

APPENDIX A

Detailed Results for Six Flat-Rate Income Tax Options

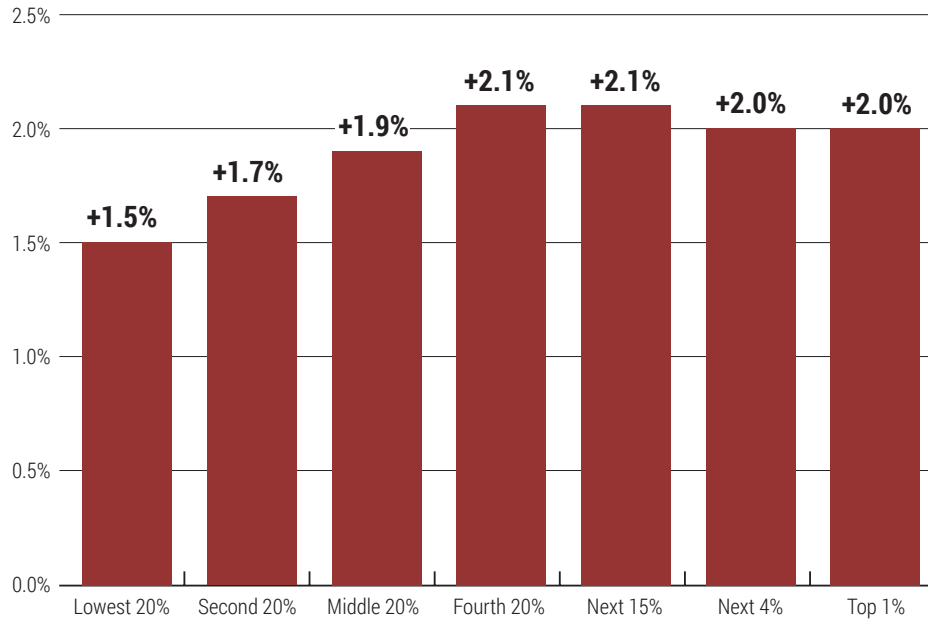
See pgs. 37-42



OPTION 1:

ITEP analysis of a 2.5% flat-rate income tax for Alaska. Tax is levied on a modified version of federal adjusted gross income (AGI), as defined in federal law for 2021. Tax is modeled as if it had been in effect in 2019.

Tax as a Percent of Total Income



TOTAL INCOME TAX COLLECTIONS

\$696 MILLION

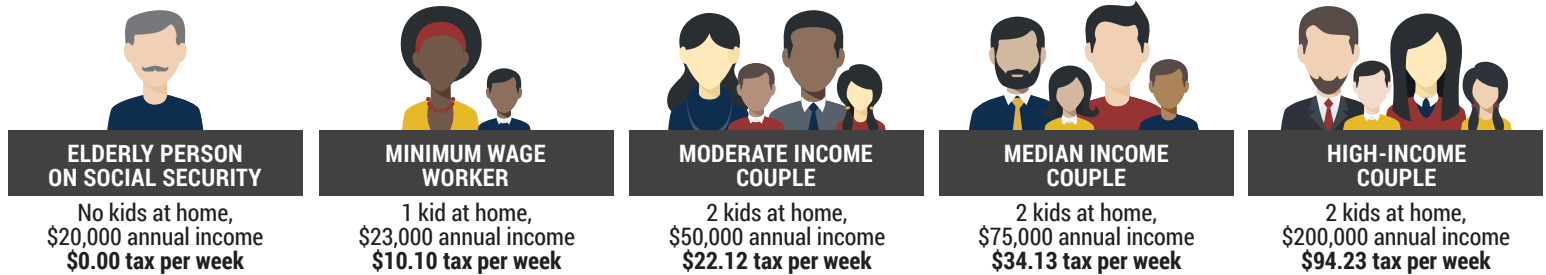
TAX PAID BY ALASKA RESIDENTS
\$645 MILLION

TAX PAID BY NONRESIDENTS
\$51 MILLION

Major Features

- 2.5% statutory tax rate
- Linked to federal adjusted gross income (AGI)
- PFD income exempt
- No standard deduction

What does that mean for Alaska residents?



Revenue and Distributional Impact

2019 INCOME GROUPS	LOWEST 20%	SECOND 20%	MIDDLE 20%	FOURTH 20%	NEXT 15%	NEXT 4%	TOP 1%
Income Range	Less than \$22,400	\$22,400 – \$42,600	\$42,600 – \$70,100	\$70,100 – \$127,400	\$127,400 – \$237,400	\$237,400 – \$555,700	\$555,700 or more
Avg. Income	\$12,300	\$32,500	\$53,800	\$91,400	\$165,700	\$327,400	\$1,267,000
Tax as a % of Income	+1.5%	+1.7%	+1.9%	+2.1%	+2.1%	+2.0%	+2.0%
Annual Tax Paid	\$ +179	\$ +565	\$ +1,002	\$ +1,929	\$ +3,536	\$ +6,640	\$ +24,961
Share of Total Residents' Tax Paid	2%	6%	11%	22%	30%	15%	14%
% of Income Group Paying Tax	83%	87%	94%	99%	100%	100%	100%

ADDITIONAL STATEWIDE DETAIL

Share of Total Residents' Tax Paid by Bottom 60%	19%	22%	Share of Residents' Income Flowing to Bottom 60%
Share of Total Residents' Tax Paid by Top 20%	59%	57%	Share of Residents' Income Flowing to Top 20%
Share of Total Residents' Tax Paid by Top 5%	29%	29%	Share of Residents' Income Flowing to Top 5%

Share of Alaska Tax Units Paying Tax 89%

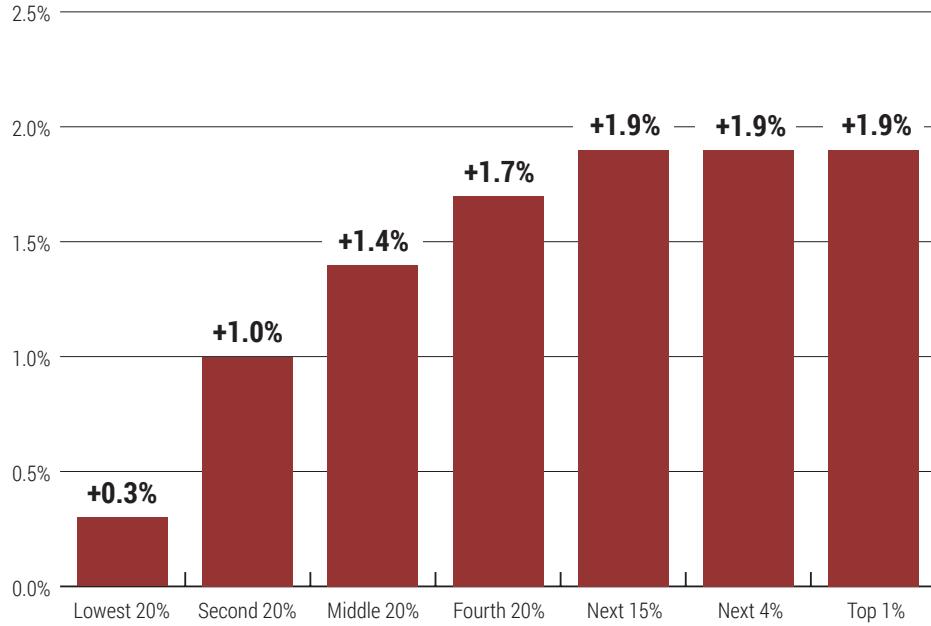
ALTERNATIVE PRESENTATION	LOWEST 20%	SECOND 20%	MIDDLE 20%	FOURTH 20%	NEXT 15%	NEXT 4%	TOP 1%	NON-RESIDENTS
Share of Total Tax Paid Including Payments by Nonresidents	2%	6%	10%	20%	28%	14%	13%	7%

NOTES: Analysis is performed at 2019 income levels given a lack of sufficiently detailed economic data and forecasts for 2020 and beyond. Inflation indexed tax parameters were run at 2019 levels. Income levels are adjusted to assume a PFD of \$1,000 per person to be more reflective of the PFD's likely long-run level. PFD is exempt from tax. SOURCE: Institute on Taxation and Economic Policy (ITEP) Microsimulation Tax Model, December 2020

OPTION 2:

ITEP analysis of a 2.5% flat-rate income tax for Alaska. Tax is levied on a modified version of federal adjusted gross income (AGI), as defined in federal law for 2021, with a standard deduction. Tax is modeled as if it had been in effect in 2019.

Tax as a Percent of Total Income



TOTAL INCOME TAX COLLECTIONS

\$581 MILLION

TAX PAID BY ALASKA RESIDENTS

\$539 MILLION

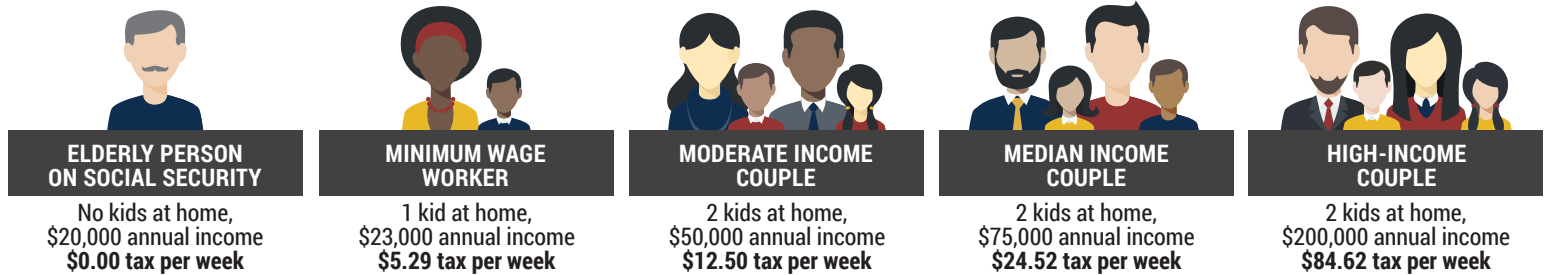
TAX PAID BY NONRESIDENTS

\$43 MILLION

Major Features

- 2.5% statutory tax rate
- Linked to federal adjusted gross income (AGI)
- PFD income exempt
- Standard deduction of \$10,000 for single or head of household and \$20,000 for married filing jointly

What does that mean for Alaska residents?



Revenue and Distributional Impact

2019 INCOME GROUPS	LOWEST 20%	SECOND 20%	MIDDLE 20%	FOURTH 20%	NEXT 15%	NEXT 4%	TOP 1%
Income Range	Less than \$22,400	\$22,400 – \$42,600	\$42,600 – \$70,100	\$70,100 – \$127,400	\$127,400 – \$237,400	\$237,400 – \$555,700	\$555,700 or more
Avg. Income	\$12,300	\$32,500	\$53,800	\$91,400	\$165,700	\$327,400	\$1,267,000
Tax as a % of Income	+0.3%	+1.0%	+1.4%	+1.7%	+1.9%	+1.9%	+1.9%
Annual Tax Paid	\$ +43	\$ +326	\$ +729	\$ +1,564	\$ +3,109	\$ +6,196	\$ +24,547
Share of Total Residents' Tax Paid	1%	4%	9%	21%	32%	16%	16%
% of Income Group Paying Tax	35%	81%	91%	98%	100%	100%	100%

ADDITIONAL STATEWIDE DETAIL

Share of Total Residents' Tax Paid by Bottom 60%	14%	22%	Share of Residents' Income Flowing to Bottom 60%
Share of Total Residents' Tax Paid by Top 20%	64%	57%	Share of Residents' Income Flowing to Top 20%
Share of Total Residents' Tax Paid by Top 5%	33%	29%	Share of Residents' Income Flowing to Top 5%

Share of Alaska Tax Units Paying Tax 72%

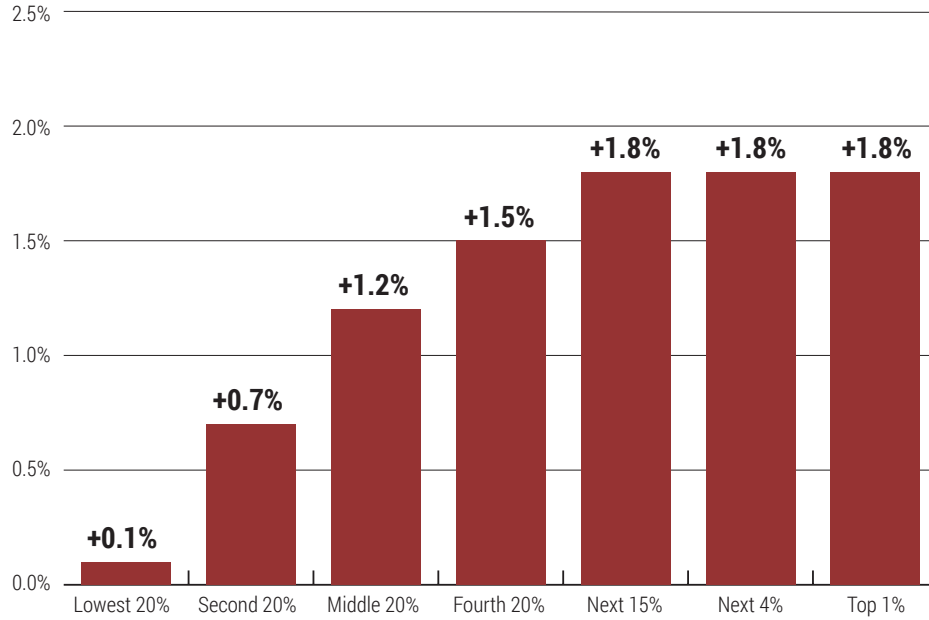
ALTERNATIVE PRESENTATION	LOWEST 20%	SECOND 20%	MIDDLE 20%	FOURTH 20%	NEXT 15%	NEXT 4%	TOP 1%	NON-RESIDENTS
Share of Total Tax Paid Including Payments by Nonresidents	1%	4%	9%	20%	29%	15%	15%	7%

NOTES: Analysis is performed at 2019 income levels given a lack of sufficiently detailed economic data and forecasts for 2020 and beyond. Inflation indexed tax parameters were run at 2019 levels. Income levels are adjusted to assume a PFD of \$1,000 per person to be more reflective of the PFD's likely long-run level. PFD is exempt from tax. SOURCE: Institute on Taxation and Economic Policy (ITEP) Microsimulation Tax Model, December 2020

OPTION 3A:

ITEP analysis of a 2.5% flat-rate income tax for Alaska. Tax is levied on a modified version of federal taxable income (TI), as defined in federal law for 2021. Tax is modeled as if it had been in effect in 2019.

Tax as a Percent of Total Income



TOTAL INCOME TAX COLLECTIONS
\$531 MILLION

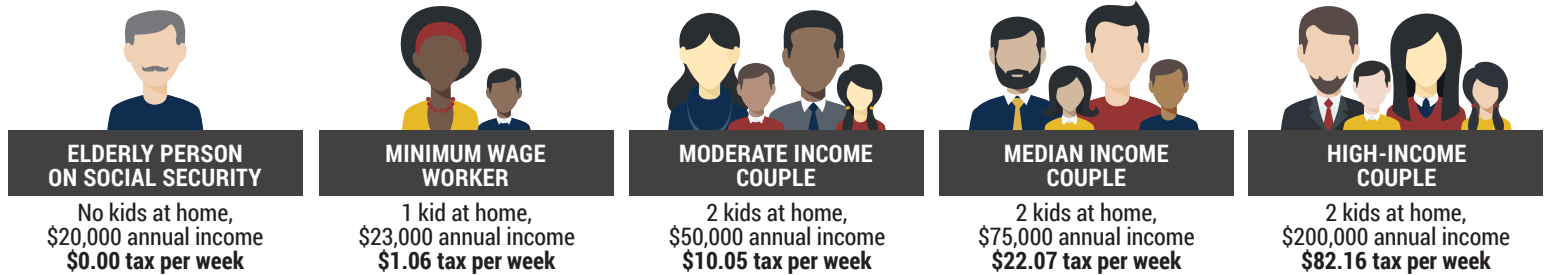
TAX PAID BY ALASKA RESIDENTS
\$492 MILLION

TAX PAID BY NONRESIDENTS
\$39 MILLION

Major Features

- 2.5% statutory tax rate
- Linked to federal taxable income (TI)
- PFD income exempt
- Standard deduction of \$12,550 single, \$18,800 head of household, and \$25,100 married filing jointly in 2021
- Itemized deductions for charitable giving, property and sales taxes, mortgage interest payments, medical expenses, etc.
- 20 percent deduction for qualified business income (QBI)

What does that mean for Alaska residents?



Revenue and Distributional Impact

2019 INCOME GROUPS	LOWEST 20%	SECOND 20%	MIDDLE 20%	FOURTH 20%	NEXT 15%	NEXT 4%	TOP 1%
Income Range	Less than \$22,400	\$22,400 – \$42,600	\$42,600 – \$70,100	\$70,100 – \$127,400	\$127,400 – \$237,400	\$237,400 – \$555,700	\$555,700 or more
Avg. Income	\$12,300	\$32,500	\$53,800	\$91,400	\$165,700	\$327,400	\$1,267,000
Tax as a % of Income	+0.1%	+0.7%	+1.2%	+1.5%	+1.8%	+1.8%	+1.8%
Annual Tax Paid	\$ +17	\$ +242	\$ +634	\$ +1,407	\$ +2,935	\$ +5,800	\$ +22,359
Share of Total Residents' Tax Paid	0%	4%	9%	21%	33%	17%	16%
% of Income Group Paying Tax	21%	74%	85%	97%	100%	100%	100%

ADDITIONAL STATEWIDE DETAIL

Share of Total Residents' Tax Paid by Bottom 60%	13%	22%	Share of Residents' Income Flowing to Bottom 60%
Share of Total Residents' Tax Paid by Top 20%	66%	57%	Share of Residents' Income Flowing to Top 20%
Share of Total Residents' Tax Paid by Top 5%	33%	29%	Share of Residents' Income Flowing to Top 5%

Share of Alaska Tax Units Paying Tax 72%

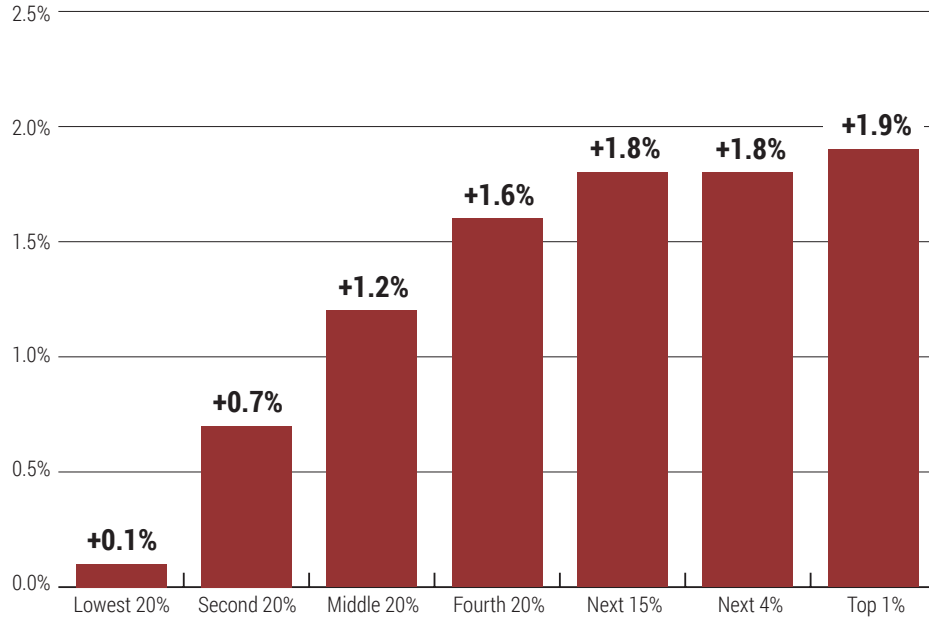
ALTERNATIVE PRESENTATION	LOWEST 20%	SECOND 20%	MIDDLE 20%	FOURTH 20%	NEXT 15%	NEXT 4%	TOP 1%	NON-RESIDENTS
Share of Total Tax Paid, Including Payments by Nonresidents	0%	3%	8%	19%	31%	16%	15%	7%

NOTES: Analysis is performed at 2019 income levels given a lack of sufficiently detailed economic data and forecasts for 2020 and beyond. Inflation indexed tax parameters were run at 2019 levels. Income levels are adjusted to assume a PFD of \$1,000 per person to be more reflective of the PFD's likely long-run level. PFD is exempt from tax. SOURCE: Institute on Taxation and Economic Policy (ITEP) Microsimulation Tax Model, December 2020

OPTION 3B:

ITEP analysis of a 2.5% flat-rate income tax for Alaska. Tax is levied on a modified version of federal taxable income (TI), as defined in federal law for 2021, but does not include the qualified business income deduction. Tax is modeled as if it had been in effect in 2019.

Tax as a Percent of Total Income



TOTAL INCOME TAX COLLECTIONS

\$539 MILLION

TAX PAID BY ALASKA RESIDENTS

\$500 MILLION

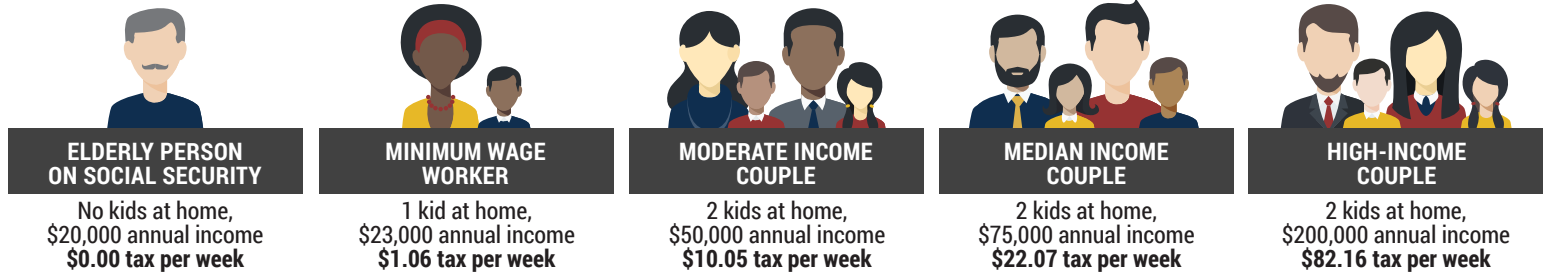
TAX PAID BY NONRESIDENTS

\$39 MILLION

Major Features

- 2.5% statutory tax rate
- Linked to federal taxable income (TI)
- PFD income exempt
- Standard deduction of \$12,550 single, \$18,800 head of household, and \$25,100 married filing jointly in 2021
- Itemized deductions for charitable giving, property and sales taxes, mortgage interest payments, medical expenses, etc.

What does that mean for Alaska residents?



Revenue and Distributional Impact

2019 INCOME GROUPS	LOWEST 20%	SECOND 20%	MIDDLE 20%	FOURTH 20%	NEXT 15%	NEXT 4%	TOP 1%
Income Range	Less than \$22,400	\$22,400 – \$42,600	\$42,600 – \$70,100	\$70,100 – \$127,400	\$127,400 – \$237,400	\$237,400 – \$555,700	\$555,700 or more
Avg. Income	\$12,300	\$32,500	\$53,800	\$91,400	\$165,700	\$327,400	\$1,267,000
Tax as a % of Income	+0.1%	+0.7%	+1.2%	+1.6%	+1.8%	+1.8%	+1.9%
Annual Tax Paid	\$ +17	\$ +243	\$ +636	\$ +1,419	\$ +2,962	\$ +5,945	\$ +23,859
Share of Total Residents' Tax Paid	0%	4%	9%	21%	33%	17%	17%
% of Income Group Paying Tax	21%	74%	85%	97%	100%	100%	100%

ADDITIONAL STATEWIDE DETAIL

Share of Total Residents' Tax Paid by Bottom 60%	13%	22%	Share of Residents' Income Flowing to Bottom 60%
Share of Total Residents' Tax Paid by Top 20%	67%	57%	Share of Residents' Income Flowing to Top 20%
Share of Total Residents' Tax Paid by Top 5%	34%	29%	Share of Residents' Income Flowing to Top 5%

Share of Alaska Tax Units Paying Tax 72%

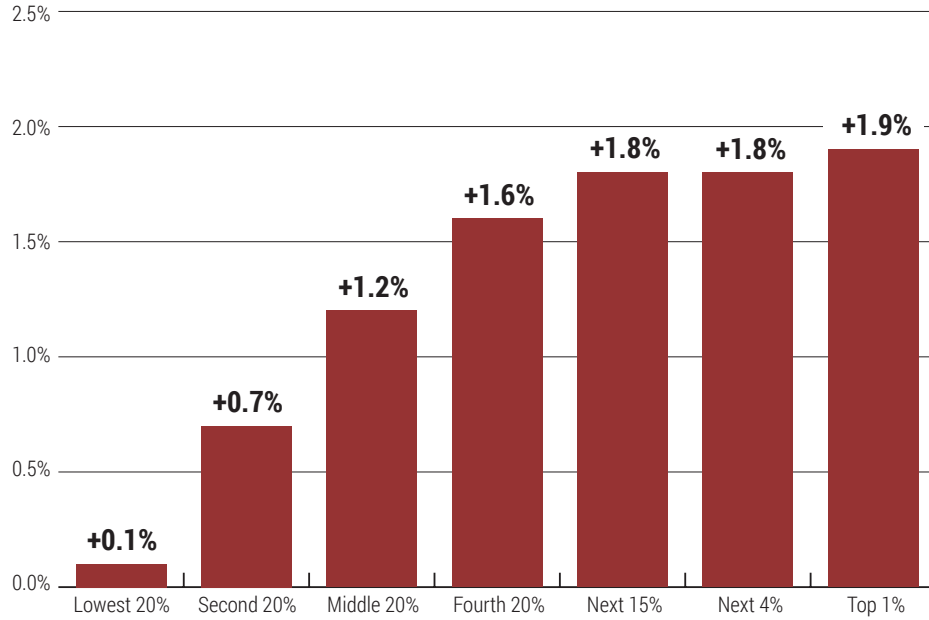
ALTERNATIVE PRESENTATION	LOWEST 20%	SECOND 20%	MIDDLE 20%	FOURTH 20%	NEXT 15%	NEXT 4%	TOP 1%	NON-RESIDENTS
Share of Total Tax Paid, Including Payments by Nonresidents	0%	3%	8%	19%	30%	16%	16%	7%

NOTES: Analysis is performed at 2019 income levels given a lack of sufficiently detailed economic data and forecasts for 2020 and beyond. Inflation indexed tax parameters were run at 2019 levels. Income levels are adjusted to assume a PFD of \$1,000 per person to be more reflective of the PFD's likely long-run level. PFD is exempt from tax. SOURCE: Institute on Taxation and Economic Policy (ITEP) Microsimulation Tax Model, December 2020

OPTION 3C:

ITEP analysis of a 2.5% flat-rate income tax for Alaska. Tax is levied on a modified version of federal taxable income (TI), as defined in federal law for 2021, but does not include itemized deductions. Tax is modeled as if it had been in effect in 2019.

Tax as a Percent of Total Income



TOTAL INCOME TAX COLLECTIONS

\$538 MILLION

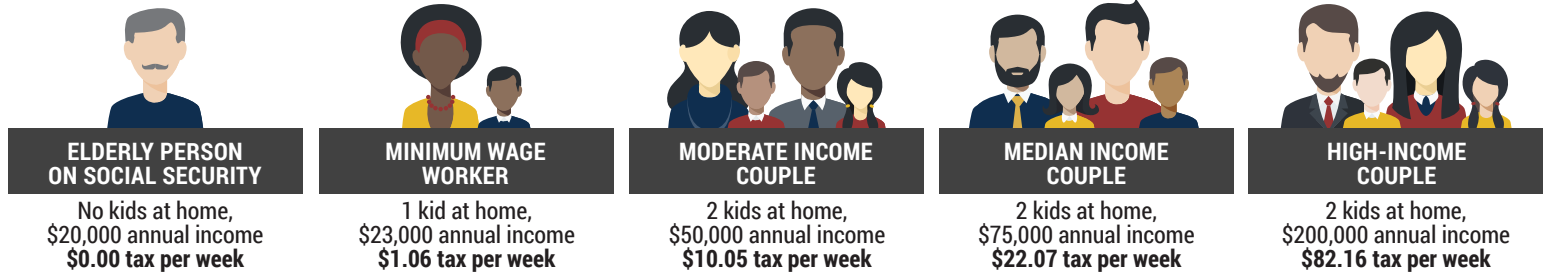
TAX PAID BY ALASKA RESIDENTS
\$499 MILLION

TAX PAID BY NONRESIDENTS
\$39 MILLION

Major Features

- 2.5% statutory tax rate
- Linked to federal taxable income (TI)
- PFD income exempt
- Standard deduction of \$12,550 single, \$18,800 head of household, and \$25,100 married filing jointly in 2021
- 20 percent deduction for qualified business income (QBI)

What does that mean for Alaska residents?



Revenue and Distributional Impact

2019 INCOME GROUPS	LOWEST 20%	SECOND 20%	MIDDLE 20%	FOURTH 20%	NEXT 15%	NEXT 4%	TOP 1%
Income Range	Less than \$22,400	\$22,400 – \$42,600	\$42,600 – \$70,100	\$70,100 – \$127,400	\$127,400 – \$237,400	\$237,400 – \$555,700	\$555,700 or more
Avg. Income	\$12,300	\$32,500	\$53,800	\$91,400	\$165,700	\$327,400	\$1,267,000
Tax as a % of Income	+0.1%	+0.7%	+1.2%	+1.6%	+1.8%	+1.8%	+1.9%
Annual Tax Paid	\$ +17	\$ +240	\$ +634	\$ +1,434	\$ +2,955	\$ +5,926	\$ +23,514
Share of Total Residents' Tax Paid	0%	3%	9%	21%	33%	17%	17%
% of Income Group Paying Tax	20%	74%	86%	97%	100%	100%	100%

ADDITIONAL STATEWIDE DETAIL

Share of Total Residents' Tax Paid by Bottom 60%	13%	22%	Share of Residents' Income Flowing to Bottom 60%
Share of Total Residents' Tax Paid by Top 20%	66%	57%	Share of Residents' Income Flowing to Top 20%
Share of Total Residents' Tax Paid by Top 5%	34%	29%	Share of Residents' Income Flowing to Top 5%

Share of Alaska Tax Units Paying Tax 72%

ALTERNATIVE PRESENTATION	LOWEST 20%	SECOND 20%	MIDDLE 20%	FOURTH 20%	NEXT 15%	NEXT 4%	TOP 1%	NON-RESIDENTS
Share of Total Tax Paid, Including Payments by Nonresidents	0%	3%	8%	19%	30%	16%	16%	7%

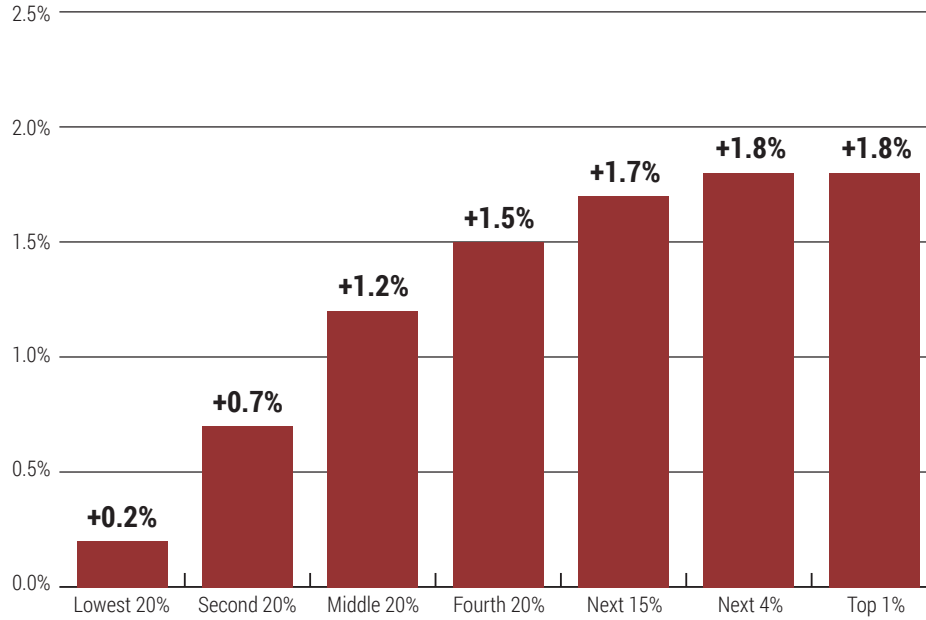
NOTES: Analysis is performed at 2019 income levels given a lack of sufficiently detailed economic data and forecasts for 2020 and beyond. Inflation indexed tax parameters were run at 2019 levels. Income levels are adjusted to assume a PFD of \$1,000 per person to be more reflective of the PFD's likely long-run level. PFD is exempt from tax. SOURCE: Institute on Taxation and Economic Policy (ITEP) Microsimulation Tax Model, December 2020

OPTION 4:

ITEP analysis of a 2.5% flat-rate income tax for Alaska. Tax is levied on a modified version of federal taxable income (TI), as defined in federal law for 2026. Tax is modeled as if it had been in effect in 2019.

TOTAL INCOME TAX COLLECTIONS
\$526 MILLION

Tax as a Percent of Total Income



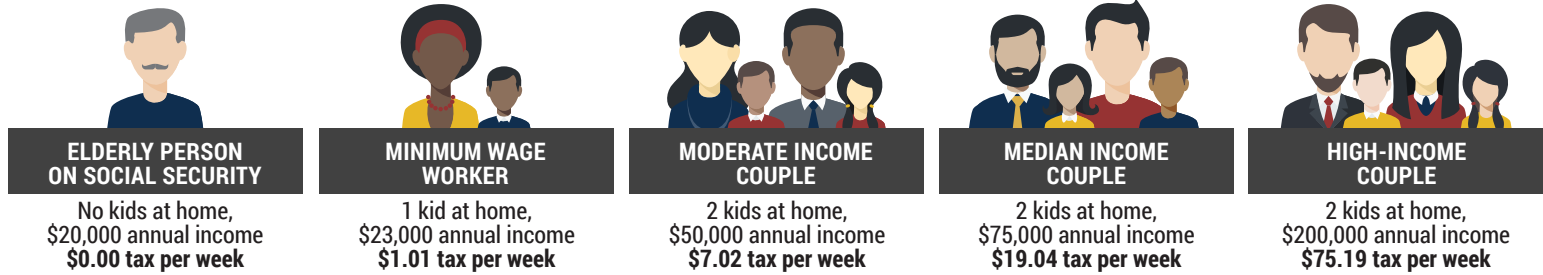
TAX PAID BY ALASKA RESIDENTS
\$487 MILLION

TAX PAID BY NONRESIDENTS
\$38 MILLION

Major Features

- 2.5% statutory tax rate
- Linked to the definition of federal taxable income (TI) scheduled to take effect in 2026
- PFD income exempt
- Standard deduction of approximately \$6,900 single, \$13,800 head of household, and \$10,100 married filing jointly in 2021
- Personal and dependent exemptions of approximately \$4,400 per person in 2021 (phased-out at higher income levels)
- Itemized deductions for charitable giving, property and sales taxes, mortgage interest payments, medical expenses, etc. (phased-down at higher income levels)

What does that mean for Alaska residents?



Revenue and Distributional Impact

2019 INCOME GROUPS	LOWEST 20%	SECOND 20%	MIDDLE 20%	FOURTH 20%	NEXT 15%	NEXT 4%	TOP 1%
Income Range	Less than \$22,400	\$22,400 – \$42,600	\$42,600 – \$70,100	\$70,100 – \$127,400	\$127,400 – \$237,400	\$237,400 – \$555,700	\$555,700 or more
Avg. Income	\$12,300	\$32,500	\$53,800	\$91,400	\$165,700	\$327,400	\$1,267,000
Tax as a % of Income	+0.2%	+0.7%	+1.2%	+1.5%	+1.7%	+1.8%	+1.8%
Annual Tax Paid	\$ +24	\$ +236	\$ +632	\$ +1,347	\$ +2,882	\$ +5,778	\$ +23,410
Share of Total Residents' Tax Paid	0%	4%	9%	20%	33%	17%	17%
% of Income Group Paying Tax	25%	72%	85%	97%	100%	100%	100%

ADDITIONAL STATEWIDE DETAIL

Share of Total Residents' Tax Paid by Bottom 60%	13%	22%	Share of Residents' Income Flowing to Bottom 60%
Share of Total Residents' Tax Paid by Top 20%	67%	57%	Share of Residents' Income Flowing to Top 20%
Share of Total Residents' Tax Paid by Top 5%	34%	29%	Share of Residents' Income Flowing to Top 5%

Share of Alaska Tax Units Paying Tax 73%

ALTERNATIVE PRESENTATION	LOWEST 20%	SECOND 20%	MIDDLE 20%	FOURTH 20%	NEXT 15%	NEXT 4%	TOP 1%	NON-RESIDENTS
Share of Total Tax Paid, Including Payments by Nonresidents	0%	3%	8%	19%	30%	16%	16%	7%

NOTES: Analysis is performed at 2019 income levels given a lack of sufficiently detailed economic data and forecasts for 2020 and beyond. Inflation indexed tax parameters were run at 2019 levels. Income levels are adjusted to assume a PFD of \$1,000 per person to be more reflective of the PFD's likely long-run level. PFD is exempt from tax. SOURCE: Institute on Taxation and Economic Policy (ITEP) Microsimulation Tax Model, December 2020