

Alaska Taxes Hit Poor & Middle Class Harder than the Wealthy

Low- and middle-income families in Alaska pay a higher share of their income in state and local taxes than do the richest families in Alaska, according to a new study by the Institute on Taxation & Economic Policy.

“State and local governments are being called upon to take on more and more responsibilities,” said Robert S. McIntyre, ITEP’s tax policy director and lead author of the study, titled *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*. “Unfortunately, when it comes to paying for services, Alaska has a unfair tax system.”

Alaska’s Tax Code: Tax the Poor and Middle Class, Spare the Wealthy

When all Alaska taxes are totaled up, the study found that:

- Alaska families earning less than \$15,000—the poorest fifth of Alaska non-elderly taxpayers—pay 3.8% of their income in Alaska state and local taxes.
- Middle-income Alaska taxpayers—those earning between \$31,000 and \$50,000—pay 3.0% of their income in Alaska state and local taxes.
- But the richest Alaska taxpayers—with average incomes of \$590,300—pay only 2.8% of their income in Alaska state and local taxes.

“Alaska relies on regressive taxes to fund all services,” McIntyre said. “The lack of a progressive income tax to offset regressive sales and property taxes means the tax burden falls most heavily on those least able to afford it. Taxes ought to be based on people’s ability to pay them, which means that the share of income paid in tax should rise as income grows, not fall as is the case in Alaska.”

Tax Regressivity Has Grown Since 1989

The study also examined the impact of changes in the regressivity of Alaska taxes since 1989, when the last cycle of state government shortfalls began. The study’s findings include:

- Tax regressivity rose in Alaska, as only the wealthiest Alaskans saw their taxes decline.
- Alaska has raised cigarette taxes by 71 cents per pack over the decade.

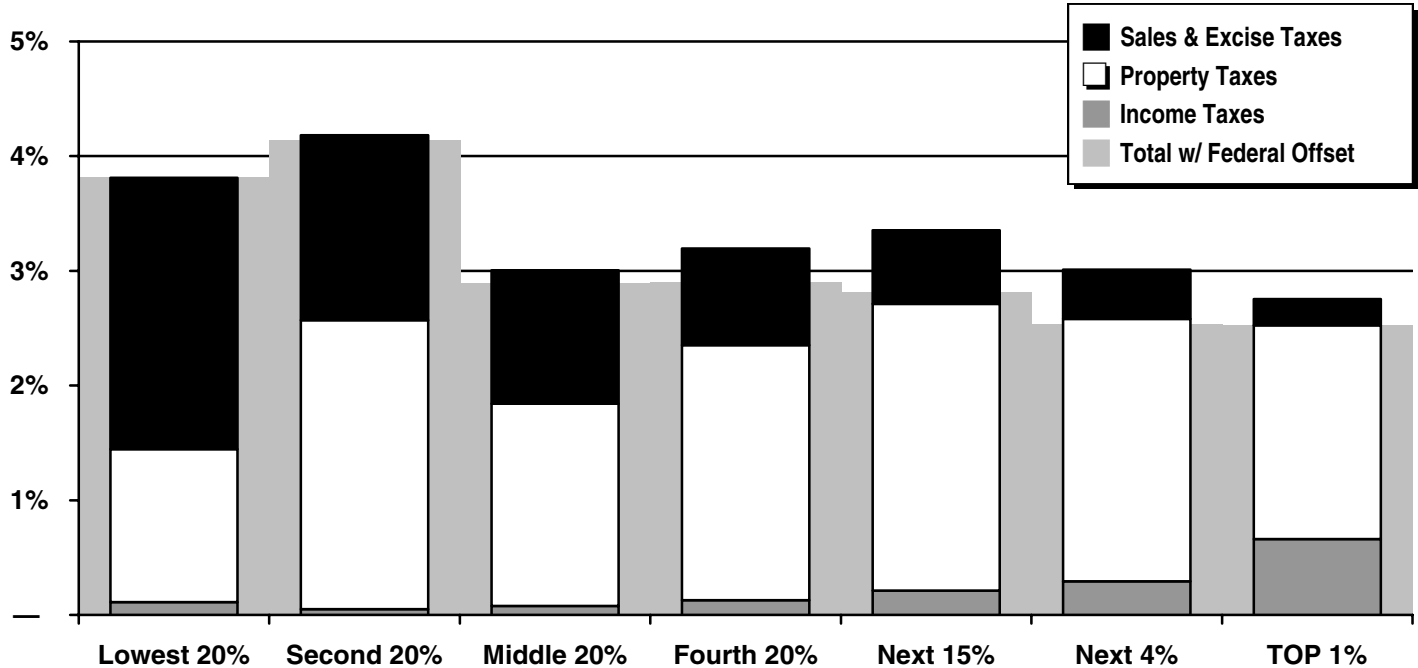
“Alaska’s large increases in cigarette taxes represent the worst budget balancing tools available to policymakers,” said McIntyre. “As lawmakers consider budget-balancing strategies in 2003, they should remember that their past actions have served to shift a greater share of the tax burden onto low-income taxpayers.”

Two pages of tables follow detailing the study’s findings for Alaska.

Alaska

State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$31,000	\$31,000 – \$50,000	\$50,000 – \$80,000	\$80,000 – \$142,000	\$142,000 – \$273,000	\$273,000 or more
Average Income in Group	\$9,900	\$22,600	\$38,500	\$62,300	\$101,000	\$181,000	\$590,000
Sales & Excise Taxes	2.4%	1.6%	1.2%	0.8%	0.6%	0.4%	0.2%
General Sales—Individuals	0.7%	0.6%	0.5%	0.4%	0.3%	0.2%	0.1%
Other Sales & Excise—Ind.	1.3%	0.7%	0.4%	0.3%	0.2%	0.1%	0.0%
Sales & Excise on Business	0.3%	0.3%	0.2%	0.2%	0.1%	0.1%	0.1%
Property Taxes	1.3%	2.5%	1.8%	2.2%	2.5%	2.3%	1.9%
Property Taxes on Families	1.1%	2.4%	1.6%	2.0%	2.1%	1.8%	0.7%
Other Property Taxes	0.2%	0.1%	0.1%	0.2%	0.4%	0.5%	1.2%
Income Taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.7%
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.7%
TOTAL TAXES	3.8%	4.2%	3.0%	3.2%	3.4%	3.0%	2.8%
Federal Deduction Offset	—	-0.0%	-0.1%	-0.3%	-0.5%	-0.5%	-0.2%
TOTAL AFTER OFFSET	3.8%	4.1%	2.9%	2.9%	2.8%	2.5%	2.5%

Note: Table shows 2002 tax law at 2000 income levels.

Alaska Tax Trends

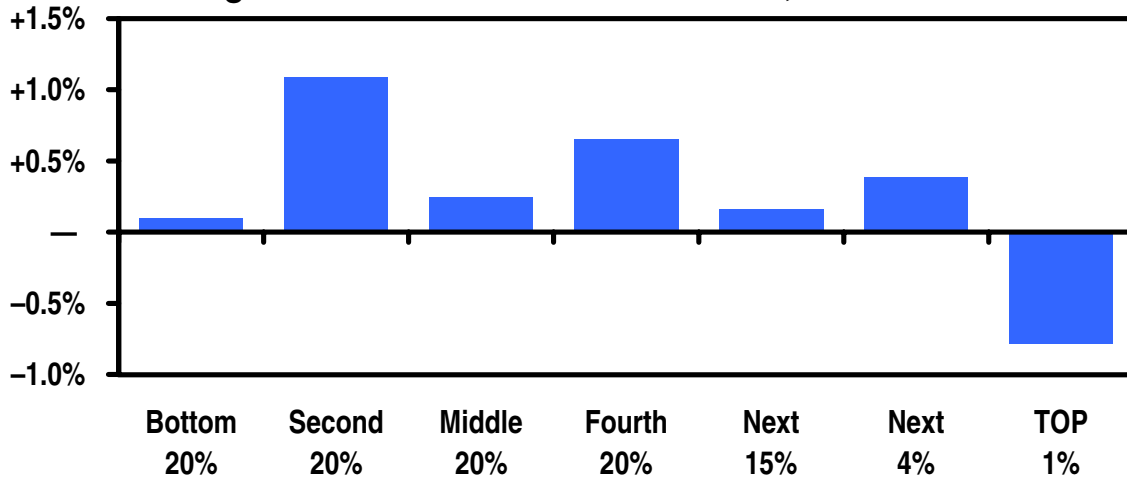
Progressive Features

- ✓ No statewide sales tax though many localities apply a local sales tax

Regressive Features

- ✗ No personal income tax

Changes in Taxes as Shares of Income, 1989 – 2002

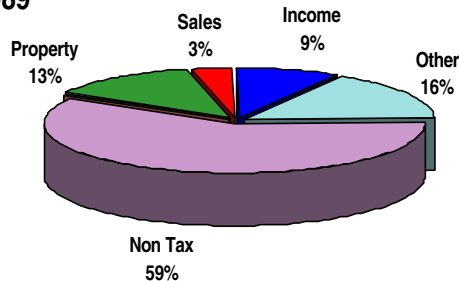


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.6%	+0.3%	+0.1%	+0.1%	+0.1%	+0.0%	+0.0%
Property	-0.3%	+0.9%	+0.2%	+0.7%	+0.3%	+0.5%	-0.4%
Income	-0.2%	-0.1%	-0.1%	-0.0%	-0.0%	-0.1%	-0.4%
Federal Offset	—	-0.0%	+0.0%	-0.1%	-0.1%	-0.0%	-0.0%
Overall Change	+0.1%	+1.1%	+0.2%	+0.7%	+0.2%	+0.4%	-0.8%

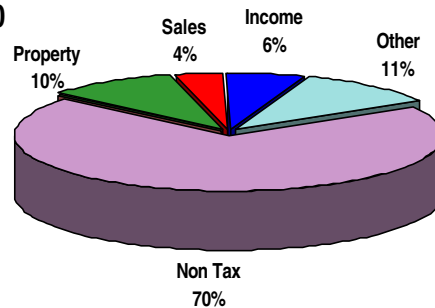
The major change Alaska made to its tax policy was to hike the cigarette tax by 71 cents from 1989 to present. Alaska receives most of its revenue from severance taxes and oil royalties and has been able to avoid levying broad-based taxes.

Composition of Revenues

1989



2000



Source: Government Finances, US Department of Census