sin” taxes: tobacco, cannabis, alcohol
- Expand the base (e.g., personal services)
- Raise or eliminate sales tax caps (only first \$x of sales price is taxed)
- Join the Alaska Remote Sellers Sales Tax Commission

# How Many of these Tax Types Does Each State Have at the State Level?

*Broad Personal Income, General Sales, Statewide Property Tax*





Carl Davis  
carl@itep.org