

## **History of Alaska Individual Income Tax**

Information gathered through BASIS, Publications, Legislative Research Requests:

1. 87-099 “Collection and Distribution of Alaska’s School Tax Proceeds”
2. 89-253 “Alaska’s Personal Income Tax History: Structure and Policy Considerations”

### **Alaska Personal Income Tax History**

- Established in 1949, 10% of taxpayer’s federal income tax liability.
- Employers did withholding.
- Residents and non residents were taxed.
- Between 1949-1961, income tax rate increased from 10% to 16%.
- Other changes included: requiring federal employees to pay state tax on cost-of-living allowances and limited nonresident’s exemptions, credit and deductions.
- In 1965, the tax rate maintained at 16% of federal income tax liability but at the federal tax rates in effect on Dec 31, 1963, to accommodate the reduction in federal income tax rates in 1963.
- 1975: state switched to a graduated tax rate structure independent of federal income tax rates; subject to progressive rate of 3%-14.5%; the revenue effect from this change was not dramatic.
- Personal income tax repealed in 1980 after the oil boom.
- Attempts to reinstate:
  - 1986- joint special committee – not recommended
  - 1987 – Gov legislation HB 154 – died
  - 1989 – HB 252- died

### **Alaska School Tax History**

- Established in 1949.
- Every wage earner over 19 yrs was taxed \$10 from their first paycheck of the year to support schools.
- In 1979 the tax yielded \$2.6 million.
- Revenue went into the General Fund so that appropriations could be made to fund schools.
- It was repealed in 1980.

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